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## **Submission to the Ministry of Foreign Affairs and Trade on the New Zealand-European Union Free Trade Agreement**

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### **INTRODUCTION**

1. Horticulture New Zealand (HortNZ) appreciates the opportunity to make a submission to the Ministry of Foreign Affairs and Trade (MFAT) consultation on the New Zealand-European Union Free Trade Agreement (NZ-EU FTA).
2. The horticulture industry employs over 60,000 people, occupies some 116,145 ha of land and provides critical regional development opportunities in Northland, Auckland, Bay of Plenty, Hawke's Bay, Marlborough, Nelson, Canterbury, and Central Otago.
3. The horticulture industry is valued at \$5.7 billion, with \$3.44 billion in exports of to overseas markets. The EU is the destination for 22.5% of these exports, across a range of high quality fresh fruit and vegetables.
4. The horticulture industry relies on New Zealand's excellent biosecurity status that provides us with significant market access opportunities internationally. New Zealand operates strict biosecurity safeguards to ensure unwanted pests & diseases are not introduced. This status is also key to the industry's drive towards Integrated Pest Management (IPM) that has reduced agrichemical inputs while maintaining product quality and meeting the exacting standards of our international consumers. These developments

have enabled our horticultural exports to meet the exacting demands of the EU Government and retailers.

5. New Zealand is a trusted trading partner with proven compliance in export of fruit and vegetables to the EU. Recognising the importance of good regulatory practice and cooperation, and also the sovereign right of governments to regulate for public good, a future agreement will seek to have New Zealand's robust plant health regulatory system recognised. In the best interest of both countries the agreement should allow for acceptance of equivalence of each other's systems.

6. Globalisation and the rapid growth of economies has resulted in the need to develop agreements that are forward looking, are mutually beneficial and facilitate safe trade. These progressive and inclusive agreements provide valuable trade architecture in a time when there is significant uncertainty about the global trading framework, and increasing trade protectionism. Support for the international rules-based system and maintaining a free and open trading environment that benefits citizens of New Zealand and the EU remains paramount.

7. HortNZ provides views for MFAT to consider in their negotiation of the NZ-EU FTA to ensure the interests of the New Zealand horticulture industry are represented. We outline shared trade policy interests, horticultural trade history between the EU and New Zealand, and benefits and possible challenges for negotiation of the agreement.

## **HORTICULTURAL TRADE BETWEEN NZ AND EU**

8. New Zealand provides a counter seasonal supply of premium products to the EU to meet demands of discerning consumers who highly value fresh fruit and vegetables grown in a safe, ethical and environmentally sustainable way.

9. New Zealand and the EU have a long history of trade. Latest trade figures show New Zealand exports reaching \$5.2 billion, including \$3.3 billion in goods and \$1.9 in services. Trade is two-way with imports from the EU currently at \$10.7 billion, of which \$8.7 billion is in trade of goods (MFAT, 201x). The main horticulture exports to the EU are apples, kiwifruit and onions, with current figures in Table 1.

**Table 1. Horticulture exports to EU (tonnes and NZ \$FOB) year end June**

Product	2017		2018	
	Volume	Value	Volume	Value
Kiwifruit	195,071	419,752,840	204,370	511,287,055
Apples	141,840	226,465,987	156,438	249,711,477
Onions	74,887	40,546,436	69,979	39,509,587

10. The leading three products (kiwifruit, apples and onions) make up 98% of the trade. In 2017, 25% of kiwifruit produced in New Zealand was exported to the EU and 24% of apples (Fresh Facts, 2017). Overall export in horticulture products continues to grow, increasing 5% in volume and 16% in traded value from the 2017 to 2018 year.

## **SHARED TRADE POLICY INTERESTS**

11. The EU and New Zealand are like-minded trading partners who share core common values and interests, which are mirrored in our respective trade policies. This includes common interest in our domestic trade policies and commitment to international trade obligations and best practices.

12. The EU *Trade for All: Towards a more responsible trade and investment policy* was launched in late 2015 and is based on three key principles of effectiveness, transparency and values. With a focus on inclusiveness it seeks to ensure trade policy benefits as many people as possible.

13. Similarly, the proposed New Zealand *Trade for All Agenda* is intended to deliver benefits to all New Zealanders and focuses on creating new and more sustainable economic opportunities for New Zealand, building on the *Trade Agenda 2030: Setting our place in the world*. It also contributes to addressing global and regional issues of concern, such as environmental issues and labour standards, a shared priority with the EU.

14. Alignment with the World Trade Organisation (WTO) principles supports the global system of trade rules and provides a strong basis for negotiating agreements. Similarly, the International Plant Protection Convention (IPPC), to which the EU and New Zealand are contracting parties, provides a framework to globally harmonise plant health, thus reducing the spread and introduction of plant pests to new territories.

15. The EU and New Zealand share a commitment to develop an agreement that aligns with their trade policies. This will include an agreement that is socially responsible, protects the environment, and addresses issues such as animal welfare and climate change. Promoting sustainable development across key areas such as the environment and labour will result in a range of benefits that support biosecurity, conservation, appropriate use of finite natural resources, and the atmospheric domain.

#### **HORTICULTURE INDUSTRY PRIORITIES FOR THE EU-NZ FTA**

16. There is an expectation by HortNZ to see New Zealand and the EU catch up on the opportunities available to other nations through agreements, in particular given New Zealand's reputation for both fair and free trade, and for the recognised two-way trade in high-value goods and services sought by New Zealanders and Europeans.

17. The EU and New Zealand share a view on the high-level principles that a future agreement should be negotiated and agreed on, with initial discussions confirming a high degree of coherence. Priority areas for negotiating an ambitious and progressive agreement include:

- enhancing market access
- eliminating or significantly reducing tariffs and non-tariff barriers
- support to small and medium sized enterprises (SMEs)
- protection of intellectual property rights
- sustainable development
- simplifying business transactions
- regulation for public good
- commitment to engage with civil society during negotiations to promote transparency.

18. The agreement should aim to facilitate access to each other's markets, while acknowledging a country's sovereign right to protect human, animal and plant life. Complementary to market access processes are comprehensive provisions for transparency and exchange of information.

19. The New Zealand horticultural industry seeks comprehensive liberalisation, principally tariff reduction, of all goods that we trade with the EU, within commercially meaningful timeframes. This will help level the playing field with New Zealand's competitors in the EU.

Ideally most tariffs would be eliminated when the agreement enters into force and the remainder phased out over a short time period.

20. Both the EU and New Zealand agree that trade and competition provisions should seek to maintain competition, based on principles of transparency, due process, procedural fairness and non-discrimination. As a general principle the New Zealand horticulture industry is opposed to the use of domestic subsidies by the EU, where products from subsidised horticultural enterprises are exported either to New Zealand or to other markets in competition with New Zealand products. Subsidisation of horticultural production disconnects the real price of production from the consumer. This limits improvements in productivity, preventing focus on costs from the impact of farm inputs and environmental performance, and contributing to food waste from food production that is disconnected from actual consumption.

## **BENEFITS AND CHALLENGES OF THE NZ-EU FTA**

21. A comprehensive and progressive agreement will benefit New Zealand businesses and consumers. The EU is one of the world's largest economies and trading entities, which provides opportunities to many businesses. The value of the EU market to New Zealand horticulture industry is considerable, with New Zealand offering counter-seasonal supply of premium produce that provides ongoing value to the EU supply chain for the benefit of consumers.

22. The New Zealand horticulture industry currently exports 22.5% of its produce to EU member states. The key value to the New Zealand industry of a high-quality, well-constructed agreement is to improve competitiveness through elimination (or early reduction) of tariffs relative to third-party countries, and other trade barriers. HortNZ advocates there should be no *a priori* goods exclusions from the negotiations for liberalisation, but recognises there might be need for differing timetables.

23. New Zealand has strengths as a supplier of high quality, sustainably produced innovative products. In the horticulture industry this has been driven by the desire for market competitiveness, which has resulted in produce bred in New Zealand and now being licenced to EU growers (E.g. Jazz™ apple, Zespri® Sungold kiwifruit). Benefits will be emphasised for New Zealand SMEs that make up the majority of the horticulture industry.

24. An agreement will reduce uncertainty in New Zealand exporters supplying EU markets and allow supply chain planning to be more effective, without being forced to decide on shipping and supply during a short tariff-free window. This will allow New Zealand and EU growers to partner more effectively to enable year-round supply of new, innovative, high quality and safe food for EU consumers, without prices being distorted by tariffs.

### Challenges

25. Although New Zealand and the EU are members of the WTO and IPPC, there is a need to ensure international obligations and practices are followed at all times. This has come up in the development and implementation of the new EU plant health laws that in some instances are counter to the IPPC principles.

26. EU sensitivities regarding trade in certain agricultural goods still exists. Negotiations and decisions should be made on the basis of what is commercially meaningful for New Zealand.

27. With each agreement New Zealand is party to, we should always strive for inclusion of comprehensive and progressive chapters that are of importance, including recognition of the Treaty of Waitangi. Additionally, negotiations should seek better conditions for each subsequent agreement.

28. Where the New Zealand and EU perspectives differ in regards to geographic indicators (GIs) and the use of a mechanism for resolution of disputes between investors and states, compromise should be sought in the best interests of both parties. In particular, GIs should not be used as another mechanism for protection of international intellectual property, but to recognise the unique geographical characteristics of a product to recognise its quality.

## **CONCLUSION**

29. HortNZ strongly supports the intent of MFAT to negotiate and deliver a comprehensive and progressive agreement that represents the needs of the New Zealand primary sectors equitably.

30. HortNZ requests MFAT prioritises the agreement includes elimination of all horticulture product tariffs.

31. HortNZ requests MFAT seeks to align provisions of the NZ-EU FTA with the obligations of the international agreements that our countries are signatory to, particularly in regard to safe trade and sanitary and phytosanitary (SPS) requirements.

32. HortNZ requests MFAT emphasises the importance eliminating non-tariff barriers in the NZ-EU FTA.

33. HortNZ welcomes the opportunity to discuss the content of this submission with MFAT and requests to be kept up to date on negotiation progress and agreement decisions.

34. This submission is supported by:

- Vegetables New Zealand Incorporated
- Central Otago Fruit Growers Association

35. HortNZ supports the submission made by the Horticulture Export Authority.

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## **ENDS**