



29 February 2016

Co-ordinator, EU-NZ FTA  
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Dear Sirs

**Submission: Proposed EU FTA**

Thank you for the opportunity to comment on the above document.

The New Zealand Manufacturers and Exporters Association (NZMEA) represent the interests of manufacturers and exporters throughout New Zealand.

The NZMEA is New Zealand's only focused and independent voice for manufacturers and exporters. Members make over \$6 billion in sales per year, with an export value of around \$3 billion. The Association can trace its beginning back to the early history of New Zealand.

The Association also includes in its membership affiliate organisations such as the Wood Processors Association, the Engineering Printing & Manufacturing Union Inc, the Heavy Engineering Research Association (HERA), and Plastics New Zealand.

The NZMEA canvassed our constituency for their feedback on how a Free Trade Agreement with the European Union (EU) will impact their businesses.

The NZMEA supports the submission made by Enatel Limited.


**General Comment**


In general, and in principal, the NZMEA and our manufacturing and exporting members support the New Zealand government's goals of negotiating quality free trade agreements, including the proposed European Union FTA.

We believe for New Zealand to achieve any quality Free Trade Agreement our negotiators have to consider the needs of our whole manufacturing sector. Achieving gains for our primary sector, due to its more uniform nature and experience of tariffs as the most prominent trade barrier, is more straight forward than the negotiations and detail required for real gains in our added-value manufacturing sectors.

Obtaining gains for the non-primary manufacturing industry takes more direct consideration, specifically around non-tariff issues, such as certification of goods. A quality FTA can help manufacturers grow their exports into the EU and provide much needed revenue to allow for further investment in their businesses.

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The EU already has numerous FTA's in place – New Zealand is one of only six WTO member countries without a FTA enacted or being negotiated. This absence of a NZ/EU FTA heightens competitive pressures relative to those countries who already have a FTA in place, particularly against low cost countries who already have cost advantages over New Zealand.

Many manufacturers have ties with European companies for a variety of reasons, such as distribution channels. A FTA with the European Union will help support such connections.

### **Certification and Non-Tariff Barriers**

In terms of manufactured products, certification and the associated testing regimes is one of the most important non-tariff barriers in terms of gaining real access benefits of a Free Trade Agreement, especially in the realm of high value products. In the negotiations of the China FTA this was a significant issue that was not thought through in the negotiation stages, which led to very real access issues for exporters of electrical and electronic products into China – an issue that took five years to overcome for some New Zealand manufacturers. This was in large part a failure to ensure there was accessible testing and certification regimes in place to allow New Zealand exporters to gain the certification required in the FTA.

While there is already a more robust certification and testing process for exporting to the European Union, this still needs serious consideration in the negotiation phase, to ensure these processes remain in place and are improved in terms of accessibility and efficiency.

All potential barriers for manufacturers need to be considered in the negotiations, and specifically, ensuring that any surrounding regimes or support is in place to ensure manufacturers in New Zealand have access to sound and efficient processes in place to meet any requirements. Such other barriers could include labelling, compositional standards, processing or manufacturing requirements and product specifications.

### **Specific Duty Comment**

We have had feedback from a manufacturing member, who produces niche bronze and other metal parts, and exports to the European Union, in addition to many other countries.

The company currently faces duties ranging from 0% to 4.8% on bronze, brass and components made of these materials. They also note that the strictness of interpretations and assessments of these duties differs depending on the country (and even customers) within the EU involved. A duty of greater than 4% effectively stops this business from being able to compete in any European market.

These types of duties have a significant impact on the competitiveness of businesses exporting to the EU. This effect is more pronounced for commodity and original equipment manufacturers due to generally having lower margins - the removal of tariffs can open up opportunities for higher volumes.

It should also be noted, when it comes to the stage of analysis for any potential benefits of tariff reductions in such an agreement with the European Union, that the value benefit of tariff reductions do not always flow directly to the New Zealand manufacturer. These are often captured by those in the distribution chain in the importing country, or the consumer. However, the benefits in terms of relative access, competitiveness and volume increases are still worthwhile for those in these cases, helping New Zealand exporters gain access to new markets.

### **Industrial Policy**

As New Zealand continues to push for Free Trade Agreements, the policy differences between New Zealand and the countries we compete with start to make a bigger relative effect on competitiveness.

For example, incentives, not directly involved in trade, such as Research and Development Tax Credits, can directly affect competitiveness of New Zealand business selling into Europe if they are offered in other jurisdictions, but not to counterparts in New Zealand.

While some of these policies are well outside the scope of trade negotiations, they need to be considered in terms of New Zealand's competitiveness and ability to fully leverage and make the most out of Free Trade Agreements.

### **Concluding Remarks**

The NZMEA wishes to be a submitter through the process of negotiating a Free Trade Agreement with the European Union, and wish to be heard when appropriate. The NZMEA can provide other supporting information, for example, specific HS codes, on request.

We support the negotiation of a FTA with the EU in principle, and believe involvement of manufacturers and exporters early in the negotiation stage as a source of information and comment on real barriers to trade they face is vital to ensuring we can get the best end result for businesses and New Zealand.

We appreciate the opportunity to provide feedback to this important negotiation. If you require additional information do not hesitate to contact me.

Yours sincerely



**Dieter Adam**  
**Chief Executive**