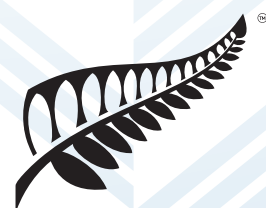




Briefing for incoming **Minister for Trade and Export Growth**

October 2017



NEW ZEALAND
FOREIGN AFFAIRS & TRADE

Cover photos (top to bottom):

- A view of Scott Base, Antarctica, from an incoming helicopter. *Photo: R. Eisert/University of Canterbury*
- Children participating in Just Play, a New Zealand funded sports development programme, Cook Islands. *Photo: Sunpix*
- The aftermath of Cyclone Winston, Fiji, 2016. *Photo: NZDF*
- MFAT staff member Alice Revell representing New Zealand at United Nations negotiations on a new high seas marine biodiversity treaty. *Photo: IISD/Mike Muzurakis (enb.iisd.org/oceans/bbnj/prepcom2/31aug.html)*
- Shipping containers being transported. *Photo: iStock*
- 'Global Haka' performing with MFAT staff member John Riley at the opening ceremony for the Weta Workshop Exhibition, Seoul, 2014.

26 October 2017

Hon David Parker
Minister of Trade and Export Growth
Parliament Buildings
WELLINGTON

Dear Minister

Congratulations on your appointment as Minister of Trade and Export Growth.

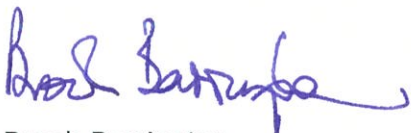
You are taking on this role at a time when the international trade environment has become more challenging. There are still many opportunities to be grasped but the risks to our national trading interests have also grown.

The Ministry of Foreign Affairs and Trade is committed to supporting you wholeheartedly in advancing the Government's trade and export growth objectives.

We provide, in the enclosed briefing, a view of New Zealand's trade policy interests, and information which hopefully will smooth the way as you take up your new portfolio. I look forward to an early meeting with you to understand your priorities and how we might best advance these.

Once again, please accept my warm congratulations on your appointment, as well as my personal commitment to ensuring that the Ministry and its leadership provide you with all that you need to be successful in advancing New Zealand's values and interests.

Yours sincerely



Brook Barrington
Secretary of Foreign Affairs and Trade

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Part one

Minister for Trade and Export Growth portfolio

Portfolio overview

As Minister for Trade and Export Growth, you help to grow New Zealanders' incomes, job opportunities and living standards: international economic connections make a vital contribution to productivity growth. You do this through development and implementation of New Zealand's trade policy, in which the Ministry of Foreign Affairs and Trade supports you, as well as through your responsibility for New Zealand Trade and Enterprise's international business development role.

The key components of your trade policy role are setting the strategic direction of New Zealand's policy framework and priorities, pursuing New Zealand's objectives through your ministerial diplomacy offshore, including direct negotiation where necessary, and coordination with other economic portfolios. Close coordination with the Minister of Foreign Affairs supports outcomes across both your portfolios.

You have primary responsibility for international trade negotiations through the World Trade Organisation (WTO) and free trade agreements. You secure Cabinet mandates for new negotiations or to complete negotiations. As a large number of agencies are responsible for implementing the outcomes of negotiations, multiple portfolios have an interest in these mandates.

You are the lead Minister responsible for addressing other market access issues facing New Zealand exporters, and often need to work with other Ministers on determining and implementing action. You also have responsibility for New Zealand's contributions to international trade and economic policy dialogues in the Organisation for Economic Cooperation and Development (OECD), Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS) economic stream.

You play a critical role in influencing outcomes for New Zealand through the relationships you develop with counterpart ministers and leaders of international organisations — for example, resolving impasses in negotiations, resolving bilateral trade issues, and securing decisions in multilateral and regional forums that improve trade rules or the trading environment.

The Minister for Trade and Export Growth has an important domestic role to engage with a wide range of domestic stakeholders with an interest in New Zealand's trade policy to promote transparency and understanding of the issues impacting on the Government's trade objectives.

New Zealand's trade and domestic economic policies need to be mutually supportive. A wide range of domestic policy-making can be affected by New Zealand's international trade obligations, and has potential to affect prospects for businesses in export markets.

A number of other government agencies also engage internationally in the trade and economic space, including on international taxation, air transport, immigration, tourism policy and international science engagement. Where sensitive or complex issues arise, both the Minister of Foreign Affairs and the Minister for Trade and Export Growth are engaged to ensure alignment across New Zealand's international interests.

Taking forward the Government's trade priorities

Through both manifesto policy statements and the respective Coalition and Confidence and Supply Agreements of 24 October, the Government has set out its policy interests in a range of areas.

On trade, you have said you will:

- preserve regulatory sovereignty, including the right to ban overseas speculators from buying New Zealand homes,
- address concerns around investor-state dispute settlement (ISDS),
- expand New Zealand's export markets through trade agreements,
- intensify engagement with civil society, and
- establish a Trade Advisory Commission.

We note in particular the following within the New Zealand Labour Party and New Zealand First Coalition Agreement:

- Work towards a Free Trade Agreement with the Russia-Belarus-Kazakhstan Customs Union,
- Initiation of Closer Commonwealth Economic Relations,
- Reform government procurement rules to give New Zealand companies greater access,
- Strengthen the Overseas Investment Act and undertake a comprehensive register of foreign-owned land and housing, and
- Introduce a royalty on exports of bottled water.

The Confidence and Supply Agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand's policy programme on Sustainable Economy contains a number of goals which may have an eventual trade dimension.

We would welcome an early opportunity to discuss your policy objectives with you, both to ensure we understand your priorities, and to ensure the Ministry is positioned to advance and implement these.

New Zealand's trade policy agenda: a view from the Ministry

Trade is a key driver of New Zealand's growth, competitiveness, employment and prosperity, as well as of wider foreign policy objectives.

Nearly \$4 in every \$10 earned by the New Zealand economy is generated directly by trade. More than half a million jobs — one in every four — across New Zealand rely on trade. And this data does not adequately include the contributions made by services and electronic commerce.

New Zealand has a remarkable record of protecting and advancing its trade interests.

Following Britain's membership of the Common Market in 1973 we secured (and subsequently agreed with the European Union as a whole in 1994) country-specific quotas for New Zealand sheepmeat and butter, supplemented by more modest quotas for beef, and cheese.

The Closer Economic Relations (CER) agreement with Australia was signed in 1983 and remains the most sophisticated trade agreement of its kind. It underpins what is essentially a single trans-Tasman economy.

Working especially with the United States and Australia and members of the Cairns Group coalition, we brought disciplines on agriculture within the international rules-based trading system in 1994 and in 2015 helped secure the complete elimination of agricultural export subsidies.

Successive governments have negotiated a range of free trade agreements, especially focused on the countries of the Asia-Pacific, and those agreements now give preferential market access to nearly 55 percent of our goods.

We were at the forefront of leveraging various bilateral free trade agreements to help build broader arrangements, such as the ASEAN-Australia-New Zealand free trade agreement and the Trans-Pacific Partnership (TPP).

And we are among a small group of countries that have consistently sought undertakings that link trade and labour and trade and environmental standards, and have successfully secured recognition in various free trade agreements of the special status of the Treaty of Waitangi.

But underneath these successes lie some fragilities. The ratio of our exports to Gross Domestic Product has largely tracked sideways at about 30 percent for nearly 40 years. The composition of our exports is stubbornly concentrated in primary products with relatively low value-add where global protectionism is highest. And we are only belatedly coming to grips with the potential that e-commerce, 3D printing and services may deliver, both in broader economic growth terms, but also for our productivity.

And the international trade and trade policy environment is challenging.

The benefits of trade liberalisation are too often explained in terms of increases to GDP, whereas the costs of openness and liberalisation are often felt most directly by individuals and communities. For some time not enough attention has been paid (in New Zealand or overseas) to addressing the uneven distribution of the benefits of trade, or to the social and economic costs of adjustment, or to listening and responding to the concerns of citizens.

As a result, protectionism internationally is on the rise, political and public support for trade liberalisation increasingly needs to be re-negotiated on a case-by-case basis, and the rules governing global trade (rules that, in most cases, have benefitted a small and relatively weak country like New Zealand) are under challenge **s6(a)**.

New Zealand needs to be clear-eyed about these developments. Our prosperity and economic resilience are built on securing markets for our goods and services, and protecting those markets by rules that bind big and small countries alike. But the trade-offs relating to maintaining adequate domestic policy space, and the importance of ensuring the equitable distribution of benefits, cannot be ignored and must be addressed in ways that benefit New Zealand's national interests first and foremost.

This can only be done if New Zealand is in the room when the discussions that affect our interests are taking place. To get a seat in those international or regional discussions we rely on our reputation as a creative, constructive, engaging and engaged small state partner.

Multilateral context

Unlike those of other international organisations, World Trade Organization (WTO) rules and disciplines are legally enforceable. This means that major economic powers — like the United States, European Union, China, India and others — can be held to account, including by smaller countries.

But the WTO is struggling. While the WTO's Doha Development Round was launched in 2001, 16 years later multilateral outcomes have been modest.

And the WTO's "jewel in the crown" — its dispute settlement mechanism — is under strain, **s6(a)**

Regional context

The two most significant trade policy developments since the establishment of the WTO in 1994 have been the rise of China and the emergence of a regional economic architecture in the Asia-Pacific.

China's rise has been facilitated in part by the rules that underpin the multilateral trading system. China is now the top trading partner of every economy in Asia, and President Xi's address to the World Economic Forum in Davos earlier this year made clear that China would be a constructive and engaged partner in sustaining open markets.

Conversely, and within days of President Xi's speech, President Trump withdrew the United States from one of the emerging pillars of regional economic architecture — the TPP Agreement. **s6(a)**

New Zealand has benefited significantly from China's growth and regional engagement. **s6(a)**

s6(a)

s6(a)

In the meantime, **Japan** is also more forcefully stepping into the regional trade discussion, **s6(a)**. It has accelerated implementation of its existing free trade agreement with Australia and announced the conclusion of its free trade agreement negotiations with the European Union: both at the expense of New Zealand exporters who are quickly losing market share in the high value Japanese market. Beef exports, for instance, are down nearly 15 percent a year after Australia's preferential agreement with Japan entered into force.

Japan has also prioritised the conclusion of TPP, **s6(a)**

For our part, we know that New Zealand's interests in any trade deal that the Government might want to enter must be balanced between (a) securing access especially to those markets where our competitors already have preferential deals (and where we are being squeezed by Japan, Mexico, Canada, and Peru among others), (b) ensuring that rules really do level the playing field between large and small countries, and (c) protecting New Zealand's sovereign rights and interests to the fullest extent possible.

Securing these things requires varying degrees of determination, persistence and creativity.

Managing risk and opportunity

Key elements in how we manage emerging geopolitical shifts are to diversify our trade, avoid being squeezed out of markets by competition, help shape the rules that govern international trade, and create and take opportunities as they arise (because as a small player with a weak negotiating hand we need to be opportunistic).

Therefore, we benefit from being one of those countries that is able to get into the “small room” to help shape and construct the rules and deals that matter to us.

We are at the forefront of efforts to use trade rules to improve global environmental outcomes, including through proposals to remove fish subsidies, reform and reduce fossil fuel subsidies, and improve market access for environmental goods. **s9(2)(f)(iv)**

More generally, we are active in developing new rules to enable e-commerce and digital trade.

At the regional-level, **ASEAN** is central to our economic and strategic future and so we are negotiating as part of the 16-country Regional Comprehensive Economic Partnership (RCEP).

We are also negotiating an Enhanced Partnership Agreement with **Singapore s9(2)(j)**.

Our Free Trade Agreement with **China** is the cornerstone of our bilateral trade and economic relationship. Given, however, China’s agreements with other countries since 2008, and the changing regulatory environment in China, New Zealand has pursued upgrade negotiations as a priority.

The countries and markets of **Latin America** are increasingly opening up to global trade and so we have launched negotiations with the Pacific Alliance and are considering our next steps with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay).

We continue to keep a close eye on how we might revive and sign our (concluded) free trade agreement with the **Gulf Cooperation Council** and are plugging away at the bilateral free trade agreement with India, **s6(a)**.

Our trade settings with **Russia** are being kept under close review **s6(a)**

And issues related to **Brexit** will have longer term implications for our interests not only in terms of the negotiations with the European Union for a free trade agreement, and the

possibility of a future free trade agreement with the United Kingdom, but because we have vitally important New Zealand-specific tariff quota interests to protect **s9(2)(j)**

Implementation and enforcement

Negotiating a free trade agreement is one thing, selling into those markets is quite another. Analysis shows that up to 40 percent of a trade agreement's benefits may be lost through poor implementation. In this regard, New Zealand's performance has been good, but could be better. The uptake of preferential access by larger New Zealand companies, for instance, has been positive, but more work is needed to encourage the uptake of opportunities by small and medium-sized enterprises, including in regional New Zealand. The Ministry works especially closely with New Zealand Trade and Enterprise in this work, onshore and in overseas markets.

The Ministry is also undertaking some exploratory work on economic diplomacy. A particular focus is on how better to harness the force multiplier effect of New Zealand's overseas posts in a way that can leverage better international connections for our firms. There is also scope to do more thinking across NZ Inc agencies around the nexus between trade policy and domestic economic policy.

In the meantime, we have never been backward in enforcing our rights under the WTO. This has been done selectively but to good effect. The process of settling a dispute at the WTO can be a lengthy one, but we have secured wins over Australia (apples), the European Union (butter), the United States (lamb, steel), Canada (agricultural export subsidies), and Indonesia (beef). **s6(a)**

Finally ...

The Ministry does not assume the public's support for trade liberalisation. The balance between national gains and losses needs to be rigorously assessed, and in terms that go beyond the impact on GDP growth. This process needs to be built on public dialogue, substantive engagement, and listening.

s6(e)(iv)

One of New Zealand's negotiating advantages has been the longstanding bipartisanship that has been enjoyed on trade matters. This should not be undervalued. It is the necessary underpinning of our reputation for being creative, constructive, even-handed and rules-based in our trade policies and in the manner of our negotiation. In short, we get a long way in the world by being ourselves — with all that our key trading partners believe that implies.

Supporting the Government's international trade policy agenda is the Ministry of Foreign Affairs and Trade, which works closely with other NZ Inc agencies like New Zealand Trade and Enterprise, the Ministry for Primary Industries, the Treasury, the Ministry for Business, Innovation and Employment, Te Puni Kōkiri, and the Ministry for the Environment among others.

Ours is a small, professional foreign service acting in the world to make New Zealanders safer and more prosperous. Recent budget decisions have strengthened the Ministry's ability to advance New Zealand's trade policy agenda. But we still need to be tightly focused on the Government's priorities, engaged with civil society (including business, Māori, the unions and NGOs), and invested in building New Zealand's trade policy and negotiating capability.

As at October 2017, nearly half of all New Zealand's diplomats had fewer than five years' experience, including with regard to trade issues. This is a risk that is being managed, but needs to be addressed, not least if we are to sustain and build our capacity to secure access to the "small rooms" where key trade policy decisions are taken that may affect our national interest.

Trade policy and why it matters to New Zealand

Trade is essential for New Zealand's prosperity and New Zealanders' standard of living. The success of the export sector drives productive growth that pays higher wages. Some 600,000 New Zealanders (one in four workers) depend on exports for their jobs. International trade and investment connections provide the opportunity for New Zealand businesses to grow to a scale that the domestic market alone cannot support¹.

There has been a sharp rise in global protectionist sentiment and New Zealand faces a period of uncertainty in the external trading environment. Public support for trade policy in general and trade agreements in particular in some countries has declined. Despite this increasingly difficult global context, New Zealand's challenges remain the same. We are still a small economy, distant from major markets and dependent on trade (often in products that face higher than average levels of protectionism). Our trade policy aims to reduce and mitigate these enduring challenges.

New Zealand benefits significantly from a rules-based trading system, which depends on all countries respecting their own trade obligations. The system is based on two fundamental principles of non-discrimination. These are **Most-Favoured-Nation** (MFN), which requires countries to apply conditions on trade with other countries that are no less favourable than those applied to trade with any other country, and **National Treatment**, where the treatment for imported goods, services or foreign investors must be no less favourable than the treatment for domestic goods, services or investors. It is underpinned by a formal and binding dispute settlement process based on codified legal rules.

The drive to build a high productivity, high wage economy can help manage the risk that New Zealand faces regarding natural limits to the volume of goods it can produce, as well as the tourism services it can sustain. Further diversification of New Zealand's exports and adding value to these will enable resilience and adaptability. A diversified set of markets is also important to New Zealand's economic resilience.

New Zealand's traditional trade policy objectives

- **Secure access:** open up markets by eliminating or reducing tariffs and other barriers to New Zealand exporters and investors,
- **Level the playing field:** work to reduce subsidies and other trade distorting practices in other countries, and facilitate market access for New Zealand exporters on similar terms to our major competitors,

¹ Appendix 1 provides further detail on New Zealand's key trade data.

- **Provide predictability:** improve certainty over the costs of trading with and doing business in other countries, so as to support New Zealand businesses already active in a market, and encourage new players to enter,
- **Create options:** offer flexibility and diversity of market options that allow New Zealand firms to better adjust to a downturn in any one market and take advantage of emerging opportunities elsewhere, and
- **Support ongoing diversification:** utilise our trade policy to help grow and diversify New Zealand's export base, facilitate the development of new industries, and build on the strengths of traditional industries to add more value to exports.

How we deliver on these objectives

The Ministry delivers trade policy outcomes through four inter-related channels:

Negotiation:

- Of international trade rules through the WTO that improve trading conditions for New Zealand businesses. We are seeking stronger disciplines on domestic subsidies for agriculture, following on the recent WTO decision to eliminate agricultural export subsidies. We are also seeking disciplines on fisheries subsidies that contribute to over-fishing and promoting the reform of fossil fuel subsidies through the application of trade disciplines, and
- Of free trade agreements with other countries or groups of countries in order to open up and secure access to markets and reduce costs for New Zealand goods and services exporters and investors. In such agreements New Zealand seeks to safeguard the right of the government to regulate for legitimate public policy purposes, e.g. public health and protection of the environment. In the context of these negotiations we also seek outcomes on trade and environment and trade and labour.

Implementation:

Research underlines that the value of trade agreements can be unrealised if companies do not fully utilise the preferences secured through negotiation. We put a strong emphasis on implementation of existing agreements, to maximise benefits including through ongoing modernisation, and enhanced promotion of agreements to business.

Enforcement:

Of New Zealand's access rights under WTO and FTA rules where necessary, including by taking dispute settlement action where appropriate.

Helping businesses succeed internationally, through:

- **Resolving non-tariff barriers:** particularly given the progress made in reducing and eliminating tariffs under FTAs, New Zealand exporters are finding non-tariff barriers (rules that make it costly or difficult to export to a particular market) an increasingly significant impediment. The Ministry addresses some of these itself and

coordinates an NZ Inc approach to tackling barriers on which New Zealand exporters seek assistance, and

- **Helping businesses succeed internationally:** the Ministry works with NZTE and other agencies to help New Zealand firms to succeed in international markets. Through our network of overseas posts, we aim to assist companies appropriately with strategic advice, connections with decision-makers and links to investment and other opportunities. We also project and protect a New Zealand brand that promotes demand for New Zealand products and services.

To assist in this delivery of New Zealand's trade policy objectives, the Ministry:

- **collaborates closely with all NZ Inc economic agencies**, notably the Ministry for Primary Industries, Ministry for Business, Employment and Innovation, the Treasury and New Zealand Customs, and has an especially close working relationship in offshore markets with New Zealand Trade and Enterprise as well as Tourism NZ and Education NZ,
- **contributes to domestic policy making** that affects prospects for businesses in export markets and ensures New Zealand takes into account the need to meet all its own trade obligations, and
- **engages with New Zealanders** on trade issues. The Ministry has increased this engagement in 2016 and 2017, including supporting the then-Minister in the establishment of a Ministerial Advisory Group. In addition to outreach during negotiations, and very extensive meetings throughout the country during 2016 and 2017, the Ministry also initiated a series of meetings (a "conversation on trade") in main centres in July 2017. We currently have planned further officials-led face-to-face outreach on New Zealand's current FTAs as follows:
 - 16 November — Federation of Māori Authorities, Rotorua
 - 29 November — Iwi Leaders' Meeting, Wellington

s9(2)(f)(iv)

New Zealand's existing trade policy architecture and the current forward negotiating agenda is summarised on page 17. The map on the subsequent page depicts the global coverage of New Zealand's free trade agreements and forward negotiating agenda. In the year to June 2017, 55 percent of New Zealand exports went to countries with which we have trade agreements.

New Zealand's Current Trade Policy Agenda

Architecture already in force

- **WTO (164 members)**
 - Uruguay Round Agreements (1995)
 - Trade Facilitation Agreement (2013)
 - Elimination of Agriculture export subsidies (2015)
- **Plurilateral**
 - WTO Government Procurement Agreement (2014) (Plurilateral 47 Members): gives NZ access to US\$1.7 trillion per annum government buying markets.
- **Non-trade barriers (NTBs)**
 - WTO Agreements
 - FTAs
- **Free Trade Agreements (bilateral, plurilateral and regional)**
 - PACER Plus: 9 Pacific Island countries, together with Australia and NZ (signed in June 2017)
 - South Korea (2015)
 - Chinese Taipei (2013)
 - Hong Kong (2011)
 - Malaysia (2010)
 - AANZFTA (2010): ASEAN economies, together with Australia and NZ.
 - China (2008)
 - P4 (Singapore, Brunei, Chile) (2006)
 - Thailand (2005)
 - Singapore (2001)
 - Australia (1983)

Architecture not yet in force/suspended

1. **WTO Trade in Services Agreement (TiSA)** currently on hold **s9(2)(j)**.
2. **Environmental Goods Agreement (EGA)** currently on hold **s9(2)(j)**.

FTAs

3. **TPP12** (signed Feb 2016): Parties: Australia, Brunei, Chile, Malaysia, NZ, Singapore, Viet Nam; and the following with which TPP would secure NZ FTA market access for first time: US, Japan, Mexico, Peru and Canada. Covers 36% of global GDP and 40% of NZ goods and services exports. Tariff savings of \$256 million pa. Policy changes required notably in Intellectual Property but already legislated (effective if TPP12 enters into force).
4. **GCC** (Saudi Arabia, Kuwait, Oman, UAE, Bahrain, Qatar). Negotiations finalised in NZ view but dormant pending GCC agreement to legal 'scrub'.
5. **Russia and Customs Union partners**. Negotiations close to conclusion but suspended in 2014 following Russia's illegal annexation of Crimea.

Non-trade barriers (NTBs)

TPP-11/12:

- high quality rules on goods and services
- product specific sectoral annexes

Architecture under negotiation/implementation

● Suspended/Not yet in force ● Preliminary talks ● Negotiation launched ● Negotiations well advanced ● Nearing conclusion

Opportunity



s9(2)(j)

Success likely

Key NZ goals in negotiation not secured

Change to NZ policy settings/significant adverse implications for NZ interests

Risk

*Size of bubbles represents potential economic benefit to NZ

Potential architecture

- **EU FTA**: covers 28 EU Member States and NZ, 24% of global GDP and 12% of NZ goods and services exports. **s9(2)(j)**. opportunity to secure improved market access for agriculture, **s9(2)(j)**.
- **Mercosur** (Brazil, Argentina, Paraguay and Uruguay with NZ and possibly Australia). **s9(2)(j)**.
- **UK/NZ FTA**: once the UK is in a position to do so.
- **Free Trade Agreement of the Asia Pacific**: NZ chairing process to develop work programme for 2017-2020.

Engagement with New Zealanders

on trade issues underpins all the above. The Ministry has intensified this engagement in 2016 and 2017, including support for the establishment of a Ministerial Advisory Group.

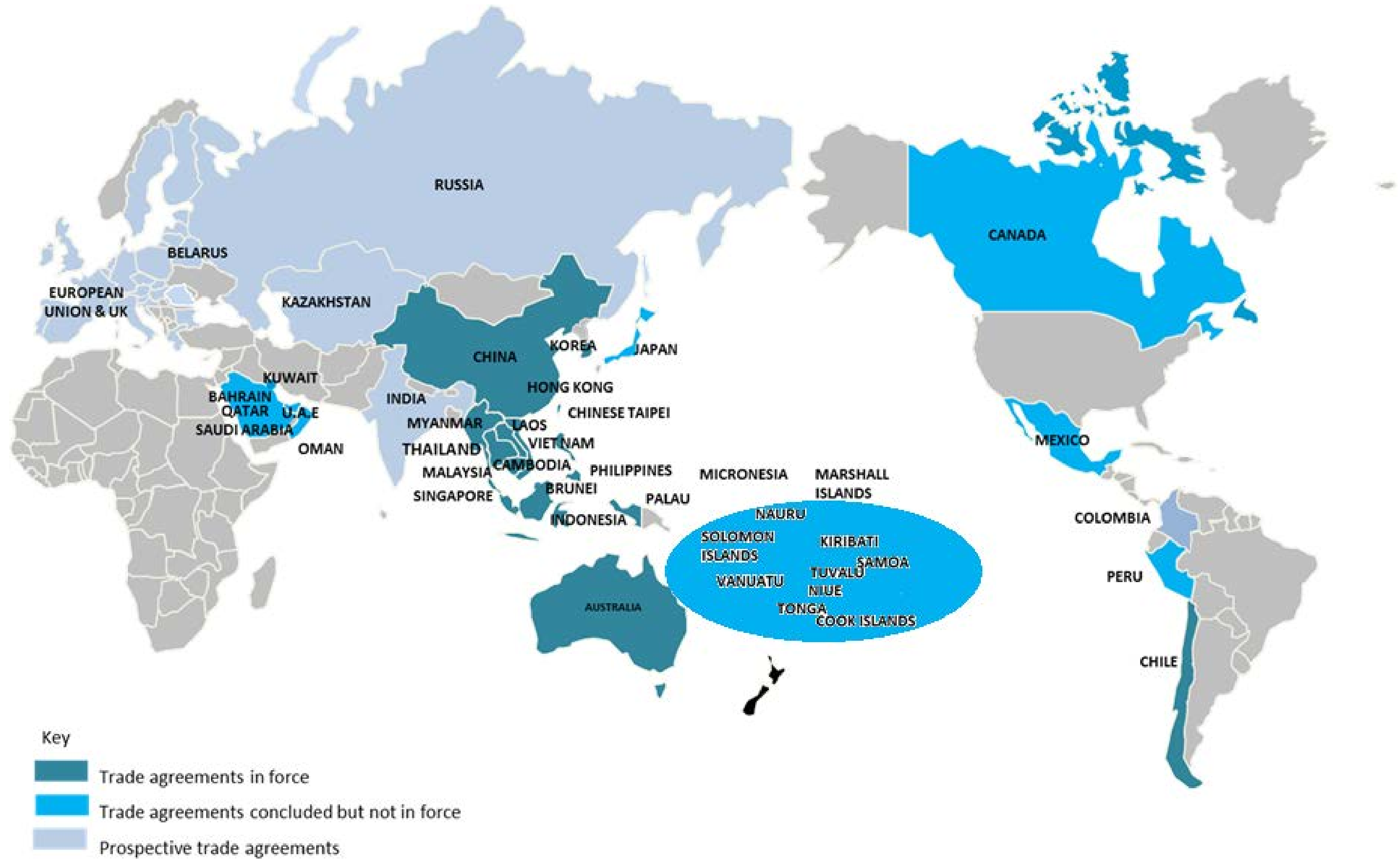
Architecture under negotiation

6. **WTO MC11** - Potential subjects for decisions by Ministers or additional disciplines:
 - Agriculture domestic support: key opportunity for NZ to continue long term policy and constrain future domestic subsidies growth.
 - Fisheries subsidies: key opportunity to secure long term NZ policy goal.
 - Fossil Fuel Subsidies Reform: opportunity for NZ to push trade and environment reform .
 - New Zealand invited as Vice-Chair.
 - Other decisions.
7. **UK/EU WTO Tariff Quotas and Brexit**
 - **s9(2)(j)**. UK/EU proposal to split existing WTO quotas would leave NZ "worse off" following Brexit. **s9(2)(j)**.
 - UK/NZ trade policy dialogue well under way, **s9(2)(j)**.
8. **TPP11** (participants as for TPP12 without the US). Smaller gains than TPP12 but some provisions also to be suspended pending US return to TPP. Tariff saving estimated at \$222m. Likely conclusion mid-November.
9. **RCEP/India** (16 participants: ASEAN, Australia, NZ, China, India, Japan, Korea; covers 24% of global GDP and 56% of NZ exports. Opportunity to get FTA link with India and improve other market access, **s9(2)(j)**).
10. **Pacific Alliance** (Mexico, Colombia, Peru, Chile with Australia, Canada, NZ, Singapore). Key opportunity is strategic bulwark into Americas, new FTA market access with Mexico, Peru and Colombia. Negotiations just started, but aiming for 1-2 year finish.
11. **China FTA Upgrade**: negotiations started 2017. **s9(2)(j)**.
12. **Singapore FTA Upgrade**: negotiations launched 2017 as part of wider Enhanced Partnership Agreement. Making fast progress and may be concluded this year.
13. **AANZFTA General Review**: 2017-2018. Important opportunity to reinvigorate **s9(2)(j)** 'built in agenda' and lay ground to upgrade FTA.

Non-trade barriers (NTBs)

- FTA chapters and sectoral provisions under negotiation
- WTO (above)
- Individual measures addressed through various channels, include bilaterally
- Standards setting bodies (e.g. Codex)
- Norms developed by OECD, APEC

New Zealand's trade agreements



Part two

Taking up your role: immediate issues and engagement

How the Ministry supports you

The Ministry engages with you through the following channels, which will be adapted to suit your preferences and schedule:

- A regular (usually monthly) meeting with the Chief Executive,
- A regular (usually weekly) meeting with the Deputy Secretary Trade and Economic Group and other senior officials,
- Issue-specific written briefings, which provide key points, recommendations and background,
- Diplomatic reporting (known as Formal Messages) from the Ministry's offshore posts, and
- Support from accompanying senior officials during international travel.

Two Ministry staff are currently seconded to your office:

NAME/ROLE	RESPONSIBILITIES
s9(2)(a) Senior Private Secretary	<ul style="list-style-type: none"> • World Trade Organisation (WTO) • EU FTA • Brexit • Trans-Pacific Partnership (TPP) • China FTA Upgrade • Russia FTA • Organisation for Economic Cooperation and Development (OECD) • Trade and Environment • Liaison with the Ministry's Office of the Chief Executive
s9(2)(a) Private Secretary	<ul style="list-style-type: none"> • Asia-Pacific Economic Cooperation (APEC) • Regional Comprehensive Economic Partnership (RCEP) • Singapore CEP Upgrade • Pacific Alliance • Mercosur • India FTA • Bilateral trade issues • Civil society engagement • Official Information Act requests, Ministerial correspondence, parliamentary questions • Ministerial travel

Travel, incoming visits and other international engagement

Establishing key relationships

We recommend making early contact with key international counterparts. This will help establish the strong relationships you will need to transact New Zealand's trade policy objectives.

This can be achieved initially through phone calls, and then at one of a number of imminent international meetings that we recommend you attend, as part of a dedicated travel programme or through high level visits to New Zealand. The next few months offer especially rich opportunities for bilateral meetings in the margins of international and regional meetings.

Priority relationships are focused around: key counterparts who will play a role in the World Trade Organisation's Ministerial Conference in December, counterpart Trade Ministers from those countries with which New Zealand is engaged in free trade agreement negotiations (either concluded but not yet ratified, under current negotiation, or those with varying prospects of launching negotiations), and other Ministerial counterparts who are important in their own right, **s6(a)**

The following table sets out the countries and counterparts we recommend you prioritise for contact over the coming six months, either through early phone calls, at one of a number of imminent international meetings, or as part of dedicated travel.

s6(a)	s6(a)	s6(a)

We expect that a number of your international counterparts will also seek to make early contact. This is likely to overlap in part with those identified above.

We will welcome the opportunity to discuss your engagement priorities with you and provide advice on delivering on these through the range of channels noted above.

Travel: October 2017-March 2018

The following table summarises travel we propose you undertake for specific set-piece events over the next six months.

DESTINATION / EVENT	DATES
<p>Asia-Pacific Economic Cooperation Ministerial Meeting, Da Nang, Viet Nam</p> <p>The APEC Ministerial Meeting is an annual event for Trade and Foreign Ministers. Outside of the plenary sessions, the Ministerial Meeting offers opportunities for Ministers to hold bilateral meetings with their counterparts. There will be a dedicated TPP Ministers' meeting in Da Nang which New Zealand and Viet Nam will co-Chair. This meeting will review options for bringing the TPP into force without the United States. This immediately precedes the APEC Economic Leaders' Meeting on 10-11 November (which the Prime Minister will attend). There will be a dedicated Leaders' meeting on TPP, which New Zealand has also been invited to co-Chair. If TPP negotiations have progressed sufficiently, Leaders may look to announce substantive conclusion of a new Agreement among the 11 remaining participants.</p>	8-9 November
<p>Regional Comprehensive Economic Partnership Ministerial (to be confirmed) in margins of East Asia Summit Leaders' meeting</p> <p>ASEAN has indicated it is likely to convene Regional Comprehensive Economic Partnership (RCEP) Ministers in advance of the East Asia Summit Leaders' meeting to decide on recommendations to Leaders about whether the RCEP negotiations are "on track". New Zealand participation would be important to influence the future direction of this negotiation.</p> <p>There will also be opportunities for bilateral meetings with a number of your counterparts.</p>	Mid-November
<p>11th World Trade Organization Ministerial Conference (MC11) (Buenos Aires)</p> <p>The biennial WTO Ministerial Conference is the highest decision-making body of the WTO. New Zealand's objectives for the conference are outlined on page 32. Your predecessor was appointed as one of three Vice-Chairs to MC11, and early indications are that this role will be transferred to you.</p>	10-13 December
<p>Davos WTO Mini-Ministerial and World Economic Forum</p> <p>Each year Switzerland hosts an informal WTO mini-Ministerial on the margins of the World Economic Forum (WEF) in Davos. (While New Zealand's participation is not guaranteed, we have been invited to participate in the mini-Ministerial over recent years.) The 2018 meeting will provide an opportunity to review the outcomes of MC11, including its impact on the effectiveness of the WTO as an organisation, and to exchange views on the prospects for future progress towards trade liberalisation under WTO auspices. There will be opportunities for Ministers to hold bilateral meetings with counterparts.</p> <p>It is possible that you will also receive an invitation to the WEF. Should you receive an invitation, we would recommend you attend.</p>	25-27 January 2018

DESTINATION / EVENT	DATES
Australia-New Zealand Leadership Forum, Sydney The Australia-New Zealand Leadership Forum (ANZLF) brings together business and government leaders to discuss the trans-Tasman relationship with a focus on how to enhance the seamless marketplace we are pursuing between the two countries. In 2018, it will be hosted by Australia alongside the annual Prime Ministers' meeting. In addition to the opportunity to meet with trans-Tasman business leaders, the ANZLF attracts a good number of Australian and New Zealand Ministers with economic portfolio responsibilities. It is a good chance to inject political direction into our largest economic relationship.	2 March 2018

In addition, we recommend you consider the following initial travel options for 2018 (timing of these will, among other things, be subject to counterpart availability):

PROPOSED DESTINATIONS	RATIONALE
s9(2)(f)(iv)	s9(2)(f)(iv)
s9(2)(f)(iv)	s9(2)(f)(iv)

Incoming Trade Minister visits

A number of your counterparts are due to visit New Zealand before the end of 2017, offering valuable opportunities to establish relationships and progress trade policy priorities.

VISITOR	DATES
United Arab Emirates Minister of Economy (for Joint Economic Commission)	23-24 November
United Kingdom Secretary for International Trade, Liam Fox	25-28 November TBC
s6(a)	s6(a)
Australian Trade Minister, Steve Ciobo (for CER Ministerial)	Last quarter of 2017

Initial engagement with domestic stakeholders

New Zealand Trade and Enterprise

An early meeting with New Zealand Trade and Enterprise Board Chair Andrew Ferrier, and Chief Executive Peter Chrisp, would be valuable.

Other trade policy engagement

The Ministry stands ready to provide advice on engagement with individual industry and civil society stakeholders, possible outreach events open to a public audience, and the formation of any new advisory structures.

Cabinet agenda

This table identifies issues that the Ministry recommends be considered by Cabinet Committees over coming months. Scheduling of Cabinet papers is at your discretion, and will be coordinated between the Ministry and your office.

ISSUE	PURPOSE OF PAPER	TIMING
Singapore Enhanced Partnership: Closer Economic Partnership upgrade	Seeking approval to refresh the negotiating mandate in advance of the final round of negotiations.	November
s9(2)(j)	s9(2)(j)	s9(2)(j)

Crown entities and other appointments

This section provides an overview of bodies and appointments for which you are responsible.

New Zealand Trade and Enterprise

You are responsible for New Zealand Trade and Enterprise, a Crown entity, and appoint its Board. The Ministry of Foreign Affairs and Trade monitors the performance of New Zealand Trade and Enterprise in conjunction with the Ministry of Business, Innovation and Employment, the lead monitoring agency. The Chief Executives of both departments act as special advisors to the Board.

Current membership:

Andrew Ferrier (Chair — until August 2018)
 Carmel Fisher (until May 2020)
 Charles Finny (until May 2018)
 Charlotte Walsh (until May 2018)
 Jennifer Kerr (until June 2019)
 Robin Hapi (until July 2018)
 Wayne Norrie (until May 2018)

Ministerial Advisory Group

In 2017 your predecessor established a Ministerial Advisory Group (MAG) as a mechanism for focused, high-level consultations with a wide range of sectors. The Group comprises 23 representatives of key export industries, business groups, Māori interests and NGOs with an interest in trade. The MAG has met once since its inception and was expected to meet twice a year for discussions that could focus on a specific negotiation, or cover broader issues affecting the trade agenda. The Ministry stands ready to discuss with you if and how you would like this Group to continue.

Current membership:

John Nicholson	CEO, Aviation Industry Association
James Parsons	Chair, Beef and Lamb
Kirk Hope	CEO, Business NZ
Sam Huggard	Secretary, Council of Trade Unions
Malcolm Bailey	Chair, Dairy Companies Association of New Zealand (DCANZ)
Catherine Beard	CEO, Export NZ
William Rolleston	President, Federated Farmers
Traci Houpapa	Chair, Federation of Māori Authorities
Mike Chapman	CEO, Horticulture NZ
Stephen Jacobi	Executive Director, International Business Forum
Ngahiwi Tomoana	Chair, Iwi Leaders Forum
Pania Tyson-Nathan	Chair, Māori Tourism NZ

Tim Ritchie	CEO, Meat Industry Association
Charles Finny	Chair, NZ Institutes of Technology and Polytechnics
Graeme Muller	CEO, NZ Tech
Philip Gregan	CEO, NZ Winegrowers
Rachel Le Mesurier	Executive Director, Oxfam
Nadine Tunley	Chair, Pipfruit NZ
Tim Pankhurst	CEO, Seafood NZ
Chris Roberts	CEO, Tourism
Brian Stanley	Chair, Wood Council of NZ
Dr Morgan Williams	Chair, World Wildlife Fund NZ
Prof Stuart McCutcheon	Chair, Universities NZ

Special Agricultural Trade Envoy

The Special Agricultural Trade Envoy (SATE) is jointly appointed by you and the Minister for Primary Industries. The role acts as an international spokesperson for the New Zealand agriculture sector and communicates with agriculture industry counterparts in export markets, including to promote open markets for agricultural products and advocate for agricultural trade policy reform. The SATE also acts as an interface between the New Zealand Government and industry, communicating to the New Zealand agriculture sector and general public developments in the global trading environment for agricultural exports and the challenges and opportunities which they represent for New Zealand.

The current Special Envoy, Mike Petersen, is serving a second two-year term that ends in June 2018.

Part three

Significant near-term trade policy issues

Immediate decisions

Issues that require early decisions are outlined in this section.

Trans-Pacific Partnership: next steps

New Zealand's medium and long-term economic prospects depend on its trading relationships with Asia-Pacific countries. The Trans-Pacific Partnership (TPP) Agreement could provide New Zealand with the opportunity to develop and sustain such linkages. The Agreement also would provide a platform for wider, regional economic integration, and support the foundation for a free trade agreement of the Asia-Pacific. New Zealand has already ratified the 12-member TPP.

Following the withdrawal of the United States, New Zealand officials worked to assess the options for bringing a revised TPP into force among the remaining 11 economies. This was directed by TPP Ministers during the Asia-Pacific Economic Cooperation (APEC) Trade Ministers' meeting in May. The legal form of a new Agreement is almost finalised and there is an emerging consensus not to apply some of the rules-related provisions in the original deal until the US returns. Negotiations about which provisions to suspend will continue at the next round of negotiations in Tokyo (30 October–1 November). It is likely that the suspension of provisions will result in a different type of Agreement in some areas. Preventing any downgrading of the market access conditions particularly, but not only, in Japan through this process has been a priority.

s6(a) and 9(2)(j)

If substantive conclusion of negotiations is reached at APEC, TPP Ministers could sign the new Agreement during the first quarter of 2018. New Zealand would need Cabinet approval for the outcome of the negotiations and to sign the Agreement. Under Standing Orders, this Agreement would then need to be submitted to the House of Representatives for Parliamentary examination before binding treaty action is taken.

Throughout this process, consultation with Māori and civil society will be important.

The Ministry looks forward to discussing New Zealand's approach to the next round of negotiations in Tokyo (30 October–1 November) with you at your earliest convenience.

Significant issues for Ministerial engagement

Other policy issues that will require your engagement over the coming months are outlined in this section.

World Trade Organisation issues

World Trade Organisation Ministerial Conference, December

The 11th World Trade Organisation (WTO) Ministerial Conference (MC11) will be held in Buenos Aires, Argentina from 10–13 December. **s6(a)**

there is a desire from others, including New Zealand, for MC11 to deliver meaningful negotiated outcomes, including on long-standing priorities of agriculture and fisheries subsidies and services domestic regulation. New Zealand is also leading a Ministerial side event seeking to build support for disciplines on Trade and Fossil Fuel Subsidy Reform.

The New Zealand Minister for Trade and Export Growth has been appointed as one of three Vice-Chairs to MC11. While your predecessor was appointed to this role, early indications are that the grouping that nominated and supported New Zealand — developed countries — is in favour of New Zealand maintaining the Vice-Chair role. This would mean chairing some routine sessions at MC11 and might also extend to more substantive support for the negotiations, depending on how the Argentine Chair wishes to run the Ministerial Conference. MC11 will also provide extensive opportunities for you to hold meetings with counterparts, from a high-profile, influential vantage point. Officials will be available to brief you at your earliest convenience on this.

New Zealand's World Trade Organisation dispute against Indonesia

New Zealand is a co-complainant alongside the United States in a WTO dispute challenging 18 Indonesian non-tariff barriers. The impact of lost beef exports to date for New Zealand is estimated at close to \$1 billion. New Zealand onion and apple exports have also been affected. In December 2016, a WTO Panel found in favour of New Zealand regarding all 18 challenged measures. Indonesia appealed the decision to the WTO Appellate Body. A final decision is expected in early November. Key business stakeholders will be interested to hear about the result from you and there will be an opportunity to communicate the outcome to the press and public. Both New Zealand and Indonesia have approached the panel and appeal proceedings in a constructive and collegial manner. We will provide briefing for your initial engagement with your Indonesian counterpart **s6(a)**

Free trade negotiations

New Zealand—European Union Free Trade Agreement

A free trade agreement with the European Union is a priority for New Zealand exporters. The European Union (including the United Kingdom) accounts for about 12 percent of our exports. The joint European Union–New Zealand Free Trade Agreement scoping process, which began in early 2016, was completed in March this year. The next step in the process was for both sides to seek respective mandates to enable a formal launch of negotiations. The previous Cabinet approved New Zealand’s mandate in early August, while the European Union is aiming for approval in mid-November **s6(a)**

A November launch of negotiations would allow formal talks to commence early in 2018. We stand ready to brief you further on this issue at your earliest convenience.

However, there is a risk of further delays. Alongside our mandate, the European Union will be considering how it will structure its approach to free trade agreements following a recent European Court of Justice ruling. **s6(a)**

Once the European Union secures its mandate, you will be able to agree timing for the joint launch of negotiations **s6(a)**

New Zealand’s opening mandate for negotiations is high level, and officials are instructed to return to Ministers in the light of what the EU proposes and where sensitive issues come into play, **s9(2)(j)**

Brexit: future trade relationship with the United Kingdom

New Zealand has key economic interests at stake in Brexit. Much of our current \$5 billion annual two-way trade with the United Kingdom (our largest trading partner within the European Union) takes place under the European Union’s WTO quota commitments, and is facilitated by New Zealand–European Union regulatory agreements.

s9(2)(j)

we have established a formal bilateral Trade Policy

Dialogue. The United Kingdom has assured us of its intent that no trading partner should find itself worse off as a result of Brexit and that New Zealand is one of the first countries with which it wants to negotiate an FTA post-Brexit. Your regular meetings with the United Kingdom Secretary for International Trade, including during his proposed visit to New Zealand (25-28 November), **s9(2)(j)**

The Commonwealth

At present there is no mechanism by which trade and investment, or other economic integration measures, take place under preferential arrangements amongst the Commonwealth membership as a whole. However, there are a plethora of arrangements to which different configurations of members belong (for example, the Caribbean Community, CARICOM, whose members are mostly but not entirely Commonwealth members) as well as the recently concluded PACER-Plus Agreement. Commonwealth Trade Ministers met for the first time this year in the margins of the April Commonwealth Heads of Government Meeting (CHOGM). They are likely to meet again in the margins of the 2018 CHOGM, again in April 2018. This meeting would be a logical point at which to explore thinking amongst CHOGM members about closer economic relations amongst the group. MFAT stands ready to discuss this further with you, at your convenience.

New Zealand—Pacific Alliance Free Trade Agreement

The Pacific Alliance is a regional trade and economic integration initiative established in 2011 by Chile, Colombia, Mexico, and Peru. In June this year Pacific Alliance Presidents announced the launch of free trade agreement negotiations with New Zealand (as well as Australia, Canada, and Singapore). The Alliance is seeking to conclude negotiations in 2018. An agreement with the Pacific Alliance presents both commercial and strategic opportunities. While current trade is relatively modest — \$722 million in exports to Pacific Alliance countries in 2016 — New Zealand products attract tariffs of \$70 million each year, which a comprehensive FTA would remove over time. Other market access issues, including in the area of services and investment, would also be addressed. An agreement would also align with New Zealand's efforts to promote regional economic integration and develop high quality models that could eventually form the basis of an APEC-wide free trade area. Cabinet approved the launch of negotiations and a mandate in June. **s9(2)(j) and s6(a)** and the first round of negotiations are taking place this week (23-27 October) in Colombia (where our negotiators are reserving New Zealand's position as necessary). There will be a number of opportunities for you to engage with your Pacific Alliance Ministerial counterparts to promote our interests in the lead up to the next Pacific Alliance Leaders' Summit in Mexico in June 2018.

Upgrade of the New Zealand—China Free Trade Agreement

The Free Trade Agreement with China is a cornerstone of our trade and economic relationship with China. Since it came into effect in 2008, New Zealand exports have grown almost four-fold, positioning China as our largest goods export market and second-

largest export market overall after Australia. However, since 2008 China has completed agreements with other countries, some of which provide better access for exporters and investors. The regulatory environment in China has also changed dramatically and non-tariff barriers continue to impact trade. For these reasons New Zealand has pushed the idea of upgrading the agreement, and in November 2016 Trade Ministers agreed to launch negotiations. An initial negotiating mandate was agreed by Cabinet in August and the next round of negotiations will likely take place in New Zealand in the week of 27 November.

s6(a)

Regional Comprehensive Economic Partnership: next steps (RCEP)

The Regional Comprehensive Economic Partnership (RCEP) is a trade negotiation involving the 10 members of the Association of Southeast Asian Nations (ASEAN) and China, Japan, Korea, India, Australia and New Zealand. These countries take around 55 percent of New Zealand's exports of goods and services. The most important potential benefit is to help secure a free trade relationship with India, and improved access commitments for our services exporters and our investors. There are also important strategic reasons for RCEP, not least its role in the emerging regional economic architecture as a model for integration.

s9(2)(j)

Leaders of the 16 countries participating in the RCEP negotiations will meet in mid-November in the margins of the East Asia Summit (EAS) to consider progress. Trade Ministers may meet shortly beforehand to provide an assessment of whether or not negotiations are "on track" and likely to achieve a swift conclusion in 2018. It would be highly desirable for you to attend such a meeting to influence the future direction of negotiations.

New Zealand-India Free Trade Agreement

New Zealand is negotiating a free trade relationship with India through two tracks — RCEP (described above) and through a pre-existing bilateral negotiation. Negotiations for the latter were launched in 2010

s9(2)(j)

You may have an opportunity to engage with your new Indian counterpart (Mr Suresh

Prabhu) at the (to be confirmed) RCEP Ministerial in November to push for progress on this negotiation.

Upgrade of the New Zealand—Singapore Closer Economic Partnership

New Zealand and Singapore are negotiating an “Enhanced Partnership”, overseen by the Minister of Foreign Affairs. The Partnership has a trade and economic pillar, which includes an upgrade to our existing bilateral free trade agreement, the Closer Economic Partnership. Given that Singapore and New Zealand are already parties to a number of existing free trade agreements, the upgrade is focusing on modernising or adding to the existing rules in priority areas (non-tariff measures, services, investment and e-commerce). The final negotiating round is expected to take place before the end of the year. A Cabinet paper to refresh the negotiating mandate will likely be required in advance of this. **s9(2)(j)**

New Zealand-Gulf Cooperation Council Free Trade Agreement: next steps

Negotiations on a free trade agreement between New Zealand and the Gulf Cooperation Council (GCC) were concluded in October 2009, but legal verification — a prerequisite to signature and ratification — has not been completed. The outcome of negotiations would provide early elimination of nearly all tariffs on our exports to GCC members (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) along with valuable commitments in key services areas. **s6(a)**

Initially delayed by Saudi Arabia, the GCC-New Zealand free trade agreement was then put on hold while Saudi Arabia reviewed all its free trade agreement negotiations. Saudi Arabia also conducted an internal review of its free trade agreement policies. In late 2016 and early 2017, New Zealand received positive signals about the readiness of Saudi Arabia and the GCC to resume the process towards finalisation of the agreement. However, the timeline for this remains unclear. There are still a number of steps to take place within the GCC, and the current (unrelated) internal dispute between Qatar and three of the other GCC states has further delayed the process. We will continue to monitor the situation and advise you accordingly. Ministerial-level trade and economic talks are scheduled with the United Arab Emirates for November in New Zealand.

Pacific Agreement on Closer Economic Relations—Plus: next steps

The Pacific Agreement on Closer Economic Relations (PACER) Plus is a unique trade and development treaty designed to advance sustainable economic development through increased trade, investment and employment in the Pacific region. The Agreement was signed by 10 countries in Tonga in June: Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga and Tuvalu. Vanuatu subsequently

signed on 7 September. The Federated States of Micronesia, Palau and Republic of Marshall Islands are completing their domestic approval processes. New Zealand's four largest trading partners in the region are not signatories **s6(a)**

New Zealand's Parliamentary treaty examination process for PACER Plus was completed in August. Officials will seek your guidance in November on the legislative process to implement PACER Plus; implementing legislation can be readied by February 2018. Two non-binding arrangements were also signed alongside PACER Plus dealing with development assistance and labour mobility — priority areas for the Pacific Island countries.

Australia/New Zealand–Mercosur: potential free trade agreement

A free trade agreement with the Southern Common Market — a regional bloc comprising Argentina, Brazil, Paraguay and Uruguay that is commonly known as Mercosur — is a **s9(2)(j)** prospect for the first time after years of inward-focused trade policy in Argentina and Brazil. Mercosur collectively represents a population of 260 million and a combined GDP of US\$4.15 trillion. **s9(2)(j)**.

But there is value in continuing to explore possibilities: Senior officials from Australia and New Zealand will meet their Mercosur counterparts on the margins of the WTO Ministerial Meeting in Buenos Aires in December, and assess the scope for Ministerial engagement then, or at a later date.

New Zealand-Russia trade relationship

New Zealand's free trade agreement negotiations with Russia and its then Customs Union partners, Belarus and Kazakhstan, were suspended in March 2014 in response to Russia's illegal annexation of Crimea from Ukraine. This action underlined our national interest in the maintenance of international order, and was viewed as commensurate to actions taken by the European Union and other partners.

s6(a)

Current difficulties include a total ban on New Zealand beef and beef offal imports since February 2017, ongoing restrictions on some dairy products and export processing plants, and new regulations affecting fruit imports.

We are working to improve market access within current settings. **s6(a)**

over the past year, some European countries have resumed bilateral economic engagement (often at Ministerial level) with Russia **s6(a)**

Bilateral trade issues s9(2)(b)(ii)

China: investigation of steel dumping

The Ministry of Business, Innovation and Employment is currently investigating an application for anti-dumping and countervailing duties to be applied against imports of steel reinforcing bar and coil from China. The investigation is not likely to be completed until mid-February 2018. **s6(a)**

The Minister of Commerce and Consumer Affairs is responsible for determining whether or not anti-dumping or countervailing duties are applied on imports. **s6(a)**

Closer Economic Relations: formal consultations with Australia

On 31 August, the former Minister of Trade initiated formal consultations under the Closer Economic Relations treaty in response to the Queensland State Government's protectionist procurement policy, which came into effect on 1 September and denies equal access for New Zealand suppliers into that government procurement market. Consultations will be carried out at officials' level, reporting to the New Zealand and Australian Ministers of Trade. The Ministers of Foreign Affairs also has an interest in this issue. The former Minister of Economic Development engaged Queensland on the issue via the consultation provisions of the Australia New Zealand Government Procurement Agreement. The Closer Economic Relations Ministerial meeting, which New Zealand is due to host in the last quarter of 2017, will provide an early opportunity for you to engage your Australian counterpart on this issue.

Trans-Tasman Single Economic Market: next steps

Building on the Closer Economic Relations Treaty, which provides for free movement of goods, services and capital, we are aiming to achieve a Single Economic Market: the vision is for a single marketplace in which it is as easy for a New Zealand-based company to do business in Australia as it is in New Zealand. Prime Ministers review the Single Economic Market agenda annually. In 2017, they have prioritised travel and trade facilitation; reducing barriers to investment in the infrastructure sector; trans-Tasman cooperation on non-tariff barriers to trade in third markets; and advancing the science and innovation agenda. Trade Ministers coordinate the Single Economic Market agenda. The Closer Economic Relations Ministerial meeting, which New Zealand is due to host in the last quarter of 2017, will provide you and your Australian counterpart (plus other New Zealand and Australian Ministers with portfolio interests) with an opportunity to identify any new or other priorities, review progress and inject momentum across the Single Economic Market agenda, ahead of the Prime Minister's meeting with the Australian Prime Minister and the Australia New Zealand Leadership Forum, both occurring on 2 March 2018.

Regional economic and trade policy

New Zealand's hosting of APEC in 2021

New Zealand will host Asia-Pacific Economic Cooperation (APEC) in 2021. Hosting APEC is an opportunity for New Zealand to lead an international economic agenda and showcase New Zealand to the world. Hosting APEC is a year-long programme of up to 12 significant events, culminating in "Leaders Week" (to be held in Auckland, 8-14 November 2021), when New Zealand will host leaders from the 20 other APEC members, including China, the United States, Japan and Russia. APEC will be the largest event ever hosted by the New Zealand Government. About 22,000 visitors are expected to attend the meetings throughout the year, with around 10,000 during Leaders Week.

The Ministry is leading a whole-of-government effort to prepare for hosting. Preparation to date has been led by the Minister of Foreign Affairs. APEC is also vitally important to the trade portfolio. It creates an opportunity both to focus APEC on regional economic and trade policy priorities for New Zealand and to leverage the hosting role to create new trade and investment opportunities. APEC also functions as an incubator for new approaches to trade issues and is one vehicle for New Zealand to influence regional thinking around inclusive approaches to trade.

Part four

Advancing New Zealand's interests in an uncertain world

New Zealand's international environment and foreign policy framework

New Zealand's interests in the world

New Zealand's security and prosperity depend on the conditions in, and our connections with, the wider world. This means we must engage with – and seek to influence – other countries to our advantage, in line with New Zealand's values and our interests in:

- Regional and global stability,
- Collective solutions to global problems that impact on New Zealand,
- Advantageous access to, and connections with, a diverse range of markets, and
- A voice at the table on issues that matter to New Zealand.

Protecting and advancing these interests is the purpose of New Zealand's diplomacy.

Operating environment

New Zealand is pursuing its interests in a turbulent environment where the risks for small countries are acute. We need to be assertive and innovative in taking advantage of opportunities and vigilant in guarding against risks.

On the upside, global economic growth is sound and the shift in global economic weight toward Asia is to New Zealand's advantage. New Zealand is well-placed, in part because of our network of free trade agreements, to increase our exports off the back of growing demand from expanding middle class markets particularly in Asia, but also in Latin America, the Middle East, and Africa. Increasing global connectedness — driven in particular by technology developments — also provides opportunities for a small, distant, trading nation like New Zealand.

On the downside, economic opportunities are being tempered by changing international circumstances, including in some of our major partners. Brexit and the advent of the Trump Administration reflect social movements in the United Kingdom and the United States driven by a sense of exclusion and anxiety. These trends are manifest through growing scepticism about the benefits of trade in general and trade agreements in particular. Left unchecked, these trends could substantially constrain the opportunities for small export-dependent countries like New Zealand.

Changes in the geopolitical order are apparent in the Asia-Pacific, especially the consequences of China's growing economic and strategic weight, and the interplay with the United States' crucial role in underpinning the region's stability. India is becoming an ever more significant actor in the Indo-Pacific. North Korea's missile and nuclear programmes are a serious and direct threat to the entire region. The South China Sea territorial disputes are some of the most enduring and polarising in the region. And violent extremism is establishing footholds in South East Asia. These security trends are occurring in a region where strategic trust is tenuous, habits of dialogue are not well developed, and the security architecture is yet to fully evolve. The overall prosperity of

the region is real and of enormous benefit to New Zealand but, in itself, insufficient to ensure regional peace and stability.

Changes in the global order are also buffeting the South Pacific. None of our Pacific neighbours is at crisis point, but Pacific Island countries are challenged by distance, climate change, lack of scale, mixed governance records and narrowly-based economies. Growing interest from major players from outside the region brings a wider donor base, but also the potential for strategic competition and exposure to a broader set of risks.

The situation in the Middle East presents a continuing source of instability with global implications. The enduring war in Syria, the fight against Islamic State of Iraq and the Levant (ISIL), the Shia-Sunni divide, and authoritarian governments across the region are having major humanitarian consequences, driving large-scale migration towards Europe, and providing a source of and inspiration for violent extremism in the region and around the world.

At the same time, there is pressure on the global rules-based system (United Nations, World Trade Organisation and international financial institutions), which is designed to manage global security, economic, environmental and human rights challenges through collective decision-making. There is some room for optimism for example, the Paris Agreement on Climate Change was a signal achievement and remains in play, notwithstanding the United States position. But most of the risk seems to be on the downside. Russia's annexation of Crimea and its resistance to an effective United Nations response in Syria poses a direct challenge to international rules and norms, and countries around the world are grappling with the challenge of how to respond to this while recognising Russia's significant global role. Rising powers are seeking to reshape global rules and institutions in ways that do not always support our interests or reflect our values. And the continued rise of non-state actors will increasingly see new players (ranging from corporations to cyber-criminals to terrorist groups) operating outside the ambit of governments and the multilateral system.

Climate change is a significant issue on the global agenda and is factored in to almost all international policy debates. The effects of climate change, together with significant changes in world production and consumption, will place pressure on limited global resources (water, food, land, energy, minerals). The impact of climate change will fall disproportionately on poorer countries, including in the Pacific. Resource competition may ultimately affect the management of Antarctica and the Southern Ocean. The response to climate change is also driving transformational change towards a low-carbon global economy. This range of flow-on impacts from climate change provides New Zealand with both economic and policy opportunities and more risk, all of which will require astute management.

New Zealand's foreign policy framework

Foreign policy pillars

New Zealand's interests lie in an open, connected, stable, rules-based system consonant with our values. Small countries will not prosper in a world where larger powers can use economic and military might unconstrained by norms and rules.

New Zealand relies on four pillars to safeguard our prosperity and security, and to project our influence on global issues that matter to New Zealand:

- **Rules:** Support for a rules-based international system that protects small countries' sovereignty, rights and interests.
- **Architecture:** Membership in international and regional bodies, as a way to strengthen the rules-based system and amplify our influence.
- **Relationships:** A network of strong bilateral relationships that we can leverage to achieve shared interests.
- **Diversification:** A diverse portfolio of export markets and relationships, to give New Zealand resilience against disruption to our economic and security interests.

Domestic foundations of foreign policy

Our ability to promote New Zealand's interests in the international environment has its foundations at home. Our influence in the world stems from our national values and attributes and our contributions to the international community. Our attributes include our reputation:

- as a cohesive bicultural society founded on the Treaty of Waitangi, with robust institutions and an economy that delivers benefits for New Zealanders, and
- for fairness, independence, reliability and pragmatism in the way we conduct our foreign policy.

Our international contributions include our:

- development assistance and humanitarian programme,
- Defence and Police deployments, and our intelligence effort,
- domestic policy innovation, and
- ideas and talent.

"NZ Inc" — harnessing the collective effort of all government agencies working offshore — is critical to the success of New Zealand's foreign policy, which depends on cohesive action at both Ministerial and officials' levels. Coordination with the private sector and civil society is also important on many issues.

What New Zealand has gained

Work under these pillars over many years means that New Zealand benefits from:

- rules enshrined in international law, including under the United Nations Charter, covering disarmament and non-proliferation, human rights the management of environmental issues such as climate change, oceans, and biodiversity;; as well as international trade rules under the World Trade Organisation,
- membership of international and regional architecture, such as the United Nations, the World Trade Organisation, the Antarctic Treaty System, the Pacific Islands Forum, Asia-Pacific Economic Cooperation (APEC), the Organisation for Economic Cooperation and Development (OECD), the East Asia Summit and our status as a Strategic Partner of the Association of South East Asian Nations (ASEAN),
- a diverse set of relationships that have been built up from a narrow range of traditional partnerships as the connections required to meet our interests have expanded, and
- increased economic resilience and security built on a diversified portfolio of trading partners supported by a network of free trade agreements, and security ties with both traditional partners and other countries that are key to regional stability.

Part five

The Ministry of Foreign Affairs and Trade

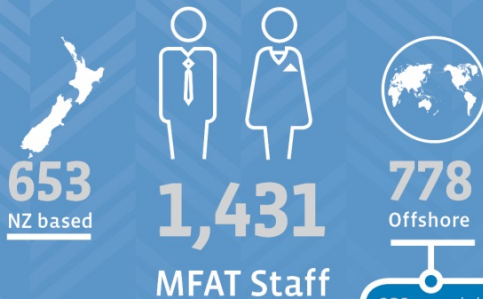
Purpose

The Ministry acts in the world to make New Zealanders safer and more prosperous.

Our purpose reflects the fundamental value that the Ministry delivers to New Zealand citizens. As a result of our work we aspire to contribute to:

- New Zealanders being able to live, do business, travel and communicate more safely at home and offshore,
- New Zealanders having better job opportunities and incomes from trade, investment and other international connections,
- generations of New Zealanders benefiting from sustainable solutions to global and regional challenges, and
- New Zealanders having confidence their country can influence others on issues that matter to them, now and in the future.

A Snapshot of MFAT



232 seconded staff
546 locally employed staff

Key data

Vote Foreign Affairs and Trade for 2017/18 = **\$424.7 million**

Vote Official Development Assistance for 2017/18 = **\$710.6 million**

Capital expenditure for 2017/18 = **\$75.7 million**

3 ministerial portfolios

30 pieces of legislation administered

13 NZ Inc agency partners offshore

167 missions/consular posts resident in New Zealand supported

40 languages spoken by MFAT staff

Where MFAT people work in NZ

Americas and Asia Group	40
APEC 21	18
Europe, Middle East and Africa, and Australia Group	33
Human Resources Group	23
Multilateral and Legal Group	82
Office of the Chief Executive	69 <i>(including related divisions)</i>
Pacific and Development Group	168
Services Group	148
Trade and Economic Group	72

Our network

57 posts in **50** countries

115 accreditations to other countries

73 Honorary Consuls

3 NZ offices

315 properties managed in our portfolio

Where MFAT people are seconded offshore*

Africa	12
Americas	34
Asia	81
Australia	9
Europe	47
Middle East	17
Pacific	32

* Includes language trainees

MFAT locations around the world and in NZ



August 2017

Functions and footprint

The Ministry's functions

The Ministry of Foreign Affairs and Trade is the Government's principal agent for pursuing the country's interests and representing New Zealand internationally. We also help the Government understand what is happening in the world and the implications of that for New Zealand.

We are the Government's specialist foreign, trade and development policy adviser, international legal adviser and negotiator. We lead the New Zealand Government's diplomatic network, a unique national asset, safeguarded by international law, able to speak with an authoritative voice, and with heads of mission and post formally charged with representing the Government.

The full range of functions that the Ministry undertakes, both in New Zealand and internationally, is set out in the diagram on following page.

Where we operate and how we organise ourselves

The Head Office structure and the top three tiers of the Ministry's leadership are set out on page 57. The Ministry is organised around geographic regions, policy functions and corporate functions.

The Ministry's global network comprises 57 posts in 50 countries, with further posts planned to open in Bogota, Colombo and Dublin in the next two years. In addition, New Zealand Trade and Enterprise Trade Commissioners lead a further nine Consulates-General. The entire NZ Inc network with agency representation is illustrated in Appendix 2.

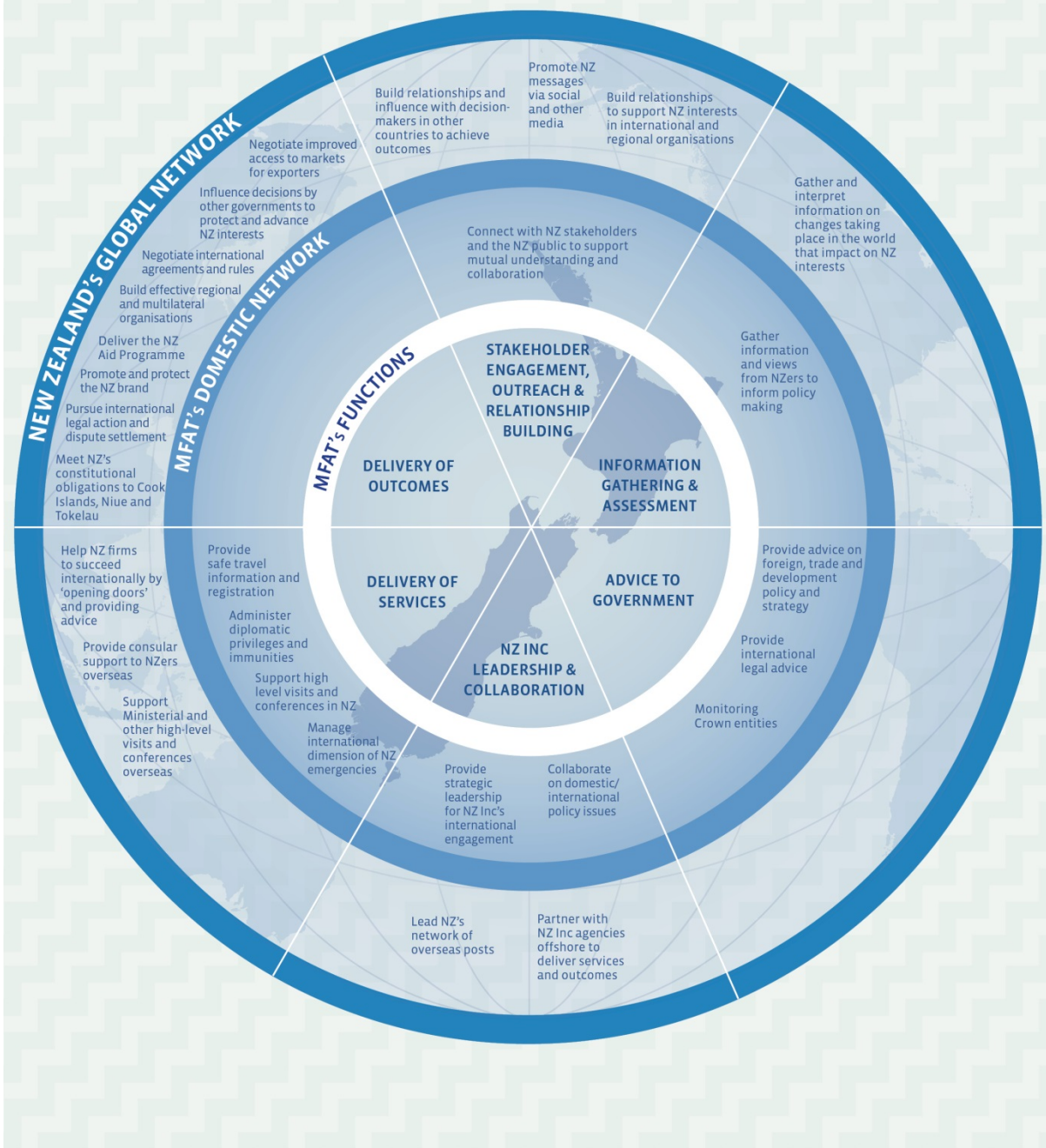
Heads of Mission and Post are identified on pages 55-56. Beyond the 50 countries where they are based, New Zealand has diplomatic cross-accreditations to a further 110 countries. These cross-accreditations are a cost-effective way of extending the reach of our network beyond the countries where we have an established post, and are in some locations usefully supplemented by the appointment of Honorary Consuls.

In addition to our Wellington head office, we have offices in Auckland and Christchurch. Our Auckland office is focused on business engagement, and outreach to the Auckland Pacific community. The Auckland office also has a role in assisting with visiting VIPs, given the number that visit or transit through Auckland. The Auckland office can serve as a base for your Auckland engagement. It is co-located with New Zealand Trade and Enterprise.



**NEW ZEALAND
FOREIGN AFFAIRS & TRADE**

What MFAT does in New Zealand and around the world to deliver value to New Zealanders



Consular services

The Ministry provides a range of services to New Zealanders travelling and residing overseas. They include helping travellers who are sick or injured, assisting with arrangements following a death, undertaking welfare visits for those detained or arrested, providing notarial services such as statutory declarations for use under New Zealand law, and providing help during crises such as terrorist incidents and natural disasters. These services are provided with the aim of giving New Zealanders the best ability to help themselves.

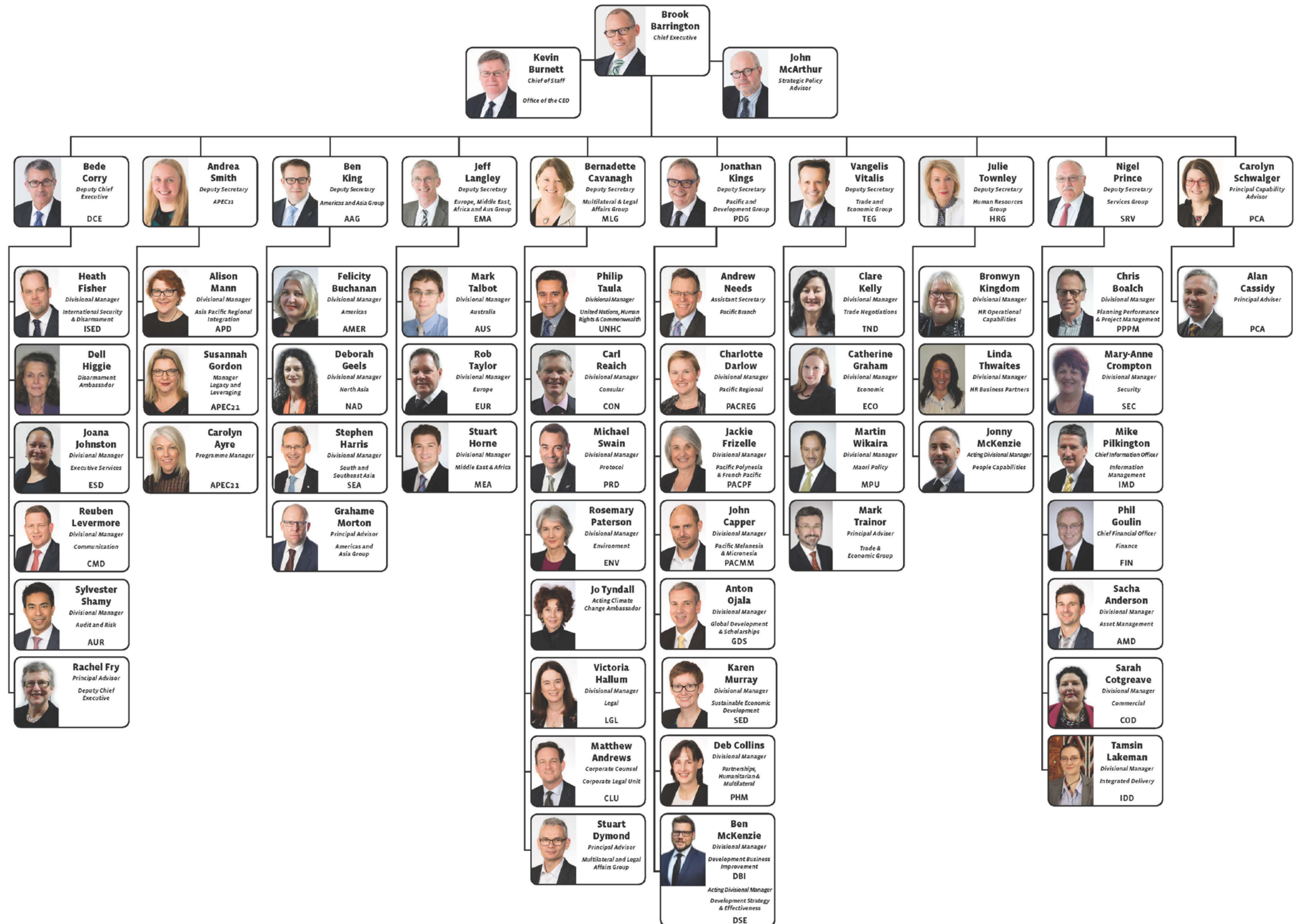
The Ministry maintains a register of New Zealanders (SafeTravel) who choose to advise us of their travel details. The Ministry also has an important role in establishing, updating and disseminating travel advice for destinations around the world. These advisories are reviewed regularly, and are based strictly on safety and security risks to New Zealanders, rather than political or foreign policy considerations.

The Ministry provides timely situation reports and consular case summaries to the Minister of Foreign Affairs following significant incidents offshore or sensitive consular cases. We seek Ministerial direction and advice on a small number of particularly sensitive cases. Consular issues generate high media interest in New Zealand. Updates are often sought from the Minister of Foreign Affairs on significant or high-profile events (natural disasters, terrorist acts, etc), particularly if New Zealanders are involved. The Ministry includes media lines in its reporting to the Minister of Foreign Affairs.

Consular services are delivered by staff at posts, working closely with a small team in the Consular Division in Wellington. Posts and Wellington roster staff on after-hours duty, in addition to their normal responsibilities, to ensure 24/7 coverage. We work closely with our Five Eyes partners to share experiences and provide consular coverage in places where we (or they) are not represented.

Demand for high-quality consular services is growing as New Zealanders travel overseas in increasing numbers and to more risky destinations, and demonstrate higher expectations government support. In 2016/17, the Ministry provided consular services to 2,487 New Zealanders. The Ministry receives consistently strong feedback on the quality of consular services, with 80 percent of customers in the 2017 Consular Satisfaction Survey either very satisfied or satisfied.

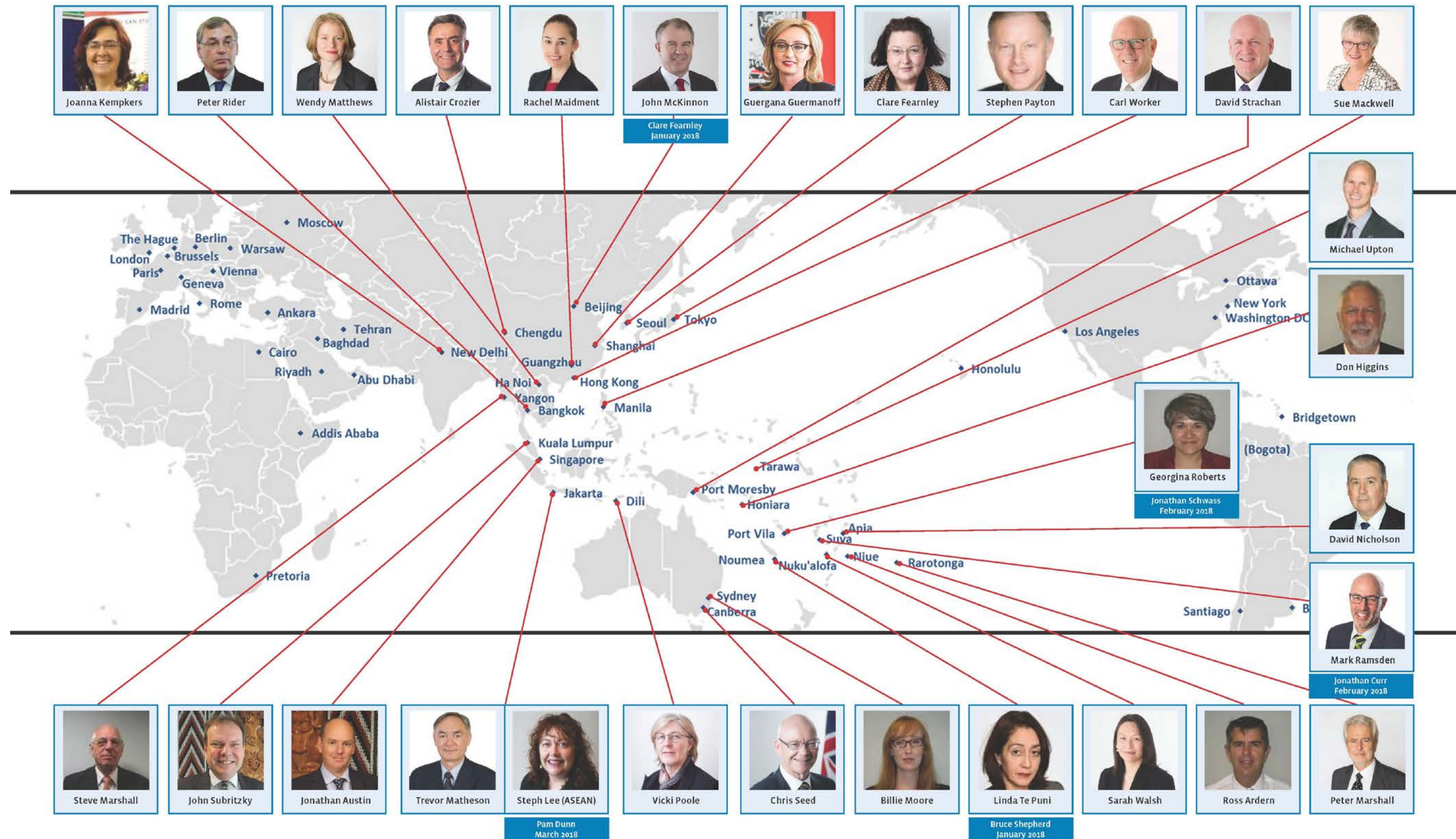
Ministry of Foreign Affairs and Trade Leaders



UNCLASSIFIED

Ministry of Foreign Affairs and Trade Heads of Mission Asia, Pacific and Australia

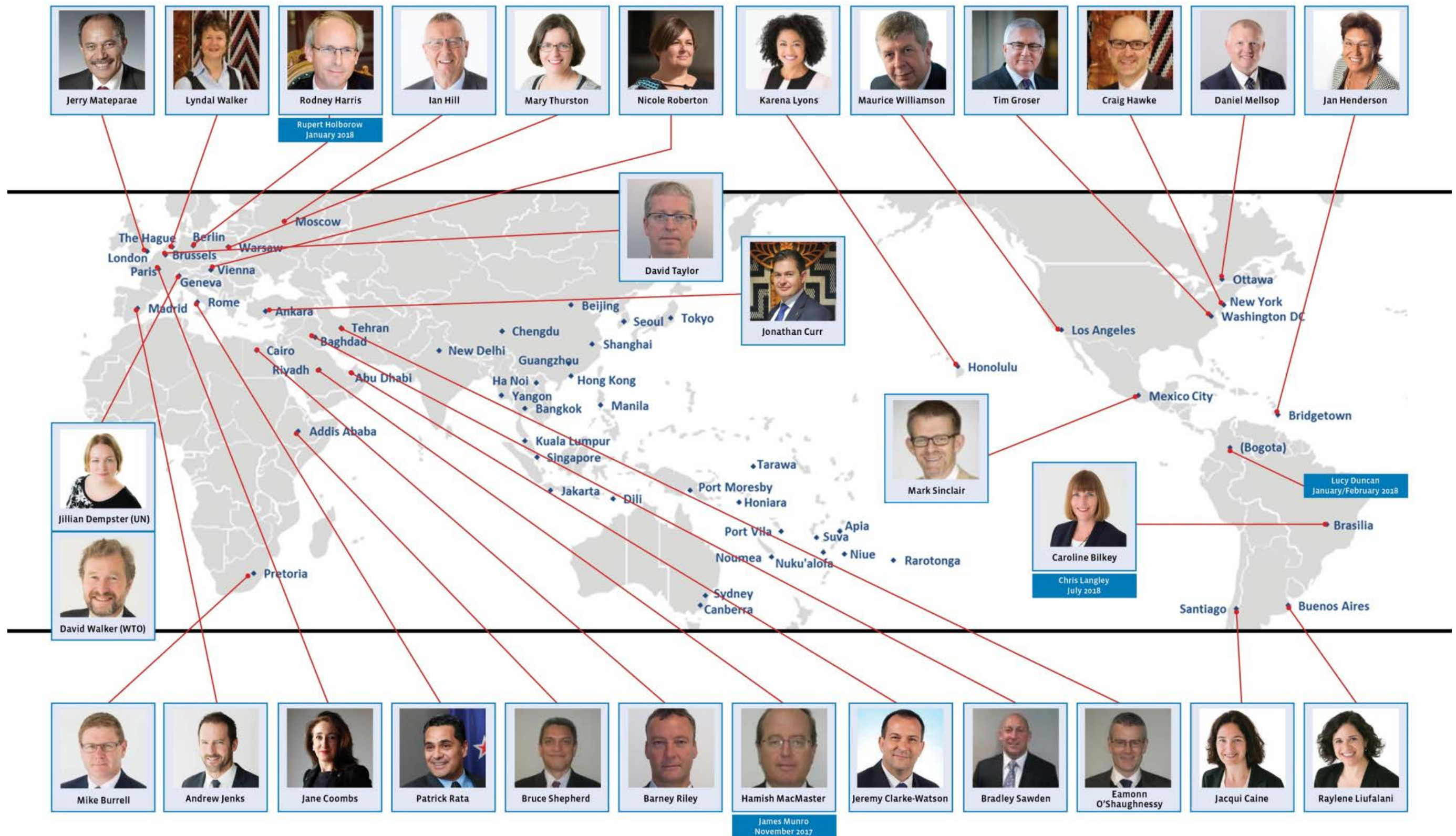
As at October 2017



UNCLASSIFIED

Ministry of Foreign Affairs and Trade Heads of Mission Europe, Americas, Middle East and Africa

As at October 2017



New Zealand connections

NZ Inc partnerships

Our partnership with other government agencies with external interests ("NZ Inc") is critical to delivery of results for New Zealanders. The Ministry leads and supports an integrated NZ Inc approach, both onshore and offshore, to maximise collective impact in pursuing the Government's objectives internationally. Our work with NZ Inc agencies involves strategic leadership on international issues and engagement, a high level of collaboration on delivery of shared objectives, and practical services for agencies with staff offshore, many of whom are located in Ministry offices.

The key agencies represented offshore are the Department of Internal Affairs, Education New Zealand, Ministry of Business Innovation and Employment, Ministry for Primary Industries, New Zealand Customs Service, New Zealand Defence Force, New Zealand Police, New Zealand Trade and Enterprise, The Treasury, and Tourism New Zealand. The Ministry also collaborates with these and many other agencies in New Zealand, including through cross-agency coordination on economic growth, the national security system and the natural resources sector, and contributes an international perspective to relevant domestic policy-making.

Domestic role

The Ministry's performance as a New Zealand public sector agency and our success in pursuing New Zealand's interests internationally rely on strong connections at home. Developments in the New Zealand public sector, economic and social environments thus have a significant impact on the Ministry's work.

Along with other agencies, we are working on achieving deeper and more transparent engagement with New Zealanders, strengthening our role in Crown-Māori relationships, and improving service delivery to New Zealanders. The Ministry has extensive engagement with New Zealand stakeholders across business, Iwi, non-government organisations, local government, Pasifika, and academia in order to inform development of policy and negotiating objectives and to pursue mutually beneficial partnerships. However, we recognise the need to manage our engagement and outreach in a more systematic and collaborative way. The Ministry's Senior Leadership Team is targeting improved stakeholder and public outreach as a high priority. As part of this initiative, we are in the process of re-developing our Māori engagement strategy and are building the necessary capability.

2018 is the Ministry's 75th anniversary. This will provide an opportunity to make New Zealand's place in the world better known and understood by staff, stakeholders and the wider public. The Ministry plans to profile a number of stories that link New Zealand's diplomatic history to current and future foreign policy issues, and to partner with the New Zealand Institute of International Affairs and other partners to stage a one-day conference in Wellington in October 2018.

The Ministry uses a range of digital channels for communicating with New Zealanders. These include our main website www.mfat.govt.nz and, for travel advice, www.safetravel.govt.nz as well as three trade-related websites and a repository of New Zealand's treaties. The Ministry also uses an official Twitter account @MFATgovtNZ, and our offshore posts have a social media platform of 50-plus Facebook pages and 40-plus Twitter accounts.

The Ministry also supports the national civil defence system in responding to domestic emergencies, including through the coordination of international assistance and facilitation of support for foreign nationals in New Zealand.

Budget

The Ministry administers two Votes: Foreign Affairs and Trade, and Official Development Assistance.

Vote Foreign Affairs and Trade funds the Ministry's operating costs, Crown entities and charitable trusts, membership of international organisations, and obligations under the Vienna Convention to resident diplomatic missions.

VOTE FAT BASELINE – ESTIMATES 2017	2017/18 \$M	2018/19 \$M	2019/20 \$M	2020/21 \$M	2021/22 \$M
Operating expenditure – departmental ²	338.605	337.909	360.610	341.095	330.755
Expenditure – non-departmental, made up of:	87.275	89.119	85.640	85.356	85.356
<i>Antarctica NZ (Operating)</i>	<i>20.853</i>	<i>21.049</i>	<i>20.370</i>	<i>20.420</i>	<i>20.420</i>
<i>Antarctica NZ (Capital)</i>	<i>1.200</i>	<i>2.800</i>	-	-	-
<i>Pacific Broadcasting Services</i>	<i>0.941</i>	<i>0.941</i>	<i>0.941</i>	<i>0.607</i>	<i>0.607</i>
<i>Pacific Cooperation Foundation</i>	<i>1.400</i>	<i>1.400</i>	<i>1.400</i>	<i>1.400</i>	<i>1.400</i>
<i>Asia NZ Foundation</i>	<i>4.000</i>	<i>4.000</i>	<i>4.000</i>	<i>4.000</i>	<i>4.000</i>
<i>Rate refunds for Diplomatic Missions resident in NZ</i>	<i>1.800</i>	<i>1.800</i>	<i>1.800</i>	<i>1.800</i>	<i>1.800</i>
<i>Subscriptions to International Organisations</i>	<i>57.081</i>	<i>57.129</i>	<i>57.129</i>	<i>57.129</i>	<i>57.129</i>
Total Vote Foreign Affairs and Trade	425.880	427.028	446.250	426.451	416.111

Vote Official Development Assistance funds New Zealand's international development cooperation and the cost of managing this.

The total cost of running the Ministry this financial year across the two Votes is \$404.9 million.

The Ministry received new operating funding of \$45 million in Budget 2017, and \$11 million in capital for new posts — the first material investment in the Ministry's frontline in eight years. Additional funding was also included in the Ministry's budget for New Zealand's participation in the Dubai Expo (\$53 million) and for Antarctica New Zealand (\$9.6 million).

² The movement in the figures mainly reflects new funding for Dubai Expo 2020.

Asset portfolio

The Ministry's \$471 million asset base comprises property (92 percent), information and communication technology (ICT) assets (7 percent) and motor vehicles (less than 1 percent).

CAPITAL ASSETS AT 30 JUNE 2017	PROPERTY \$M	ICT \$M	MOTOR VEHICLES \$M	TOTAL \$M
Cost	532.620	79.030	8.873	620.523
Accumulated depreciation	98.155	46.868	4.414	149.437
Carrying amount	434.465	32.162	4.459	471.086

The Ministry actively manages a portfolio of approximately 325 properties (30 percent owned and 70 percent leased) around the world to support the Government's international objectives.

The Ministry meets most of the costs (operating and capital) of the office accommodation of the overseas network. Other New Zealand agencies contribute to the cost of their office accommodation on a marginal cost basis. This pricing model is applied to incentivise co-location of New Zealand agencies overseas.

Investment planning and management

The Ministry is planning to invest capital of \$464 million over the next 10 years. This investment primarily reflects the Ministry's asset replacement cycle that is funded from existing resources (including those that will accumulate over the period). It also includes investment in three new posts that were funded in Budgets 2016 and 2017. The major projects under way include:

Property

- Bogota, Dublin, Colombo: new post establishment (forecast completion Q1 2018, Q4 2018, and 2019, respectively),
- Beijing: rebuild of the Embassy and Official Residence (forecast completion Q2 2018),
- London: New Zealand House lease restructure and building refurbishment in conjunction with the United Kingdom Crown Estate (forecast completion 2022),
- Honiara: construction of new High Commission (forecast completion Q1 2019), and
- Addis Ababa: relocation of Embassy to a standalone building (forecast completion Q1 2019).

Information technology

- an integrated and upgraded aid management system, and
- establishing a new data centre outside Wellington.

As a “Tier 2” capital intensive agency under the Government’s Investment Framework, the Ministry underwent its first Investor Confidence Rating in 2016. We received an “A” rating, which recognised the Ministry’s high standard of investment management and governance and resulted in Cabinet agreeing to increase approval thresholds for all baseline-funded, low and medium risk investments from \$15 million to \$25 million for the Chief Executive and from \$25 million to \$40 million for the Minister of Foreign Affairs.

A key element in this Investor Confidence Rating is our asset management strategy that sets the principles for property-related decisions and drives longer range and transparent asset management discipline. This ensures that the Ministry’s property assets are fit for purpose, business-aligned, resilient and protect the well-being and safety of staff, and represent value for money accordingly.

Organisational improvement

The Ministry has in place a programme of organisational improvement (see diagram on following page) to ensure a continuous lift in performance and agility and responsiveness in delivering on our objectives. This has been informed by our second Performance Improvement Framework review published in June 2017. Areas of current focus include: refreshing our organisational values; investing in leadership and people capability; growing a diverse work force; improving our engagement with New Zealand stakeholders; and articulating clearly the impact we deliver for New Zealanders. Finding the sweet spot between technology, mobility and security to enable the Ministry to keep pace with demands on us also requires constant attention.

Ministry organisational improvement programme



The Ministry's strategic framework

The Ministry's Strategic Framework is made up of six thematic areas of effort, which define our objectives and activities to support them. Work is under way to review and refresh each of these, including to ensure that the Government's policy objectives and priorities are fully reflected within the Ministry's work programme.

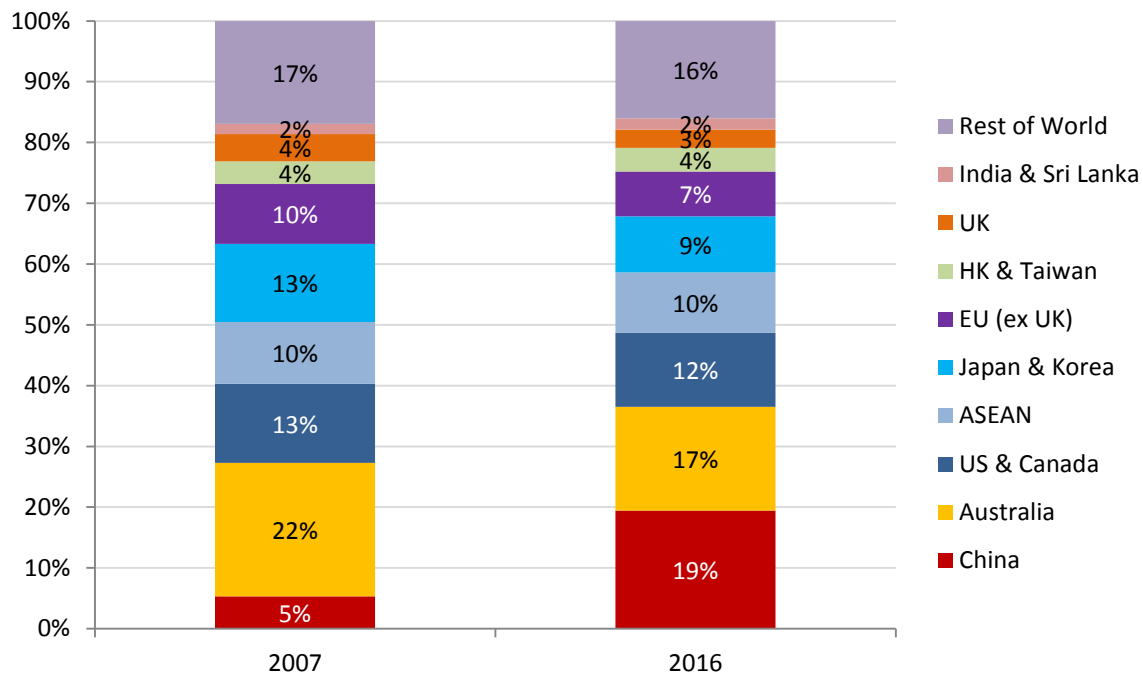
- **Global rules-based system:** Act in the United Nations and other international organisations to support effective global rules and advance New Zealand's interests,
- **Pacific:** Safeguard New Zealand's interests and influence in the Pacific and improve the prosperity, stability and well-being of the region and its people,
- **Asia-Pacific:** Embed New Zealand as an integral and trusted partner in the Asia-Pacific region,
- **Environment:** Promote enduring solutions on climate change, oceans and Antarctica that ensure environmental protection and the sustainable use of natural resources,
- **Trade and economic:** Grow market access in support of prosperity and economic resilience, deepen regional economic integration, and support the international performance of New Zealand businesses, and
- **Security:** Protect and advance New Zealand's and New Zealanders' security.

Appendices

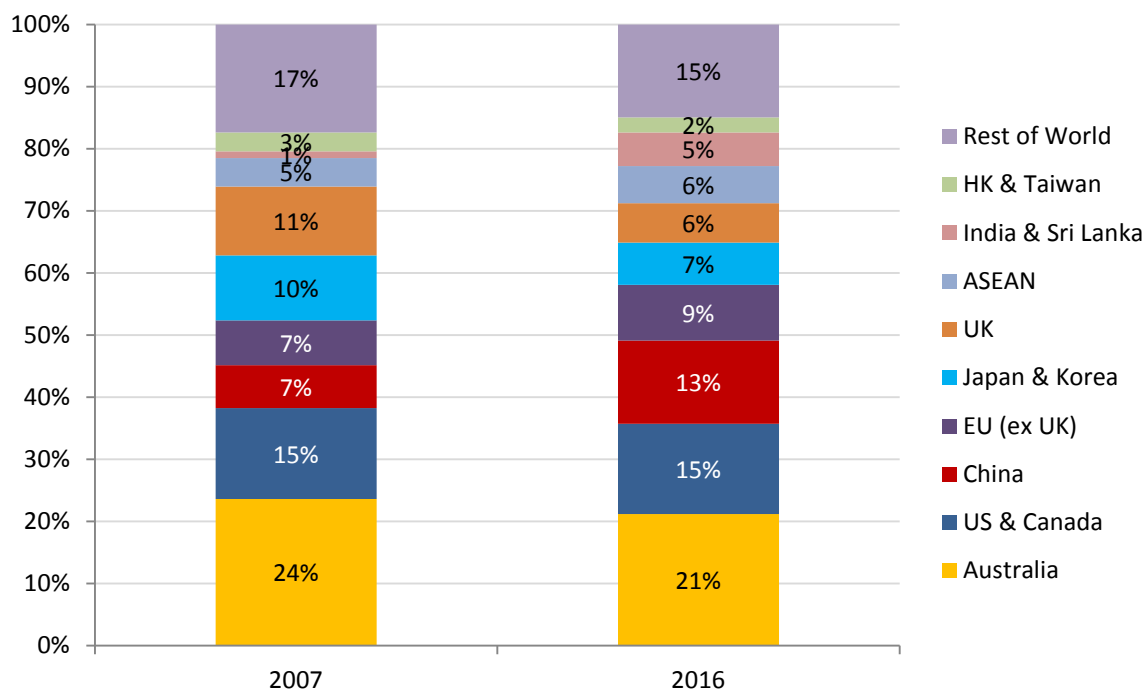
Appendix 1: Key trade data

Export diversification can be seen through two broad lenses: the degree to which exports are spread across a number of destinations; and, the diversification of the products that we send offshore. By destination, New Zealand's export diversification is close to the average of comparator small advanced economies. Over the past decade the share of our exports being sold to China — of both goods and services — has risen markedly. Nonetheless, New Zealand continues to export to a diverse number of countries.

Destinations for goods exports

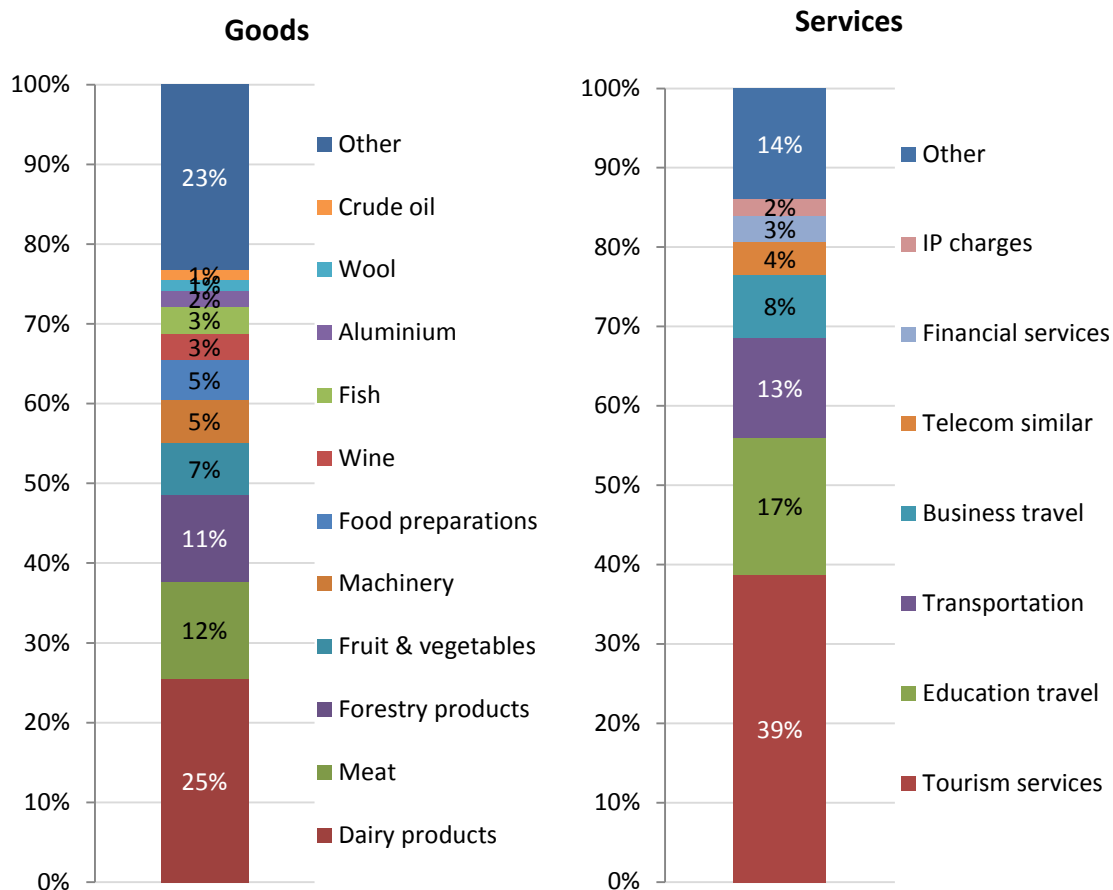


Destinations for services exports



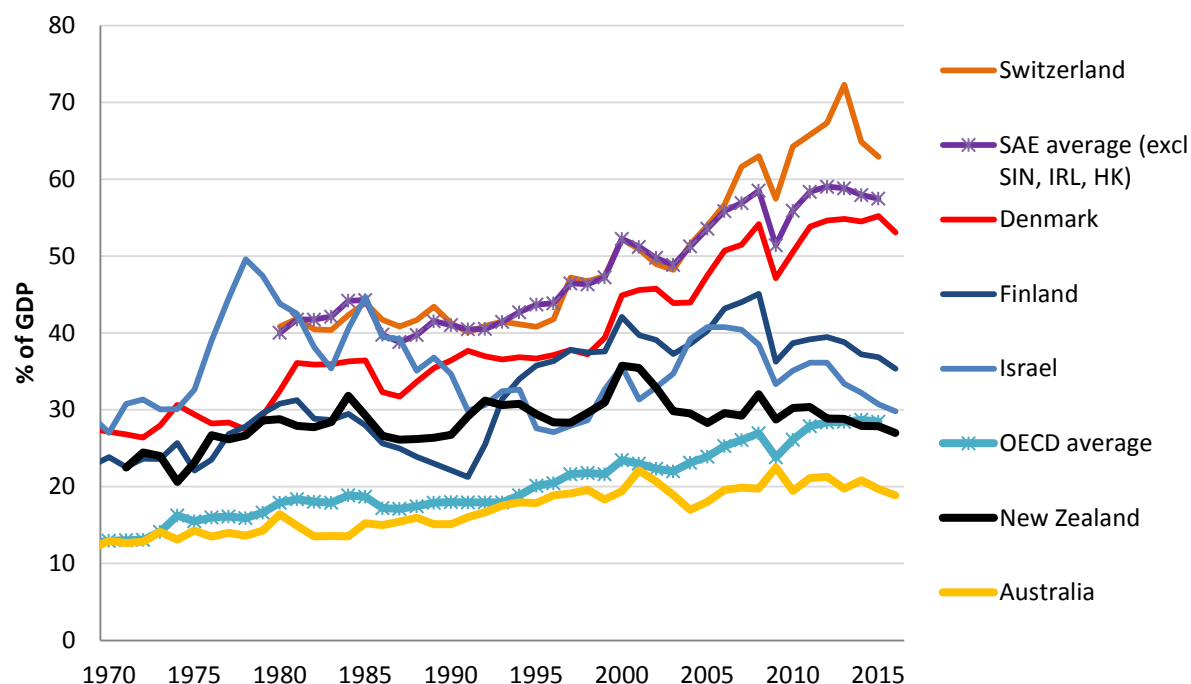
Similarly, New Zealand's product export diversification is close to the average of comparator small advanced economies. Reflecting New Zealand's natural endowments, our exports are relatively concentrated in primary products.

Goods and services exports by sector (2016)



An indicator of the degree to which New Zealand is connected internationally is the ratio of its total exports of goods and services to aggregate Gross Domestic Product (export intensity). Partially reflecting its distance from major markets, New Zealand has comparatively low export intensity. While most other small advanced economies experienced a lift in export intensity through the 1990s and 2000s, New Zealand's intensity has tracked sideways for the past 35 years, a point highlighted in the graph below.

Export intensity: Goods and service exports as share of GDP



(**Note:** SAE are the Small Advanced Economies of Denmark, Finland, Ireland, Israel, Singapore, Switzerland and New Zealand. Singapore, Ireland and Hong Kong are excluded from the SAE average as these countries import and export large amounts without any additional processing.)

Appendix 2: NZ Inc offshore footprint



As at 30 September 2017

Ministry of Foreign Affairs and Trade (MFAT)	Ministry of Business, Innovation and Employment (MBIE)		New Zealand Trade and Enterprise (NZTE)	Tourism New Zealand (TNZ)	New Zealand Defence Force (NZDF)	The Department of Internal Affairs (DIA)	Education New Zealand (ENZ)	New Zealand Police (NZP)	New Zealand Customs Service (NZCS)	Ministry for Primary Industries (MPI)	The Treasury (TSY)
	Immigration New Zealand (INZ)	Science and Innovation (S&I)									

- New Zealand Posts managed by MFAT
- New Zealand Consulates-General and other offices managed by NZTE

Note: Numbers reflect the combined total agency employees, consisting of both seconded and locally engaged staff (FTEs)