

**NZCCI submission
to the Ministry of Foreign Affairs and Trade
on a proposed Free Trade Agreement with the European Union
February 2016**

Introduction

The New Zealand Chambers of Commerce Inc. (NZCCI) welcomes the opportunity to submit on the Ministry of Foreign Affairs and Trade's consultation on a proposed Free Trade Agreement with the European Union (NZ-EU FTA).

NZCCI is the umbrella organisation serving the interests of 29 Chambers of Commerce nationwide. These in turn represent over 20,000 businesses around the country. While many of our members are small to medium enterprises, our membership also includes some of the largest businesses in New Zealand.

NZCCI contributed views to inform the New Zealand International Business Forum discussion paper July 2015, accordingly this submission should be taken as a supplement to that discussion paper.

NZCCI is wholly supportive of development towards an NZ-EU FTA.

Existing trading relationship

New Zealand and the European Union have an existing, healthy, trading relationship. For the year to June 2015, two way trade in goods and services reached \$19.6 billion (\$8 billion in exports (\$4.9 billion goods, \$3.1 billion services), and \$11.5 billion in imports (\$8.5 billion goods, \$2.9 billion services), making the EU New Zealand's third largest trading partner behind Australia and China.¹ The EU is New Zealand's second largest source of foreign direct investment (NZ\$10.9 billion), and a major partner for international research collaboration (40%).²

While these statistics are *prima facie* positive, there is room for improvement. Current trading is based on a 30 year old arrangement, the effects of which have now been surpassed by EU arrangements with other nations. Accordingly, New Zealanders trading into the EU are disadvantaged from the outset against competitors from countries with preferential trade access.

¹ www.mfat.govt.nz – call for public submissions on the proposed EU FTA

² As above.

Existing tariffs on products of significance are limiting New Zealand export success into European markets, particularly on agriculture, processed food, wine and fisheries products.³ These trade barriers are known to impact on cost to the extent that they weaken supply-chain efficiencies and can erode margins to the extent that trade is uneconomical.

NZCCI sees opportunity to eliminate tariffs across all areas of goods and would encourage negotiators to seek outcomes which at least improve current quotas. We would expect free trade to come into effect within reasonable time frames.

NZCCI recognises that trade is changing, and implications are now broader than border tariffs. It is increasingly important for regulatory coherence to ensure market integration can take place.

Beyond the border, there are non-tariff barriers to trade which could be improved with an FTA through improved compatible regulations. Non-tariff barriers are known impose “tariff equivalents” as high as 50%, costs which again deter trade.⁴

For service exporters, there are current restrictions around labour mobility, and regulations inhibiting trade across varying Member states.⁵

NZCCI would encourage negotiators to seek agreement which streamlines and minimises regulatory requirements behind the border that have an impact on the trade and investment, for example intellectual property (subject to GI), customs facilitation, e-commerce, cross border data flows, SOEs, SMEs and regulatory coherence.

NZCCI would also welcome further cooperation in education, science and technology, and aviation services.

Opportunity

For New Zealand, the EU represents 500 million consumers potentially interested in what New Zealand has to offer. The EU is already a popular market for New Zealand’s major primary products – sheepmeat, kiwifruit and apples, fish, wine, dairy, hides and skins, beef and niche manufactured products and services. It is evident there is demand for New Zealand products and services, however stagnating trade indicates some re-ignition of trade would benefit both economies. An FTA

³ New Zealand International Business Forum – Towards a New Zealand European Union FTA: A business perspective at 8.

⁴ As above

⁵ Above n 3 at 9.

would likely re-introduce New Zealand on a more competitive level and re-incentivise two-way trade.⁶

NZCCI encourages negotiators to seek outcomes to maximise opportunities to expand agriculture, food, technology, tourism, education and environmental services, niche and high-manufacturing, research and investment.⁷

NZCCI recognises that general benefits of free trade, such as raising the respective parties' profiles in each economy. With successfully negotiated regulations, New Zealand companies can better invest in brand presence and consumption in EU markets. A stronger brand presence, could attract investment in New Zealand (or New Zealand operated) markets.

There would likely be opportunities to maximise geographical location and increase counter-seasonal production and supplementary supply during market volatility. Additionally, there could be increased scope for collaboration, such as the existing collaboration in tourism, seismic engineering, agri-food and environmental issues.⁸

The EU has indicated clear interest in accessing the wider Asia-Pacific, accordingly there may be increased opportunities for collaboration between New Zealand and EU businesses into these markets on a broader scale than currently available.

NZCCI recognises the trade strategies at play which have led to the opportunity to seek an agreement with the EU. As the EU-NZ Business Council puts it, the centre of gravity of world trade has moved significantly towards the Pacific. European trade is somewhat threatened by the competitive relationships being formed in the Pacific, and is seeking deeper relations in the Asia-Pacific to remain competitive itself.

New Zealand has been identified as an ideal starting point to increase trade relations in the Asia-Pacific, and is recognised by the EU as a market with equivalent economic output to countries the EU is currently in negotiations with.⁹

Comparative to FTAs New Zealand has negotiated in the past, this FTA ought to face the least contention. The two economies share mutual cultural values, particularly when it comes to the rule of law and market transparency. The reliability and trustworthiness of both markets ought to enable the basics to be relatively simple to negotiate. With a relatively straight-forward negotiation ahead, there ought

⁶ Above n 3 at 8.

⁷ Above n 3 at 2.

⁸ Above n 3 at 5.

⁹ European Centre for International Political Economy: New Zealand: The EU's Asia-Pacific Partnership and the Case for a Next Generation FTA, at 3.

to be room to embrace the opportunity to be procedurally innovative and produce an agreement which could set benchmarks for trade policy.

There is potential for contention to arise if the method of engagement and consultation reflects that of the recently negotiated TPP. While our organisation felt well consulted on, there was enough opposition picked up by media for this agreement to be shed in unnecessarily poor light. It is clear that this opposition reflected a lack of understanding of the agreement, and therefore NZCCI would encourage the future method of negotiations be considered in light of this.

Conclusion

NZCCI endorses the NZIBF discussion paper, and encourages the government to work towards an NZ-EU FTA. While trade with Europe exists, New Zealand exporters face deterring trade barriers which need to be addressed.

NZCCI notes the current strategic interest the EU places in New Zealand, accordingly we urge the government to take this opportunity and negotiate for more prosperous trading conditions than currently exist. NZCCI would expect a well-rounded free trade agreement, including all areas of goods and service, and implementation within a reasonable amount of time.