

Prepared by the New Zealand Embassy in Berlin

Summary

- Germany, New Zealand's largest export market in the European Union (EU), has a new, centre-left three-party coalition Government with an ambitious agenda.
- It has signaled continuing support for free trade agreements (FTAs) provided they include strong sustainability provisions.
- The Coalition Agreement sets out numerous initiatives, some of which potentially affect our agricultural, health and tourism exports.
- There is a strong focus on digitalisation and decarbonisation, creating opportunities for businesses offering related goods and services.

Report

Germany has a new three-party coalition Government led by the Social Democrats (SPD – NZ Labour equivalent) and joined by the Greens and liberal FDP. A Coalition Agreement sets out their agenda for the next four years. This market report looks at the opportunities and challenges that lie ahead for New Zealand exporters.

Bilateral relations and the FTA

The new Government is committed to deepening relations with New Zealand, building on the Indo-Pacific Guidelines adopted by the previous Merkel-led government. It supports the EU trade agenda, including a free trade agreement (FTA) with New Zealand, provided such FTAs include effective sustainability standards.

Food and beverages (F&B)

With a Green minister leading the Federal Ministry for Food and Agriculture, the Government wants to promote more sustainable farming practices and animal welfare. Accordingly, it intends to introduce mandatory animal welfare labelling and comprehensive country-of-origin labelling (beyond what EU law currently requires). The scope of both, including to what extent this would be implemented unilaterally or based on new EU law (yet to be agreed), remains unclear at this stage.

As foreshadowed in an earlier [market report](#), the Government will seek to raise fresh funds to support farm investment in animal welfare beyond the legislated minimum standards. It has yet to decide on how to do this, but with the FDP now part of the Government a GST increase on animal products may be less likely than the alternatives, such as the introduction of a new levy per kilogram.

As regards domestic production, the Government will seek more sustainability in terms of livestock intensity and lower emissions from animal farming. It also aims to increase the share of organically farmed land to 30% by 2030, and will promote alternative proteins. These initiatives may reduce animal production, but the potential impact on imports is not clear, as consumption is expected to decline. The Government also confirmed that glyphosate will be banned after 2023.

Health and beauty products

As previously reported the German [health sector and market](#) are in transition. The new Government intends to review and consolidate the German hospital landscape and promote further digitalisation of the sector, with a focus on the needs of patients (e.g. electronic patient files, telemedicine) and efficiency gains. The coalition parties have agreed to legalise

recreational cannabis, which could impact on the German market for [medical cannabis](#). The Government will also support the proposed EU ban on microplastics in cosmetics.

Tourism and education

The Government will promote domestic tourism and address the climate impact of aviation. Accordingly, while working towards the long-term goal of carbon-neutral aviation, it intends to reduce the need for short-haul flights and will consider increasing Germany's aviation tax (currently €59 for flights to New Zealand) in 2023, a model it also favours for the EU (absent a tax on kerosene). Other than that, the Agreement does not take specific issue with long-haul destinations. Regarding education, the Government intends to increase funding for the German Academic Exchange Service (DAAD), which already supports New Zealand/German student exchanges, and lower requirements for the recognition of foreign qualifications.

Digital and clean technologies

The new Government is keen to play catch-up and digitalise the country across the board e.g. aiming for 100% coverage with regards to fibre and 5G, easier access to relevant data (mobility, agriculture etc) as a basis for new products and services, and more e-Government services. At the sectoral level, regulatory improvements and/or funding should improve the conditions for the digitalisation of, for example, financial services and education.

Likewise, the Government has set ambitious decarbonisation targets. Anticipating the end of coal-based power generation by 2030 and new combustion engines by 2035, the Government will aggressively promote the uptake of renewable energies and expansion of grids. Additional subsidies, tax incentives and "Carbon Contracts For Difference" (CCfD) will be rolled out to encourage German industry to accelerate the decarbonisation of their processes. Building standards will be raised and existing generous subsidies for e-vehicles will be continued until 2025. The Government will *inter alia* also promote green hydrogen (including through imports as required), deep geothermal energy and agrivoltaics.

Horizontal issues: customs, ease of doing business, sustainability of global supply chains

Other initiatives in the Coalition Agreement worth mentioning that may affect exporters across various sectors includes the intention to make German Customs faster and more digitalised, and to make it easier to set up a business in Germany (including through digitalised procedures).

Of note at the international level is the new Government's support for the proposed [EU Carbon Border Adjustment Mechanism](#) (CBAM), provided it is WTO-compatible and easy to administer. Under its G7 Presidency next year, Germany intends to launch an international "Climate Club" of countries aiming for a common minimum price on carbon emissions and a common CBAM. Germany will also support new EU supply chain legislation (see [here](#) for a report on Germany's own requirements) and [proposed new EU rules for deforestation-free products](#).

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our [subscription page](#).

To contact the Export Helpdesk

Email exports@mfat.net

Call 0800 824 605

Visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.
