

New Zealand- UK Free Trade Agreement: Q+A

Why is New Zealand negotiating a free trade agreement with the UK?

The UK is one of New Zealand's closest and most important bilateral partners. We already have strong economic and people-to-people connections. We sell each other some \$6 billion in goods and services each year and are substantial investment and innovation partners. But there is scope for us to do more through a free trade agreement (FTA) that removes tariffs, addresses non-tariff barriers, and provides improved access for New Zealand services exporters and investors and companies wanting to bid for UK government contracts.

Early conclusion of a high quality, comprehensive and inclusive FTA will:

- be an important next step in growing New Zealand's future relationship with the UK;
- create new opportunities for New Zealanders to grow their business in the UK;
- promote our sustainable development and inclusive trade objectives to ensure the benefits of trade reach all communities in New Zealand; and
- contribute to New Zealand's COVID-19 trade recovery strategy.

How will a free trade agreement improve our trade relationship with the UK?

The UK, a G7 economy with a GDP of \$2.7 trillion, is already a close economic partner for New Zealand. Two-way trade with the UK was worth nearly NZ\$6 billion in 2019, making the UK New Zealand's sixth largest trading partner. It is our closest investment partner in Europe, with New Zealand investment in the UK topping NZ\$15 billion last year.

An FTA will bring New Zealand and UK businesses, workers and consumers even closer together by providing a platform to grow trade, investment, and greater UK-New Zealand cooperation on sustainable development and inclusive trade issues. We will seek to do this by:

- improving access for goods and services, cutting the cost of trade, and thereby offering consumers and businesses wanting New Zealand and UK products better choice at more affordable prices;
- providing more certainty of access for investors and services exporters;
- agreeing modern rules that facilitate and streamline trade, including for the digital sector; and
- establishing new commitments, dialogue and forums for cooperation on sustainable and inclusive trade issues.

What are the economic benefits of a free trade agreement with the UK?

The free trade benefits we will be seeking through negotiations with the UK include:

- reducing the costs for existing trade and creating new opportunities to grow our goods and services trade to the UK;
- making it easier for companies of all sizes to do business in the UK, including through digital means;
- establishing a 'level playing field' for New Zealand businesses trading, operating and investing in the UK market; and
- strengthening collaboration with the UK across a range of trade and economic areas.

According to modelling undertaken by the UK government, an FTA is estimated to increase:

- New Zealand's GDP by up to £500 million; and
- New Zealand exports to the UK by up to 40.3%.

UK exports to New Zealand are expected to increase by up to 7.3%. These estimates reflect potential gains in year 15 following the FTA entering into force, and examine the benefits of removing all tariffs and addressing some non-tariff barriers (other possible benefits such as the investment effects and dynamic efficiency gains of an FTA were not considered). Further details on this analysis, its assumptions and limitations can be found at <https://www.gov.uk/government/organisations/department-for-international-trade>.

What are New Zealand's key exports to the UK?

Our trade is highly complementary and we benefit from strengths in different sectors. The UK is a leading supplier of vehicles, turbines and engines, and pharmaceutical products to New Zealand. The UK is one of the biggest global importers of food products and benefits from New Zealand's counter-seasonal production of fresh produce and protein.

- New Zealand's main goods exports to the UK include meat, wine, fruit, some machinery, eggs, honey and wool and were worth NZ\$1.4 billion¹ in 2019.
- The main goods imports from the UK include vehicles and parts, machinery, equipment, and pharmaceuticals and totalled NZ\$1.7 billion² in 2019.
- There is also substantial services trade, worth NZ\$2.7 billion in 2019³. New Zealand services exports to the UK are dominated by travel, transport and business services.

What are New Zealand's objectives in a free trade agreement with the UK?

New Zealand's objective is to secure a high quality, comprehensive and inclusive trade agreement with the UK that builds on our already strong relationship and reflects our shared interest in being at the forefront of the global trade agenda as our economies recover after the COVID-19 pandemic.

¹ <https://connect.ihsmarket.com/gta/standardreports>. Total goods export to UK in 2019.

² <https://connect.ihsmarket.com/gta/standardreports>. Total goods imports from UK in 2019.

³ <http://archive.stats.govt.nz/infoshare/ViewTable.aspx?pxID=fba0c277-1411-45f4-8556-89005ce88b39>.

We will be seeking FTA outcomes that:

- deliver comprehensive and commercially meaningful access to each other's markets by removing tariffs and reducing other barriers that limit our goods and services trade and impact investment activity;
- reflect New Zealand's Trade for All agenda on sustainable development (including environment, climate change and labour) and inclusive trade (especially for Māori, women and small and medium enterprises);
- ensure the agreement preserves the right of governments to regulate in the public interest, including for the environment, education, health and well-being of New Zealanders;
- preserve the unique status of the Treaty of Waitangi; and
- oppose the inclusion of Investor State Dispute Settlement provisions.

How will a free trade agreement with the UK deliver on New Zealand's Trade for All objectives?

We expect the UK will be a close partner on many of New Zealand's Trade for All objectives and will be seeking to reflect these in our negotiations. The UK has indicated a shared interest in promoting sustainable development outcomes through the FTA, including with respect to environment, climate change and labour. It has also been clear that it wants to work with us to develop a trade agreement that will benefit our economies and communities more widely, including for small and medium enterprises.

For New Zealand's part, we will also be looking to incorporate provisions to advance the economic and trade interests of Māori, women and to explore with the UK opportunities to work together to promote more open and inclusive trade as an enabler of development more broadly.

Why are negotiations being launched now?

New Zealand is one of four countries that the UK has identified as priority partners for new trade agreements post Brexit and in 2017 a joint commitment to begin FTA negotiations (as soon as the UK was in a position to do so) was announced. Negotiations could only begin, however, after the UK exited the European Union on 31 January 2020.

How has New Zealand prepared for trade negotiations with the UK?

Since March 2017, officials have met under the New Zealand-UK Trade Policy Dialogue to discuss ways to maintain stability and continuity in New Zealand's trade conditions with the UK through Brexit; and prepare the ground as far as possible for FTA negotiations (while respecting that up until 31 January 2020 the UK remained a European Union Member State).

The Government has also sought initial views from New Zealanders on an FTA with the UK and what it should cover. A report, containing independent analysis of these views, is being published today. Over 1,000 responses were received. This included 240 written submissions from individuals, business and industry groups and trade unions, as well as feedback received from an online poll. These views will help shape New Zealand's

approach to negotiations.

How can New Zealanders have their say as part of these negotiations?

In keeping with New Zealand's Trade for All agenda, we will conduct this process in as open and transparent a way as possible. Our objective will be to draw on the expertise and views of New Zealanders to help shape the agreement's outcomes.

Alongside the launch of negotiations, we are publishing an independent assessment of the views New Zealanders have already expressed in initial consultations on a UK-New Zealand FTA.

Moving forward, negotiators will undertake regular consultation and engagement with Māori leaders, business and sector groups involved in trade with the UK, civil society stakeholders, and interested members of the public. This will include regular updates on the FTA process, individual and group meetings on key issues in the negotiation, opportunities for engagement in the context of negotiating rounds, and an open-door policy for any New Zealander wishing to provide feedback and views throughout the course of the negotiations. Further details on the Ministry's consultation and engagement plan for the initial stage of negotiations will be published before the first round.

A dedicated MFAT email address (UKFTA@mfat.govt.nz) has been established for public enquiries and feedback at any stage during the negotiations. All feedback received will be shared with relevant negotiators and agencies involved in the negotiation, and will be used to help shape New Zealand's approach and priorities in a UK FTA.

What does COVID-19 mean for the negotiation?

New Zealand's efforts to secure a high quality, comprehensive and inclusive FTA with the UK have an important role to play as part of our wider COVID-19 trade and economic recovery plan. An FTA with the UK will provide a strong foundation to boost our trade and economic relationship with our sixth largest trade partner and will contribute to diversifying our international trade frameworks, at a time when the UK is doing the same post-Brexit. It will also send a strong signal about the importance both the UK and New Zealand attach to support for more open, rules-based trade, in promoting global economic recovery.

What happens next in the New Zealand-UK FTA process?

The first round of negotiations will be held virtually and will begin on 13 July.

When will the free trade agreement with the UK be concluded?

New Zealand is aiming to put in place an FTA with the UK as quickly as possible and we think rapid progress will be possible in many areas. Our priority though is a high quality and comprehensive agreement that addresses New Zealand's key interests, rather than the speed of the negotiating process.