

## SUBMISSION BY THE AUCKLAND CHAMBERS OF COMMERCE TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE ON THE PROPOSED NEW ZEALAND-EUROPEAN UNION FREE TRADE AGREEMENT

### Introduction

1. The Auckland Chambers of Commerce welcomes the opportunity to make a submission on the proposed New Zealand-European Union Free Trade Agreement (NZ-EU FTA).
2. The Auckland Regional Chamber directly represents a corporate membership of more than 7000 businesses located between Taupo and Northland and is dedicated to the strengthening of greater Auckland's status as New Zealand's pre-eminent commercial, industrial and communications region and to assisting the development of the region in creating a desirable environment for its more than 2 million citizens.
3. Through our membership of the World Chambers Federation, whose headquarters are in Paris, the Auckland Chamber has well developed networks and relationships to Chambers of Commerce in Europe. In many EU countries, Chambers of Commerce has close working relationships to government, including some with legislative arrangements.
4. Address for service is:
  - Dasha Taljaard, EA to Michael Barnett, Chief Executive of the Auckland Chamber and Chairman, Management Committee, NZ Chambers of Commerce, email: [dtaljaard@chamber.co.nz](mailto:dtaljaard@chamber.co.nz), or phone: (09) 302 9916.

### Overview

5. The Auckland Chamber believes that the goal of the FTA should be a comprehensive agreement with a commitment to eliminate all barriers in all goods and services sectors by an agreed deadline.
6. There should be no sector excluded from the ambit of the negotiations but differing sectors may be subject to differing timetables for liberalisation.
7. The negotiating agenda should encompass all issues of relevance to both sides including market access for goods and services, investment, competition policy, intellectual property, government procurement, labour and environment issues.
8. The Chamber **recommends** that the Government proceed immediately to initiate the detailed negotiating process and conclude that process as soon as there is a substantive and mutually agreed outcome.

9. In summary, a NZ-EU FTA could be expected to generate new business in both directions by reducing trade barriers and by increasing awareness of opportunities in each other's market. In respect of Auckland's wider economy, specific new high-quality export opportunities exist in the dairy, meat, seafood, niche machinery and services sectors; an FTA would also help to ensure that exporters remain competitive with other third-country exporters into the European market, and could potentially deepen mutual involvement in global value chains, especially Asia. European and Auckland investors are already active in each others' markets but there is scope for this activity, too, to increase in both directions.

## **Current NZ-EU trade & economic relationship**

10. The Auckland Chamber notes that Europe is already a significant trade and investment partner, ranking as our third-largest overall market for goods and services (fourth-largest export market for goods, second-largest for services) and our largest source of imports overall. Two-way NZ-EU trade was worth \$19.3 billion in the year ended June 2015. The EU is NZ's second-largest source of and destination for investment.<sup>1</sup>
11. However, there is significant potential to expand and deepen the relationship:
12. The EU is a global economic powerhouse, with a GDP of over NZD\$20 trillion and a market of more than 500 million consumers. Although New Zealand is in the top group of economies (and country standards of living rankings) worldwide and has a GDP growth rate forecast to be above the average for all OECD countries next year<sup>2</sup>, New Zealand ranks a lowly 50<sup>th</sup> in the list of European merchandise trading partners<sup>3</sup>.
13. Yet with the conclusion of the TPP negotiation, the EU is the only one of our major trading partners with which we do not yet have an FTA. In turn, New Zealand is one of only a small handful of economies with which the EU has not negotiated any preferential trade arrangements.
14. Among other benefits, an FTA would help to ensure that New Zealand exporters remain competitive with other third-country exporters into the European market – and vice versa.

## **Mutual NZ-EU FTA opportunities**

15. Accordingly, the Auckland Chamber believes that there is scope to build on the relationship with the EU in ways that reflect our shared history and values, our respective economic strengths and the complementarities of our two economies.
16. New Zealand has strengths as a supplier of innovative, high-quality sustainably-produced (and, for the most part, counter-seasonal to European) food and agricultural products such as dairy, sheepmeat, beef, kiwifruit, apples, fish and wine.

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<sup>1</sup>Global New Zealand (Year Ending June 2015), Statistics New Zealand

<sup>2</sup>OECD, Real GDP forecast ([data.oecd.org](http://data.oecd.org))

<sup>3</sup>[trade.ec.europa.eu/doclib/html/122530.htm](http://trade.ec.europa.eu/doclib/html/122530.htm)

17. We and Auckland in particular also offer high-value niche manufacturing and services (ICT, education, tourism, transport, logistics and business services such as specialised consultancy services). These areas of relative advantage complement Europe's strengths in value chains for both agri-food and sophisticated manufactured goods and services, and its role as a major world exporter and importer.
18. Tariff reduction is a major area of opportunity. While its overall average applied tariff is modest, the European Union maintains high tariffs and/or restrictive non-tariff measures on a number of key items of export interest to New Zealand, particularly in the primary sector; viz some dairy products, beef, hides and skins, some fruits and vegetables, some fish and seafood products, processed food and wine.
19. Reducing tariffs and addressing non-tariff barriers would provide new opportunities for New Zealand exporters and would offer consumers with a wider variety of competitively-priced products and services, and manufacturers with access to high-quality, competitively-priced inputs. Likewise, New Zealand consumers and manufacturers would benefit from lowering of a number of remaining New Zealand tariffs on European products and inputs.
20. In respect of regulatory settings for services trade, while an especially complex area, there is potential to achieve a more coherent system in rules around skilled labour mobility, commercial presence and other areas.
21. A NZ-EU FTA could also be expected to focus attention on opportunities in third markets, especially Asia. New Zealand's FTAs in the Asia-Pacific can be expected to offer an attractive pathway for the EU.

## Concluding comments

22. The Auckland Chamber is aware of the complexity of FTA negotiations generally and in respect of the European Union its dynamic environment at the moment.
23. Should Britain decide to leave the EU, we would support a parallel FTA negotiation with Britain.
24. The Auckland Chamber **recommends** that Government proceed promptly with a negotiation, with a view to concluding a substantive and mutually advantageous agreement as soon as possible.

## Other recommendations

25. The Auckland Chamber recommends that the Ministry:
  - i. **note** the Auckland Chamber's strong support for the negotiation of a comprehensive FTA between New Zealand and the European Union;
  - ii. **agree** that the goal of the FTA should be the elimination of all barriers in all goods and services sectors by an agreed deadline with no sector excluded from the ambit of the negotiations;
  - iii. **agree** that the negotiating agenda should encompass all issues of relevance to both sides including market access for goods and services, investment,

competition policy, intellectual property, electronic commerce and cross-border data flows, government procurement, labour and environment issues;

- iv. **consult** widely with sectors likely to be influenced directly by the negotiation, and with other stakeholders, operating on the basis of an inclusive and transparent process as far as the negotiating parameters allow;
- v. **develop** an active communications programme aimed at deepening New Zealand business' understanding of the opportunities presented by the FTA negotiation.

For further information:

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