

The New Zealand – Hong Kong, China

CLOSER ECONOMIC PARTNERSHIP

AGREEMENT

General Review

1 January 2013 – 31 December 2017

Executive Summary

The New Zealand-Hong Kong, China Closer Economic Partnership Agreement (the Agreement) was signed on 29 March 2010 and entered into force on 1 January 2011. As mandated under the Agreement, a general review (Review) of the Agreement at ministerial level should be conducted within two years of its entry into force and at least every three years thereafter, unless the Parties agree otherwise. The first Review, covering the period from 1 January 2011 to 31 December 2012, was concluded in October 2015. It concluded that the operation and implementation of the Agreement was serving the Agreement's objectives to strengthen Hong Kong, China and New Zealand's bilateral relationship and to liberalise and expand bilateral trade.

At the Third Meeting of the Joint Commission held in 2017, both Parties agreed to conduct the second Review to evaluate the implementation and operation of the Agreement over the four-year period from 1 January 2013 to 31 December 2017. Similar to the first Review, the second Review considers the extent to which the Agreement is bringing benefits to Hong Kong, China and New Zealand. All relevant government authorities involved in the implementation of the Agreement in Hong Kong, China and New Zealand had conducted a thorough assessment into the effectiveness of the Agreement during the said period.

On trade in goods, Hong Kong, China and New Zealand have exchanged and reached common understandings on the transposition of Tariff Schedules into the latest Harmonized Commodity Description and Coding System 2017 nomenclature at the Third Joint Commission meeting. In terms of Rules of Origin, the two Parties agreed on the amendments on the Product Specific Rules (PSRs) in 2017; and published the updated version of PSRs annexing to the Agreement. In respect of customs procedures and cooperation, the respective customs administrations started an officer exchange programme in 2015 to create opportunities of attachment trainings and visits to foster a closer relationship across all areas of customs activities. In terms of sanitary and phyto-sanitary (SPS) measures, both Parties agreed to formalise a proposed arrangement of providing SPS notifications to the other Party in parallel with a Party's submission to the WTO. In respect of cooperation on matters relating to technical barriers to trade (TBT), visits were conducted in 2014, 2015 and 2017 between officials from both Parties to discuss areas of potential cooperation and topics of mutual interest and safety concern; and New Zealand provided Hong Kong, China with a letter reaffirming its commitment towards cooperation on matters relating to TBT in 2017.

In respect of trade in services, both Parties took note of the Mandated Services Review stipulated in the Agreement and will engage in active discussions on possible further commitments having regard to the Most Favoured Nation (MFN) commitments under the Agreement, with a view to realising further liberalisation in trade in services.

In terms of bilateral trade, the total bilateral merchandise trade between Hong Kong, China and New Zealand has seen a modest growth from US\$1,055 million in 2011 to US\$1,139 million in 2017. Whereas for the total bilateral trade in services between Hong Kong, China

and New Zealand, a slight decrease was noted from US\$497 million in 2011 to US\$463 million in 2017. Regarding investment flow from Hong Kong, China to New Zealand, it had increased by US\$4.5 billion, or by 16.6% per annum, from 2011 to 2017. For total investment by New Zealand in Hong Kong, China, it also rose from US\$991 million in 2011 to US\$2.5 billion in 2017. Seen in this light, the Agreement reaffirms the steady and sustainable development of bilateral trade and investment flow between the two Parties.

While noting this progress, the second Review also identifies areas of work required to further enhance the implementation and operation of the Agreement and to ensure the benefits of the Agreement are fully realised.

The second Review concludes that the implementation and operation of the Agreement has been effective. It continues to provide a comprehensive and effective platform from which to promote and develop bilateral trade and investment. The Agreement will continue to evolve and develop as the bilateral trade relationship grows and deepens.

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CHAPTER ONE: INTRODUCTION

- 1.1 The Hong Kong, China - New Zealand Closer Economic Partnership Agreement (the Agreement) was signed on 29 March 2010 and entered into force on 1 January 2011. Since its entry into force, both Parties have contributed significantly to the smooth implementation of the Agreement and promoted cooperation to further enhance our bilateral relations.
- 1.2 Article 4 of Chapter 17 (Administrative and Institutional Provisions) of the Agreement states that the “Parties shall undertake a general review at ministerial level of this Agreement, including of matters relating to liberalisation, cooperation and trade facilitation, within two years of its entry into force and at least every three years thereafter, unless the Parties agree otherwise”.
- 1.3 The first General Review covered the period from the Agreement’s entry into force on 1 January 2011 to 31 December 2012. In the joint statement issued in 2015, both sides welcomed the first Review Report which concluded that the operation and implementation of the Agreement was serving the Agreement’s objectives to strengthen Hong Kong, China and New Zealand’s bilateral relationship and to liberalise and expand bilateral trade.
- 1.4 At the Third Meeting of the Joint Commission held in Wellington on 28 March 2017, both Parties agreed to conduct the second General Review with the terms of reference (TOR) as follows:

“The aim of the General Review is to evaluate the implementation and operation of the Hong Kong, China-New Zealand Closer Economic Partnership Agreement (“Agreement”) over the four year period from 1 January 2013 to 31 December 2017 as mandated under Chapter 17, Article 4 of the Agreement. The General Review will cover:

- a. whether the Agreement is bringing benefits to Hong Kong, China and New Zealand having regard to such factors as trade and investment flows, trade facilitation, movement of business persons, policies and practices affecting trade and investment, and bilateral cooperation;
- b. the extent to which the objectives of the Agreement have been met in accordance with Chapter 1, Article 2 and other provisions in the Agreement including its Annexes;
- c. the need for modifications to the operation or implementation of this Agreement to ensure the objectives of the Agreement are met;
- d. the need for additional measures in furtherance of the objectives of this Agreement;
- e. the extent to which the areas of work and cooperation identified in the last General Review has been met;
- f. any other matter relating to this Agreement.

The final outcome of the General Review will be in the form of a Joint Report with recommendations to be submitted to the relevant Ministers of the two parties at an opportunity to be mutually agreed between the Parties.”

- 1.5 The purpose of the Review is, therefore, to report on the implementation, operation and impact of the Agreement and to recommend areas of work and cooperation as a basis for future discussion. It is not intended to be legally binding to the Parties.

Preparation of the second General Review Report

- 1.6 This Report is jointly prepared by Hong Kong, China and New Zealand, led on the Hong Kong, China side by the Trade and Industry Department (TID) and on the New Zealand side by the Ministry of Foreign Affairs and Trade (MFAT), based on extensive trade data analysis as well as consultation with interested parties.

CHAPTER TWO: IMPLEMENTATION OF COMMITMENTS AND AREAS OF COOPERATION

2.1 Chapter Two of the Review examines the implementation of commitments and cooperation between New Zealand and Hong Kong, China in the areas under the individual Chapters of the Agreement.

Preamble, Initial Provisions and General Definitions and Interpretations (Preamble and Chapters 1 and 2)

2.2 New Zealand and Hong Kong, China are satisfied that the Preamble and Chapter 1 of the Agreement continue to serve their intended purpose in the Agreement and do not require any amendment. The General Definitions and Interpretations in Chapter 2 of the Agreement remain valid and no modification is required.

Trade in Goods (Chapter 3)

2.3 Chapter 3 of the Agreement outlines commitments made by the Parties to eliminate customs duties as per their respective Tariff Schedules as detailed in Annex I. It also details commitments with respect to Fees and Charges Connected with Importation and Exportation, Non-Tariff Measures and Consumer Protection.

2.4 Article 7 establishes a “Committee on Trade in Goods” to meet at the request of either Party. Neither New Zealand nor Hong Kong, China has requested that the Committee be inaugurated as the two Parties have been addressing issues that have arisen in areas under the purview of the Committee through the Joint Commission and designated points of contact.

Elimination of Customs Duties

2.5 Hong Kong, China bound its current applied zero rates of customs duties on all tariff lines upon the entry into force of the Agreement. New Zealand has eliminated tariffs for all goods originating from Hong Kong, China since 1 January 2016 pursuant to the schedule of phased tariff reduction. New Zealand tariffs on the most highly traded clothing and footwear products were the last to be phased out to give these sensitive sectors time to adjust to the greater competition.

Transposition of Tariff Nomenclature

2.6 Noting the importance of reaching common understandings on the transposition of the Tariff Schedules and Product Specific Rules (PSR) under the Agreement in order to facilitate trade and the collection of statistical data, as well as to promote transparency for businesses on both sides, New Zealand and Hong Kong, China have exchanged and

reached common understandings on the transposition of Tariff Schedules into the latest Harmonized Commodity Description and Coding System (HS) 2017 nomenclature at the Third Meeting of the Joint Commission.

Consultation

- 2.7 Article 7 establishes a “Committee on Trade in Goods” to meet at the request of either Party. New Zealand and Hong Kong, China have exchanged points of contact to facilitate communications between them on matters to trade in goods.

Rules of Origin (Chapter 4)

- 2.8 Chapter 4 of the Agreement covers Rules of Origin (ROO) and operating procedures for documentation and granting of tariff preferences under the Agreement. PSR are covered in Annex I to Chapter 4. Both sides considered that Chapter 4 of the Agreement and the Operational Certification Procedures continue to serve their intended purpose and do not require amendment at this point.

Transposition of Nomenclature

- 2.9 New Zealand and Hong Kong, China note that the transposition of PSR in Annex I to Chapter 4 to reflect the transposition to HS2017 nomenclature has been completed. The amendments on the PSRs were agreed on 20 July 2017.
- 2.10 Given the technical nature of the transposition exercise, it was proposed at the Third Meeting of the Joint Commission that future technical amendments under the CEP of this nature be streamlined and effected through implementing arrangements, followed by the exchange of letters to set out the details of the amendments. New Zealand agreed to this approach in principle and will respond to the draft implementing arrangements and draft exchange of letters provided by Hong Kong, China.

Goods Falling within Chapter 61 or Chapter 62 of the Harmonized System

- 2.11 Paragraph 2 of Article 16 of Chapter 4 requires an importer into New Zealand of goods within HS Chapter 61 or Chapter 62 to obtain a certificate of origin from Hong Kong, China where preferential tariff treatment is sought under the Agreement. At the Second and the Third Meeting of the Joint Commission, Hong Kong, China requested, and New Zealand agreed, to explore whether this requirement was necessary. The meeting noted that no certificate of origin has been issued by Hong Kong authorities since the entry into force of the Agreement.

Customs Procedures and Cooperation (Chapter 5)

2.12 Both sides have regularly exchanged points of contact for implementation of the Agreement, most recently at the Third Meeting of the Joint Commission, which included updating of the point of contact of the New Zealand Customs Service, reflecting the additional responsibility the New Zealand Customs Service now has for matters of policy relating to ROO.

Customs Cooperation (Article 12)

2.13 There has been regular, productive and positive cooperation and consultation between the respective Customs administrations on the implementation of the Agreement and other matters of mutual interest in line with the objectives of the Agreement. Specific cooperation activities include the following:

- (i) Respective Customs administrations actively cooperate and endeavour to meet when possible in the context of the World Customs Organization (WCO) meetings, including the WCO Asia Pacific Regional Heads of Customs Administration Conference and the Customs Co-operation Council Meeting.
- (ii) The Customs and Excise Department of Hong Kong, China and the New Zealand Customs Service started an officer exchange programme in 2015. Two New Zealand Customs Service officers were attached to different operational posts of the Customs and Excise Department of Hong Kong, China in May and June/July 2015 respectively. In reciprocal, representatives from the Customs and Excise Department of Hong Kong, China visited the New Zealand Customs Service in November 2015 and December 2015 respectively to exchange views on combating transnational drug trafficking.
- (iii) In 2014, the Customs and Excise Department of Hong Kong, China and the New Zealand Customs Service commenced discussion for Mutual Recognition Arrangement (MRA) of the respective Authorized Economic Operator programmes.

Neither New Zealand nor Hong Kong, China has received any requests to make operational enquiries relating to the Agreement.

Publication and Enquiry Points

2.14 The New Zealand Customs Service and the Customs and Excise Department of Hong Kong, China publish their relevant legal provisions and administrative procedures online with designated enquiry points to address enquiries from interested persons concerning Customs matters.

2.15 The Customs administrations of New Zealand and Hong Kong, China maintain a strong relationship across all areas of Customs activities. The Agreement and the Co-operative

Arrangement between the two Customs administrations provide a strong framework for implementing and managing Customs issues and requests for mutual administrative assistance.

Trade Remedies (Chapter 6)

- 2.16 Chapter 6 of the Agreement outlines commitments by the Parties with respect to trade remedies. It builds upon Article VI of the General Agreement on Tariffs and Trade (GATT) 1994, the WTO Agreement on Implementation of Article VI of the GATT 1994, the WTO Agreement on Subsidies and Countervailing Measures, Article XIX of GATT 1994 and the WTO Agreement on Safeguards, and provides supporting mechanisms for these commitments in practice.
- 2.17 Points of contact on trade remedies were exchanged along with other points of contact for the Agreement upon its entry into force.
- 2.18 WTO jurisprudence on trade remedies practice continues to develop. New Zealand and Hong Kong, China are ready to consider relevant cooperation activities in the trade remedies area in the medium to longer term with a view to furthering the objectives of this Chapter.
- 2.19 No countervailing duties, safeguard measures or anti-dumping measures have been introduced under Article 3 and Article 4 provisions respectively by either New Zealand or Hong Kong, China since entry into force of the Agreement.

Sanitary and Phyto-Sanitary Measures (Chapter 7)

- 2.20 Chapter 7 of the Agreement outlines the objectives and mechanisms for strengthening cooperation and consultation on Sanitary and Phyto-Sanitary Measures (SPS) matters between the Parties. It provides a framework to resolve trade access issues with a view to facilitating trade in all products, while protecting human, animal or plant life or health.
- 2.21 Hong Kong, China and New Zealand have maintained regular dialogue with respect to each other's SPS measures open during the period of review. For example, upon request, New Zealand had provided Hong Kong, China with information on the development of New Zealand's SPS measures affecting the import of Actinidia plants for planting into New Zealand during the period of review.
- 2.22 At the Third Meeting of the Joint Commission both sides agreed to formalise a proposed arrangement of providing SPS notifications to the other Party (through the points of contact of the CEP) in parallel with a Party's submission to the WTO, and undertook to put it in practice as soon as possible.
- 2.23 New Zealand and Hong Kong, China agreed that Chapter 7 of the Agreement and associated institutional mechanisms were operating in a manner consistent with the

stated objectives of the Chapter and that there had been a sound basis of cooperation between the two administrations since the entry into force of the Agreement.

- 2.24 Ministry for Primary Industries (MPI) of New Zealand and the Centre for Food Safety of Hong Kong, China have implemented an interface system for the exchange of electronic health certificates for dairy, meat and seafood products exported from New Zealand to Hong Kong, China. The electronic data exchange arrangement has been operating smoothly.

Technical Barriers to Trade (Chapter 8)

- 2.25 Chapter 8 of the Agreement establishes mechanisms to reduce the impact of technical barriers to trade in goods, and provides for increased cooperation between regulatory authorities to improve understanding and greater alignment of each other's regulatory regimes.

Committee on Technical Barriers to Trade (TBT)

- 2.26 A TBT Committee was inaugurated on 28 March 2012 in Wellington, New Zealand as provided for under Article 10 (Implementation).
- 2.27 The Parties agreed to work intersessionally towards establishing a mechanism to formalise cooperation between the Ministry of Business, Innovation and Employment (MBIE) of New Zealand and the Customs and Excise Department of Hong Kong, China on consumer product safety and to formalise existing cooperation between the former Ministry of Consumer Affairs (now MBIE) of New Zealand and the Customs and Excise Department of Hong Kong, China.
- 2.28 The Parties noted that TBT and other points of contact on matters relating to Chapter 8 have been updated and that the Rules of Procedure have been reviewed. The Parties agreed that no amendment or revision is required.

Cooperation

- 2.29 The Parties welcome cooperation on TBT matters, including:
- (i) New Zealand and Hong Kong, China continue to work collaboratively in broader regional forums, e.g. APEC and WTO. Respective accreditation bodies also cooperate in wider regional groupings including the Asia Pacific Laboratory Accreditation Cooperation and the Pacific Accreditation Cooperation.
 - (ii) A two-week secondment to Trading Standards in Wellington, New Zealand was arranged for a senior official from the Customs and Excise Department of Hong Kong, China in March 2014.

- (iii) Visits in 2014, 2015 and 2017 between officials from Worksafe New Zealand and the Electrical and Mechanical Services Department, Hong Kong, China to discuss areas of potential cooperation and topics of mutual interest and safety concern,
- (iv) In March 2017, New Zealand provided Hong Kong, China with a letter reaffirming its commitment towards cooperation on matters of mutual interest under the TBT Chapter, such as consumer product safety, electrical product safety and gas product safety,

2.30 New Zealand and Hong Kong, China acknowledge that continued work towards mutual recognition of regulatory regimes will bring mutual benefits and agree to explore opportunities for further cooperation under Chapter 8 of the Agreement.

Competition (Chapter 9)

2.31 Chapter 9 of the Agreement provides a framework for the promotion of fair competition, the curtailment of anti-competitive practices and the promotion of the APEC principles of non-discrimination, comprehensiveness, transparency and accountability. It outlines undertakings on the application of each Party's competition policies to economic activities and provides for cooperation and consultation on competition issues.

2.32 Information on matters relating to New Zealand's competition policy can be found on the following websites:

- (i) Ministry for Business, Innovation and Employment: www.mbie.govt.nz
- (ii) New Zealand Commerce Commission: www.comcom.govt.nz
- (iii) APEC: www.apec.org

2.33 Information on matters relating to Hong Kong, China's competition policy can be found at the following websites:

- (i) Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau: <http://www.cedb.gov.hk/citb>
- (ii) Competition Commission: <http://www.compcomm.hk>
- (iii) Competition Policy Advisory Group: <http://www.compag.gov.hk>

2.34 During the period under review, the Competition Ordinance (CO) of Hong Kong, China came into full effect on 14 December 2015. Established under the CO, the Competition Commission is an independent agency which enforces the CO, investigates possible contraventions, promotes public understanding of the CO, conducts market studies and advises the Government on competition matters.

2.35 The Parties acknowledge the cooperation between respective agencies and agree that there is scope for ongoing and mutually beneficial cooperation in this area.

2.36 New Zealand and Hong Kong, China reaffirm the importance they place on continued dialogue on matters relating to competition and the Parties' commitment to the principles in this Chapter.

Electronic Commerce (Chapter 10)

2.37 Chapter 10 of the Agreement puts in place a framework for minimising the regulatory burden on electronic commerce, providing on-line consumer protection, accepting trade administration documents in electronic format and encouraging cooperation on electronic commerce issues.

2.38 The agencies of respective administrations with responsibility for electronic commerce matters have exchanged information on points of contact.

2.39 New Zealand and Hong Kong, China reaffirm the importance they place on continued dialogue on matters relating to electronic commerce.

Intellectual Property (Chapter 11)

2.40 Chapter 11 of the Agreement reaffirms both Parties' WTO commitments on intellectual property and includes commitments relating to the enforcement of intellectual property rights as well as cooperation and exchange of information on issues of mutual interest.

2.41 New Zealand and Hong Kong, China have exchanged designated points of contact within respective departments responsible for policy development, enforcement and cooperation on matters relating to intellectual property rights, most recently at the Third Meeting of the Joint Commission.

2.42 Information on current intellectual property policy and legislation development, including a review of the Copyright Act 1994, a review of the Plant Variety Rights Act 1987, and the implementation of the Marrakesh Treaty, are available at www.mbie.govt.nz.

2.43 Similarly, information on current legislation on intellectual property of Hong Kong, China is available at the official website of the Intellectual Property Department (www.ipd.gov.hk). This website also provides information on patent, trademark and designs registration services in Hong Kong, China, and contains links to websites covering a wide variety of intellectual property capacity building matters. A dedicated website "Hong Kong - The IP Trading Hub" (www.ip.gov.hk) has been launched to provide a one-stop-shop for disseminating IP trading information and other useful resources.

2.44 The Parties agree that enhanced law enforcement in relation to intellectual property with respect to the services and technology sectors could further promote trade and investment between the two Parties. IPD will continue to carry out legal and policy research to keep track of technological advances and major copyright developments in

overseas jurisdictions including New Zealand for considering and formulating any new legislative proposal to update the copyright regime in future.

Government Procurement (Chapter 12)

- 2.45 Chapter 12 of the Agreement outlines mechanisms for the promotion of transparency, value for money, open and effective competition, fair dealing, accountability and due process, and non-discrimination in relation to government procurement. It also outlines at Annexes I and II respectively the commitments made by both Parties in terms of the list of entities, covered goods and services, and threshold values for government procurement.
- 2.46 Both Parties reaffirm their commitment to work progressively to reduce and eliminate barriers to the supply of goods and services between the Parties arising from government procurement laws, regulations, policies, practices and procedures, and to increase transparency in government procurement.
- 2.47 New Zealand notes that, during the period of review, it was involved in negotiations to accede to the Agreement on Government Procurement under the auspices of the WTO¹.

Processes for Modifications and Rectifications to Annexes

- 2.48 The process for modifying the Government Procurement Annexes in the Agreement is set out in Article 21 of Chapter 12 (Government Procurement), in conjunction with Article 2 of Chapter 17 (Administrative and Institutional Provisions), and Articles 1 and 2 of Chapter 20 (Final Provisions). The current annexes of Chapter 12 are as follows:
- (i) Annex I: List of Entities and Covered Goods and Services
 - (ii) Annex II: Thresholds
 - (iii) Annex III: Single Electronic Point of Access
 - (iv) Annex IV: Contact Point
- 2.49 At the Third Meeting of the Joint Commission, New Zealand and Hong Kong, China noted the amendments to Annexes I, III and IV to Chapter 12 proposed by the two sides would not alter the coverage of the commitments but merely provided for technical and non-substantive adjustments. Both sides noted the need to simplify the existing procedures and NZ appreciated HKC for putting forth a revised modality by way of exchange of letters. Both sides will continue to discuss the matter with a view to adopting a simplified mechanism.

¹ New Zealand subsequently acceded to the Agreement on Government Procurement on 12 August 2015. HKC's accession was in June 1997.

Trade in Services (Chapter 13)

- 2.50 Chapter 13 of the Agreement outlines commitments and measures to facilitate mutually advantageous expansion of trade in services, works towards greater services liberalisation and improves the efficiency, transparency and export competitiveness of their respective services sectors. It also provides for the scheduling (under a two-Annex approach) of specific sectors, sub-sectors, activities or measures to which the market access, national treatment, local presence and Most-Favoured-Nation (MFN) obligations do not apply. Chapter 13 also establishes disciplines on domestic regulation and provides for measures to enhance the education relationship between the two Parties.
- 2.51 Article 8 of Chapter 13 of the CEP Agreement provides for a Mandated Services Review². At the Third Meeting of the Joint Commission held in 2017, both sides agreed that the Mandated Services Review would be undertaken as part of the second General Review of the CEP Agreement. The parties stated this would be an opportunity to discuss possible new commitments on installers or servicers, MFN for energy services, arbitration services, and any other areas of interest. It was noted that cooperation on education services would be one area to look into further.

Movement of Business Persons (Chapter 14)

- 2.52 Chapter 14 of the Agreement outlines measures for facilitating the movement of, and establishing streamlined and transparent immigration procedures for business persons engaged in the conduct of trade and investment between the Parties.

Transparency (Chapter 15)

- 2.53 Chapter 15 of the Agreement sets out measures ensuring transparent and open communication in relation to the laws, regulations, procedures, and administrative rulings of general application with respect to matters covered by the Agreement.
- 2.54 As provided for under Article 2 of Chapter 15, both Parties ensure that the laws, regulations, procedures and administrative rulings of general application with respect to these matters are promptly published or otherwise made available to interested persons and the other Party with a reasonable opportunity to comment on such proposed measures.

² Article 8 of Chapter 13 (Trade in Services) of the CEP Agreement reads “The Parties shall consult within two years of entry into force of this Agreement and at least every three years thereafter, or as otherwise agreed, to review the implementation of this Chapter and consider other trade in services issues of mutual interest, with a view to the progressive liberalisation of the trade in services between them on a mutually advantageous basis”.

2.55 To promote better understanding of the Agreement, New Zealand has a designated section on the website of the Ministry of Foreign Affairs and Trade; and Hong Kong, China has a section on the website of the Trade and Industry Department.

2.56 New Zealand and Hong Kong, China would continue to promote transparency and greater understanding of each other's legal and regulatory systems as they relate to matters covered by the Agreement.

Dispute Settlement (Chapter 16)

2.57 The consultation and dispute settlement procedures established under Chapter 16 and Annex I to Chapter 16 of the Agreement have not been invoked by either Party since the entry into force of the Agreement.

Administrative and Institutional Provisions (Chapter 17)

2.58 In accordance with Article 1 of Chapter 17 of the Agreement, a Joint Commission has been established to oversee the proper implementation of the Agreement and to review periodically the economic relationship and partnership between the Parties.

Meetings of the Joint Commission

2.59 The Joint Commission met at officials' level for the first time in Wellington, New Zealand on 29 March 2012 and subsequently in Hong Kong, China on 14 June 2013. The Third Meeting of the Joint Commission was held in Wellington, New Zealand on 28 March 2017.

2.60 There has been broad participation in and input to successive meetings of the Joint Commission by key agencies from both Parties with responsibility for implementation and operation of the Agreement including:

- (i) for New Zealand: the Ministry of Foreign Affairs and Trade, the Ministry of Agriculture and Forestry (now part of Ministry for Primary Industries), the New Zealand Customs Service, the Department of Labour (now part of Ministry of Business, Innovation and Employment), Education New Zealand, and New Zealand Trade and Enterprise; and
- (ii) for Hong Kong, China: the Trade and Industry Department, the Agriculture, Fisheries and Conservation Department, the Customs and Excise Department, the Food and Environmental Hygiene Department, the Education Bureau and the Hong Kong Economic and Trade Office in Sydney, among others.

2.61 This wide representation has promoted constructive engagement and progress across a wide range of issues under consideration by the Joint Commission.

2.62 New Zealand and Hong Kong, China both recognise the value of regular engagement by officials and experts across the breadth of the trade and economic relationship and reaffirm their desire for regular dialogue.

2.63 New Zealand and Hong Kong, China also acknowledge the resource constraints upon respective government agencies arising from the need to support institutional frameworks established under the growing number of trade agreements. They see a need to explore ways to enhance dialogue within these constraints, for instance, by strengthening mechanisms for carrying out work intersessionally and by using video conferencing and other technology.

Points of Contact

2.64 There have been regular exchanges of information relating to designated points of contact for facilitating communications between the Parties on matters relating to the operation and implementation of the Agreement.

General Reviews

2.65 Article 4 of Chapter 17 of the Agreement states that the “Parties shall undertake a general review at ministerial level of this Agreement, including of matters relating to liberalisation, cooperation and trade facilitation, within two years of its entry into force and at least every three years thereafter, unless the Parties agree otherwise”.

2.66 The first General Review was concluded in October 2015 and the report was uploaded onto the designated webpage of Hong Kong, China <https://www.tid.gov.hk/english/ita/fta/hknzcep/files/FINAL_HKC_CEP_General_Review.pdf> and New Zealand <<https://www.mfat.govt.nz/assets/Trade-agreements/Hong-Kong-China-CEP/General-Review-of-the-New-Zealand-Hong-Kong-Closer-Economic-Partnership.pdf>> respectively.

General Provisions (Chapter 18)

2.67 New Zealand and Hong Kong, China agree that the operation of Chapter 18 of the Agreement has been effective. The provisions in Chapter 18 continue to serve the intended purpose in the Agreement and do not require any amendment.

Exceptions (Chapter 19)

2.68 The Agreement includes a range of exceptions and both Parties are comfortable that this chapter is operating as intended.

Final Provisions (Chapter 20)

2.69 The Agreement entered into force on 1 January 2011. The Agreement was formally notified to the WTO on 3 January 2011 and the Factual Presentation (Goods) considered by the WTO Committee on Regional Trade Agreements on 20 March 2012.

Other Matters

Investment Protocol

2.70 Hong Kong, China and New Zealand recognise the value of encouraging bilateral investment flows in achieving sustainable economic development in both economies.

2.71 The Parties share the common aspiration to forge a high quality and comprehensive Investment Protocol for enhancing promotion and protection of investment between the two economies. The Investment Protocol is expected to be broader in scope than the existing “Agreement between the Government of Hong Kong and the Government of New Zealand for the Promotion and Protection of Investments” signed in 1995 and thereby brings Hong Kong, China – New Zealand investment relations to a higher level.

2.72 Following five rounds of negotiations on the Investment Protocol since the entry into force of the Agreement, the Parties have made continuous efforts in maintaining constructive dialogue to explore mutually acceptable solutions to the outstanding issues. Teleconferences were held to exchange views on the Investment Protocol. The Parties also discussed the issues at the Third Meeting of the Joint Commission in March 2017.

2.73 The Parties reaffirm their commitment to continuing the negotiations on the Investment Protocol for the mutual benefit of both economies.

Other Cooperation

2.74 Outside the Agreement, New Zealand and Hong Kong, China have undertaken a wide range of cooperation activities to strengthen the bilateral relations. Some examples are given in the following paragraphs.

Double taxation agreement

2.75 The Comprehensive Avoidance of Double Taxation Agreement (“CDTA”) between Hong Kong, China and New Zealand was signed on 1 December 2010 and become effective since 1 April 2012. The Second Protocol to the CDTA between Hong Kong, China and New Zealand was signed in June 2017. Hong Kong, China notified New Zealand in December 2017 of its completion of the ratification procedures. New Zealand notified Hong Kong, China of its completion of the ratification procedures to bring the Second Protocol into force on 9 August 2018.

Ministerial visits

- 2.76 To strengthen the bilateral economic and trade relations, frequent visits from senior government officials have been conducted between the two economies. Former Prime Minister Rt Hon Bill English visited Hong Kong in May 2017 and other visits to Hong Kong include: Former Minister for Trade Hon Todd McClay and Former Minister for Local Government & Ethnic Communities Hon Peseta Sam Lotu-liga in November 2016; Former Minister for the Community and Voluntary Sector Hon Jo Goodhew in September 2016; and Former Minister for Primary Industries and for Racing Hon Nathan Guy in November 2015.
- 2.77 A number of high-level visits from Hong Kong have taken place since 2013, including visits by Secretary for Commerce and Economic Development (SCED) in 2013 and Secretary for Constitutional and Mainland Affairs (SCMA) in 2016.
- 2.78 In August 2013, SCED conducted a duty visit to New Zealand, visiting both Auckland and Wellington. In Auckland, SCED was the keynote speaker at the Connect Hong Kong Business Seminar organised by the Hong Kong New Zealand Business Association (HKNZBA). He also officiated at the Hong Kong Festival organised by HKNZBA and attended a boardroom dinner organised by the Asia New Zealand Foundation. In Wellington, SCED met with the Deputy Prime Minister and Minister for Finance Hon Bill English, Speaker of the New Zealand Parliament House of Representatives Rt Hon David Carter, Minister for Economic Development Hon Steven Joyce, convenor of the Hong Kong Parliamentary Friendship Group (PFG) Mr John Hayes, and Mayor of Wellington Ms Celia Wade-Brown, attended a lunch hosted by Minister for Commerce, Broadcasting and Consumer Affairs Hon Craig Foss and attended a dinner with members of the PFG.
- 2.79 In September 2016, SCMA conducted a duty visit to New Zealand, visiting Wellington and Auckland. In Wellington, SCMA met with Speaker of the New Zealand Parliament House of Representatives Rt Hon David Carter, Leader of the House/Minister supporting Greater Christchurch Regeneration/ Minister Responsible for the Earthquake Commission/Minister of Defence Hon Gerry Brownlee, and Minister of Local Government/Minister for Ethnic Communities/ Minister for Pacific Peoples Hon Peseta Sam Lotu-liga. SCMA also attended a dinner with members of the PFG. In Auckland, SCMA attended a business breakfast event organised by HKNZBA and met with Auckland Mayor Len Brown.

Investment Promotion Activities Conducted in New Zealand

- 2.80 Invest Hong Kong (IHK) continued to conduct investment promotion visits and meetings as well as organise promotional events to attract companies from New Zealand to establish a presence or expand their business operations in Hong Kong, China, through its Investment Promotion Unit (IPU) of HKETO. In addition to the regular investment

promotion visits, major investment promotion activities undertaken by IHK during the reporting period are summarized below:

- (a) In November 2013, IPU conducted an investment promotion roadshow with IHK's Head Office colleague in Auckland, Wellington and Christchurch. In Auckland, IPU co-organised Joint Promotion Seminar with Guangzhou Bureau of Foreign Trade and Economic Co-operation in Auckland to promote business opportunities in Hong Kong, China for New Zealand businesses;
- (b) In November 2014, the Director of IHK, together with IPU, conducted an investment promotion visit to Auckland to promote Hong Kong, China as a gateway to mainland China to the local business community;
- (c) In March 2015, IPU conducted an investment promotion roadshow with IHK's Head Office colleague in Auckland and Wellington, with an emphasis to attract companies in the tourism and hospitality sectors, in particular the food-related businesses;
- (d) In August 2015, the Director-General of IHK, together with IPU, conducted an investment promotion visit to Auckland to promote Hong Kong, China and the latest business opportunities;
- (e) In February 2016, IPU conducted an investment promotion roadshow with IHK's Head Office colleague in Auckland, Dunedin and Christchurch, with an emphasis to attract companies in the tourism and hospitality sectors, and in the business and professional services sectors; and
- (f) Two "Doing Business in Hong Kong" seminars in Dunedin and Christchurch respectively in August 2016.

Investment Promotion Activities conducted in Hong Kong, China

2.81 New Zealand Trade and Enterprise (NZTE) conducts investment promotion visits and meetings as well as organises events to attract companies from Hong Kong, China to set up businesses in New Zealand or invest in New Zealand businesses. The NZTE Greater China Capital team has Investment Managers based in the Beijing, Shanghai and Hong Kong offices.

2.82 In addition to the regular investment promotion work, during the reporting period, NZTE conducted or supported the following investment promotion activities in Hong Kong, China:

- (a) October 2017: conducted promotion visit in Hong Kong for a Hotel Attraction Program in New Zealand. The tour covered visits to multiple hospitality groups in Hong Kong.

- (b) August 2017: Trade Commissioner spoke at an NZHK Business Association event, with IHK and NZ Chamber of Commerce Hong Kong and conducted “Doing Business in HK” seminars.
- (c) May 2017: conducted aviation and investment programmes in conjunction with Prime Minister visit to Hong Kong.
- (d) May 2017: hosted Food Connections, a food service promotional event.
- (e) April 2016: hosted The Bach, a food service promotional event.
- (f) Sept 2015, 2016 2017: participated and led promotional activities during Asia Fruit Logistica.

CHAPTER THREE: TRENDS IN BILATERAL TRADE, INVESTMENT AND MOVEMENT OF NATURAL PERSONS

Overview

- 3.1 To give a more comprehensive analysis of the trends in bilateral trade in goods and services and bilateral investment as from the entry into force of the Agreement, this chapter covers the period from 1 January 2011 to 31 December 2017.
- 3.2 The review is based on analysis of bilateral trade data and analysis of the operation of the Agreement by the relevant government departments of both Parties. Trade and investment data was sourced from:
- Census and Statistics Department of Hong Kong, China
 - Immigration Department of Hong Kong, China
 - Statistics New Zealand
 - New Zealand Customs Service
 - Reserve Bank of New Zealand

Caveats on the analysis of trends in bilateral trade and investment

- 3.3 The Parties acknowledge that the trade liberalisation resulting from entry into force of the Agreement is only one of the factors that shaped bilateral trade and investment over the period. Other factors include, for example, the global economic climate, variations in global commodity prices and exchange rates, changes in technology, and the structural development and cyclical fluctuations of the two economies. The Parties agree that these factors have to be taken into account for a complete analysis on bilateral trade and investment.
- 3.4 The figures analysed in this Report, while reflecting some of the gains in trade and investment that arose from the reciprocal trade liberalisation, may not yet fully reflect the dynamic productivity gains that have resulted, and will continue to result, from improvements in the regulatory environment in both economies.
- 3.5 The primary trade analysis is conducted using data from Statistics New Zealand and the Census and Statistics Department of Hong Kong, China. The Parties acknowledge that there may be some differences in data between the Global Trade Information Services data and sources within each Party but agree these do not materially alter the analysis. All figures are for years ending 31 December unless otherwise specified.

Common Aspirations towards Trade Liberalisation

- 3.6 Hong Kong, China and New Zealand are both mid-size, externally-oriented economies with comparable GDP per capita (see **Table 1** below).

Table 1: Major Economic Indicators

	New Zealand		Hong Kong	
	2011	2017	2011	2017
Population (million)	4.4	4.8	7.1	7.4
Current GDP (US\$ billion)	167	201	249	342
Current GDP per capita (US\$)	37,932	41,575	35,142	46,221
Real GDP growth (%)	1.9	2.9	4.8	3.8
Inflation ^(*) (%)	4.0	1.9	5.3	1.5
Unemployment rate (%)	6.0	4.7	3.4	3.1

Note: (*) Inflation for New Zealand refers to the year-on-year change in Consumer Price Index; inflation for Hong Kong, China refers to the year-on-year change in headline Composite Consumer Price Index.

Sources: Statistics New Zealand for data on New Zealand, and Census and Statistics Department, Hong Kong, China for data on Hong Kong, China.

3.7 Both Hong Kong, China and New Zealand maintain relatively low market entry barriers and advocate free market and liberal investment environment. Both economies are members of WTO and APEC, and share the same values in promotion of regional and international economic co-operation.

Regional Trade Architecture

3.8 Hong Kong, China and New Zealand are pursuing regional economic integration with their respective trading partners. Prior to the Agreement, Hong Kong, China signed the Closer Economic Partnership Arrangement (CEPA) with the Mainland of China in 2003. During the period of review, Hong Kong, China signed a Closer Economic Partnership Arrangement with Macao, China; and an FTA with the Association of Southeast Asian Nations (ASEAN) in 2017³.

3.9 Likewise, prior to the Agreement, New Zealand signed bilateral FTAs with Australia in 1983, Singapore in 2001, Thailand in 2005, China in 2008 and Malaysia in 2009 and became a Party to the Trans-Pacific Strategic Economic Partnership, a regional FTA with ASEAN and Australia in 2010, and during the period of review, an economic cooperation agreement with Chinese Taipei in 2013, an FTA with Korea in 2015, an FTA with the Gulf Cooperation Council in 2017, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018⁴.

³ Hong Kong, China has commenced negotiations of FTAs with Georgia and Maldives respectively in 2016; and commenced negotiations of an FTA with Australia in 2017.

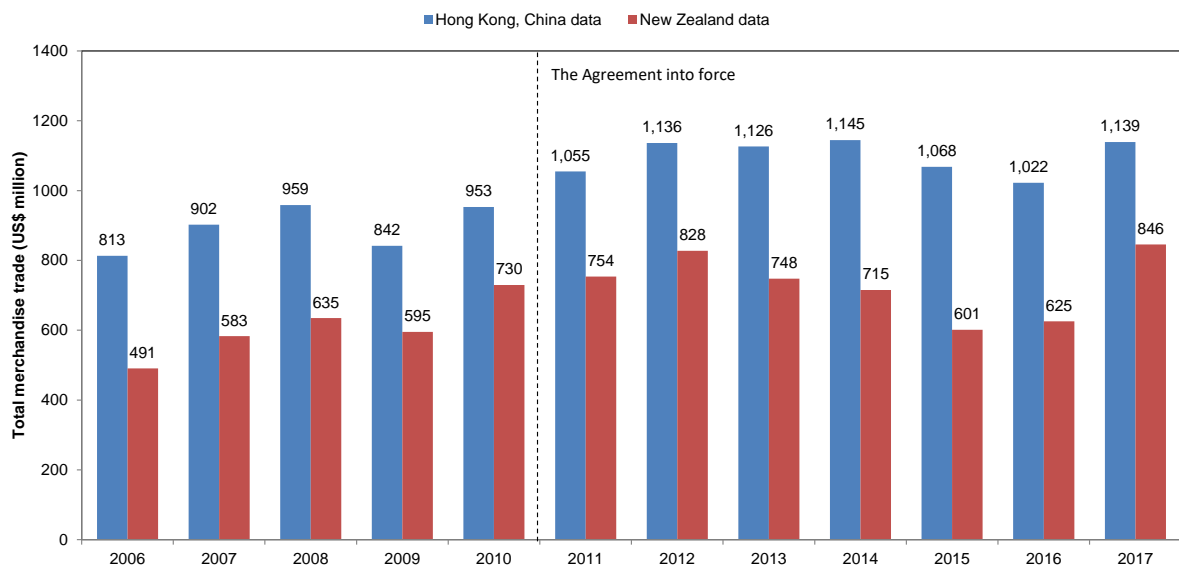
⁴ New Zealand has commenced negotiations of FTAs with the European Union, India, Russia/Belarus/Kazakhstan Customs Union, and the upgrade of FTA with China. New Zealand is also a participant in ongoing Regional Comprehensive Economic Partnership (RCEP) negotiation.

Trade in Goods

Bilateral Trade

3.10 According to statistics from the Census and Statistics Department of Hong Kong, China, total bilateral merchandise trade between Hong Kong, China and New Zealand grew from US\$1,055 million in 2011 to US\$1,139 million in 2017, at a compound annual growth rate (CAGR) of 1.3% (see **Figure 1** below, also showing the New Zealand data for reference purpose).

Figure 1: Total Merchandise Trade between Hong Kong, China and New Zealand from 2006 to 2017⁵



Sources: Statistics New Zealand and Census and Statistics Department, Hong Kong, China.

3.11 In 2017, Hong Kong, China was the 20th largest trading partner, ninth largest export market and 43rd largest source of imports of New Zealand. These rankings were 22nd, 12th and 35th respectively in 2011. Reciprocally, New Zealand was Hong Kong, China's 38th largest trading partner, 44th largest export market and 33rd largest source of imports in 2017, versus 40th, 41st and 36th respectively in 2011.

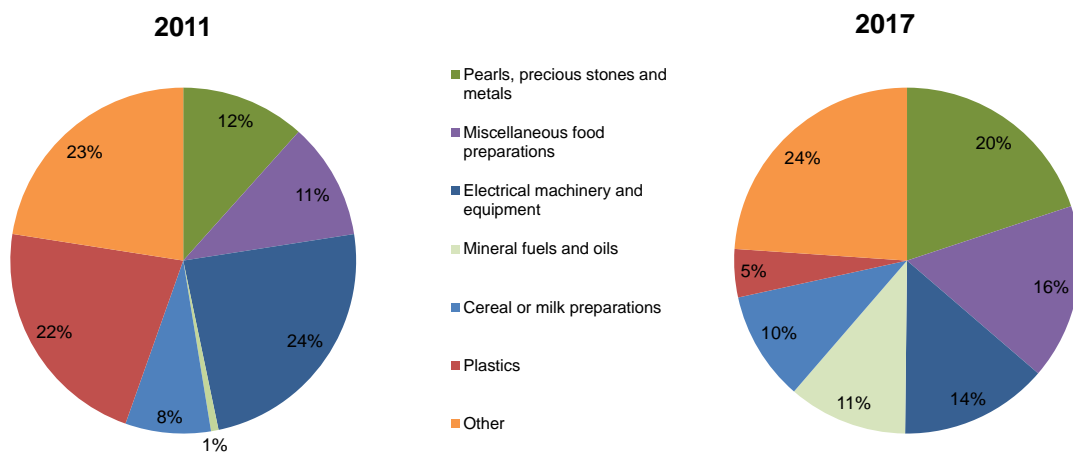
⁵ Note that trade reported by one market does not necessarily coincide with trade reported by its trading partner, due to differences arising from valuation, inclusions/exclusions of particular commodities, timing etc.

Hong Kong, China's Domestic Exports⁶ to New Zealand⁷

3.12 From 2011 to 2017, Hong Kong, China's domestic exports to New Zealand declined by 2.9% per annum, from US\$8 million to US\$7 million. This was partly due to the continuing transformation of Hong Kong, China into a service economy, which resulted in the gradual decline in domestic exports of goods. In fact, the CAGR of the value of Hong Kong, China's domestic exports to New Zealand from 2011 to 2017 (i.e. -2.9%) was already significantly lower than the CAGR of the value of Hong Kong, China's domestic exports to the world during the same period (i.e. -6.6%).

3.13 In 2017, Hong Kong, China's major domestic export items to New Zealand (top five) were (i) natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin (20% of total domestic exports from Hong Kong, China to New Zealand); (ii) miscellaneous edible preparations (16%); (iii) electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (14%); (iv) mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes (11%); and (v) preparations of cereals, flour, starch or milk; pastrycooks' products (10%) (see **Figure 2** below).

Figure 2: Hong Kong, China's Domestic Exports to New Zealand in 2011 and 2017



Note: Classification of goods is based on Harmonised System (HS) at 2-digit level.

Source: Census and Statistics Department, Hong Kong, China.

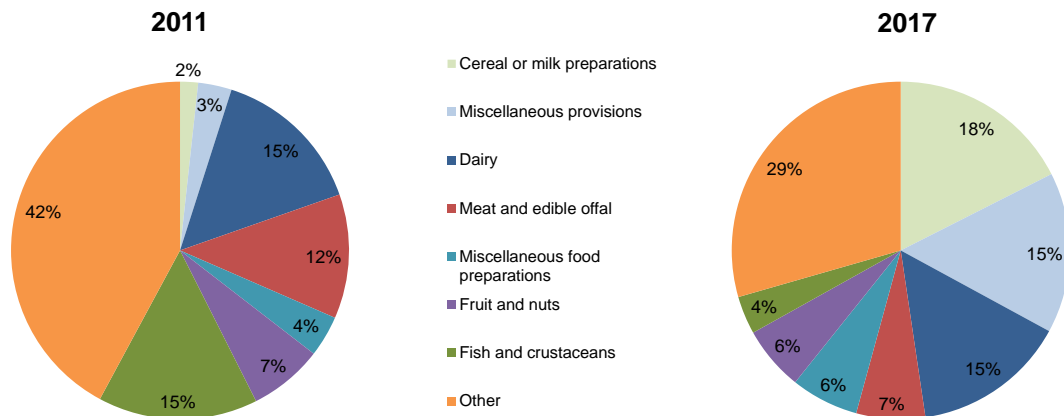
⁶ Domestic exports of goods refer to the natural produce of Hong Kong, China or the products of a manufacturing process in Hong Kong, China which has changed permanently the shape, nature, form or utility of the basic materials used in manufacture.

⁷ Statistics on Hong Kong, China's domestic exports are sourced from the Census and Statistics Department of Hong Kong, China.

New Zealand's Exports to Hong Kong, China⁸

3.14 New Zealand's exports to Hong Kong, China increased from US\$630 million in 2011 to US\$782 million in 2017, at a CAGR of 3.7%. New Zealand's exports to Hong Kong, China are mainly food and beverage products. In fact, Hong Kong, China was the ninth largest export market of New Zealand's food and beverage products in 2017. The top five export items from New Zealand to Hong Kong, China were (i) preparations of cereals, flour, starch or milk; pastrycooks' products (18% of total exports from New Zealand to Hong Kong, China); (ii) miscellaneous provisions (15%); (iii) dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included (15%); (iv) meat and edible meat offal (7%); and (v) miscellaneous edible preparations (6%) (See **Figure 3** below).

Figure 3: New Zealand's Exports to Hong Kong, China in 2011 and 2017



Note: Classification of goods is based on HS at 2-digit level.

Source: Statistics New Zealand.

Re-exports⁹ through Hong Kong, China¹⁰

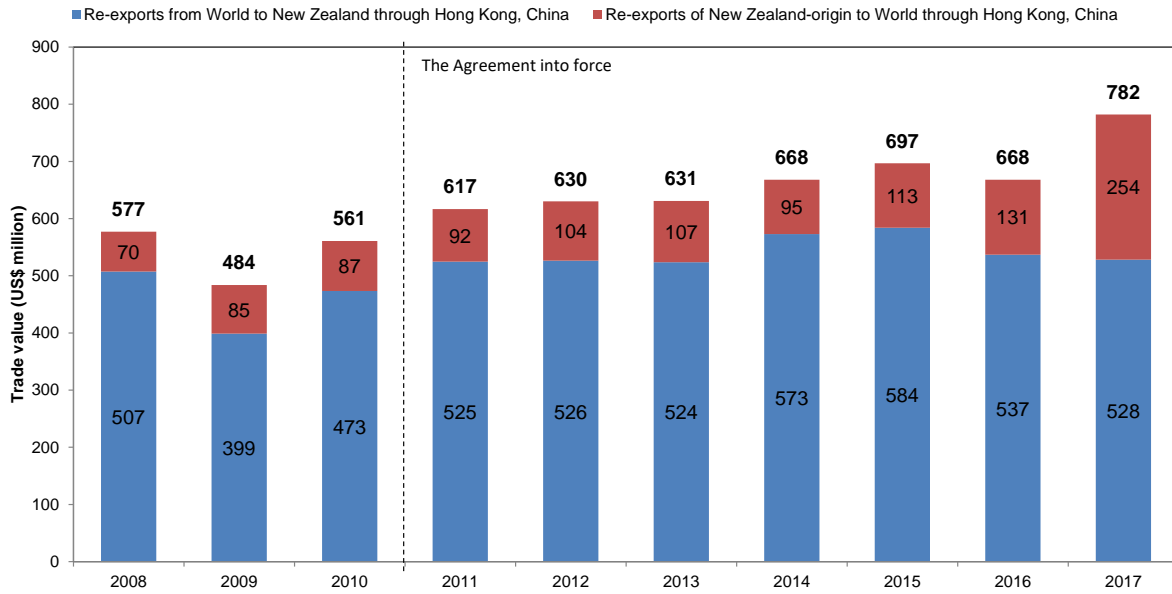
3.15 Hong Kong, China is an international trade and logistics centre. In 2017, US\$782 million worth of merchandise trade between New Zealand and the rest of the world was routed through Hong Kong, China (see **Figure 4** below). This had increased by 4.0% per annum since the Agreement entered into force, as compared to the 2.7% per annum increase in total re-exports of Hong Kong, China.

⁸ Statistics on New Zealand's exports are sourced from Statistics New Zealand, and converted from NZ dollar to US dollar by the annual average US dollar conversion rate from the Reserve Bank of New Zealand.

⁹ Re-exports of goods refer to products which have previously been imported into Hong Kong, China and which are re-exported without having undergone in Hong Kong, China a manufacturing process which has permanently changed the shape, nature, form or utility of the product.

¹⁰ Statistics on Hong Kong, China's re-exports are sourced from the Census and Statistics Department of Hong Kong, China.

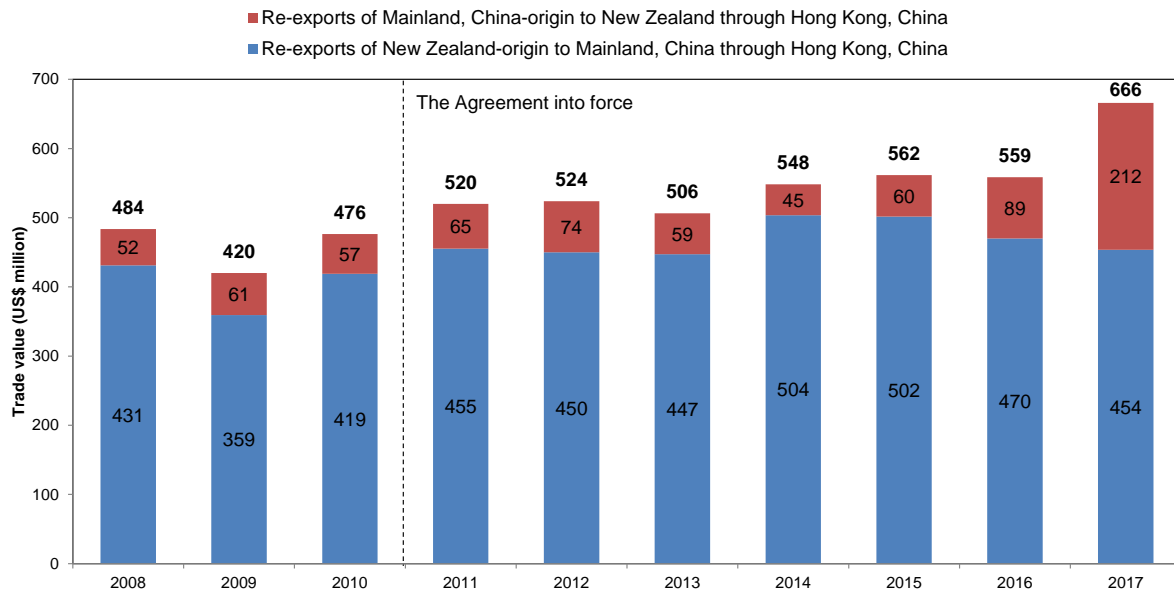
Figure 4: Merchandise trade between New Zealand and the World through Hong Kong, China in 2008 - 2017



Source: Census and Statistics Department, Hong Kong, China.

3.16 In 2017, the Mainland of China was New Zealand’s largest export market and largest source of imports. Due to its advantageous geographical and strategic position, Hong Kong, China has benefited from the close trade relationships between the Mainland China and New Zealand, handling US\$666 million worth of bilateral trade between the two economies in 2017 (see **Figure 5** below). The value of these re-exports had increased at a CAGR of 4.2% since 2011.

Figure 5: Merchandise trade between New Zealand and Mainland China through Hong Kong, China in 2008 – 2017

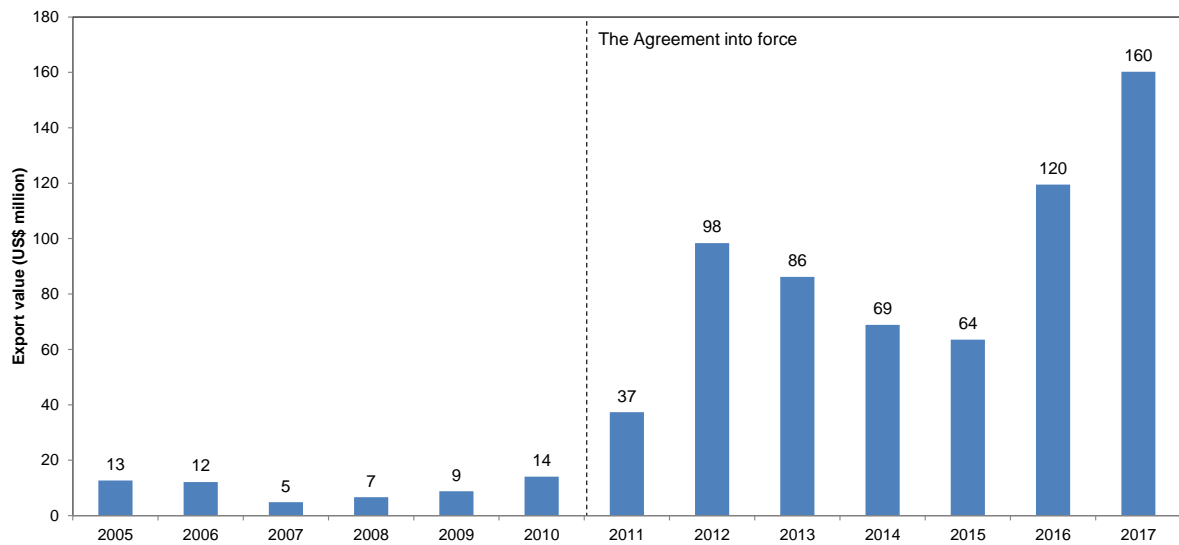


Source: Census and Statistics Department, Hong Kong, China.

Baby Food Products

3.17 One of the exports from New Zealand to Hong Kong, China that has increased notably since the Agreement entered into force is baby food products. The value of exports increased significantly from US\$37 million in 2011 to US\$160 million in 2017, representing a CAGR of 27.5% over the period (see **Figure 6** below). New Zealand contributed about 15% of the total imports of baby food products into Hong Kong, China in 2017 and was the second largest import source of baby food products. Reciprocally, Hong Kong, China was the eighth largest export market of baby food products for New Zealand in 2017.

Figure 6: New Zealand's baby food product exports to Hong Kong, China from 2005 to 2017

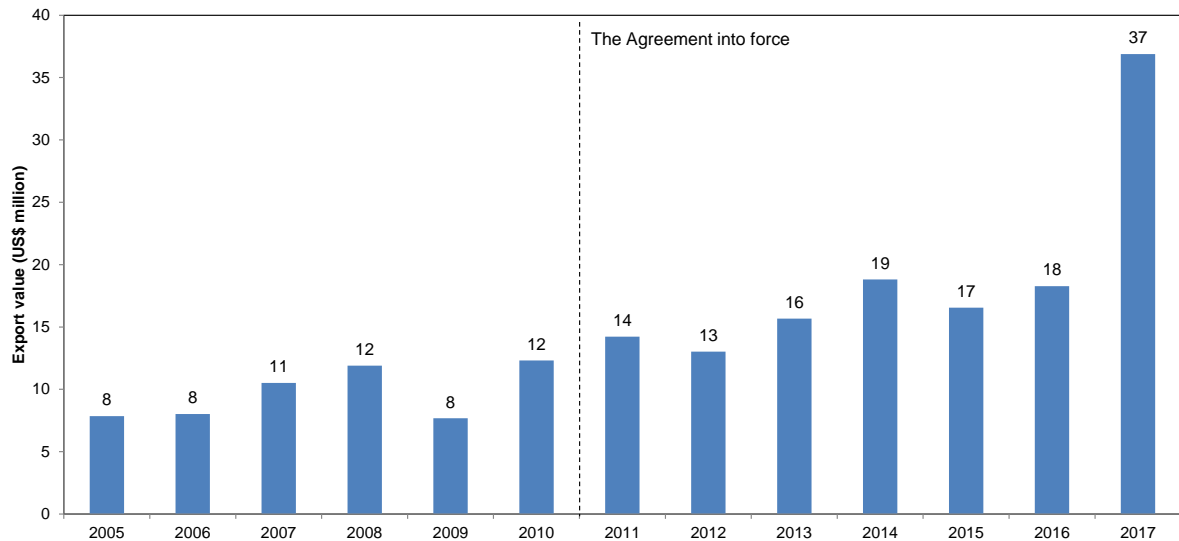


Note: Baby food products refer to products with HS code of 040221 and 190110.

Source: Statistics New Zealand.

Butter

3.18 Another food product exports of New Zealand to Hong Kong, China that rose significantly from 2011 to 2017 is butter, from US\$14 million to US\$37 million over the period of comparison (see **Figure 7** below). In terms of CAGR, it was an appreciable pace of 17.2% per annum. Notably, exports of butter from New Zealand to Hong Kong, China more than doubled in 2017 over 2016, outperforming the solid annual increase of 32% in the total imports of butter by Hong Kong, China. New Zealand is the largest source of butter imports for Hong Kong, China, accounting for about 65% of the imported butter market in 2017. Conversely, Hong Kong, China was the 11th largest export market of butter for New Zealand in 2017, up from the 20th in 2011.

Figure 7: New Zealand's butter exports to Hong Kong, China from 2005 to 2017

Note: Butter refers to products with HS code of 040510.

Source: Statistics New Zealand.

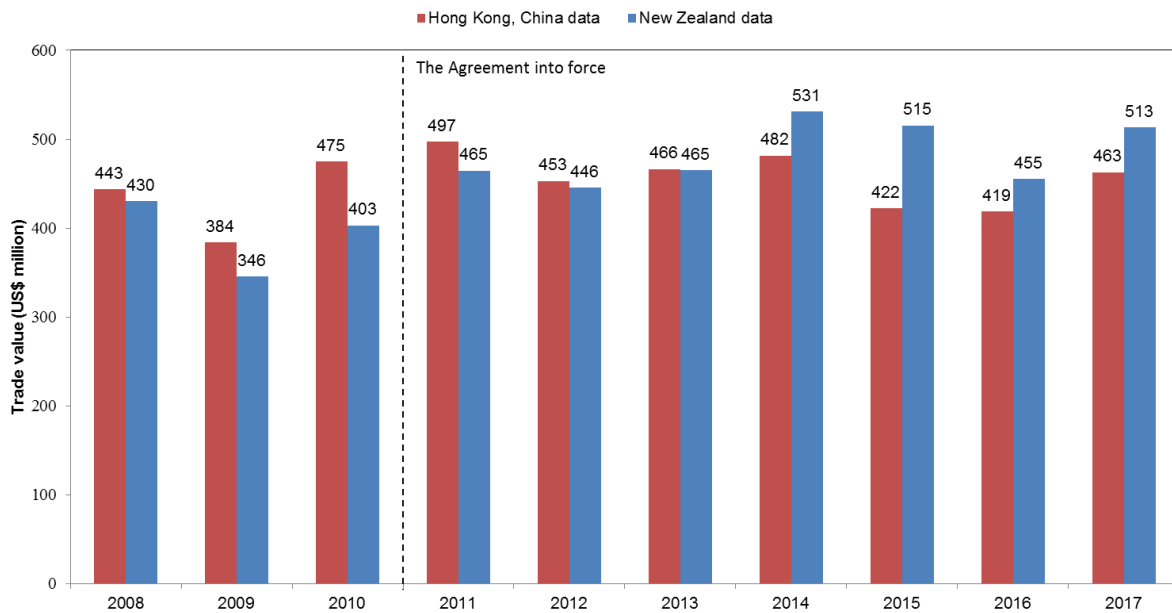
Trade in services

Bilateral Trade

3.19 The Agreement covers a comprehensive scope of service sectors, which are scheduled on a negative list basis. These include business and professional services, communication services, financial services and transport services, construction and related engineering services, distribution services, educational services, environmental services, health and social services, tourism and travel related services, as well as recreational, cultural and sporting services. It secures better business opportunity and greater certainty for service providers of Hong Kong, China and New Zealand and the services they provide in the above sectors in each other's market.

3.20 Data from the Census and Statistics Department of Hong Kong, China showed that the total bilateral trade in services between Hong Kong, China and New Zealand fell from US\$497 million in 2011 to US\$463 million in 2017 (see **Figure 8** below). Nonetheless, data from Statistics New Zealand indicated that the total bilateral services trade surged by 15.5% in 2017 over 2016. Factors contributing to the discrepancy may include differences arising from valuation, inclusions/exclusions of particular commodities, timing etc.

Figure 8: Trade in Services between Hong Kong, China and New Zealand¹¹ from 2008 to 2017



Sources: Statistics New Zealand, and Census and Statistics Department, Hong Kong, China.

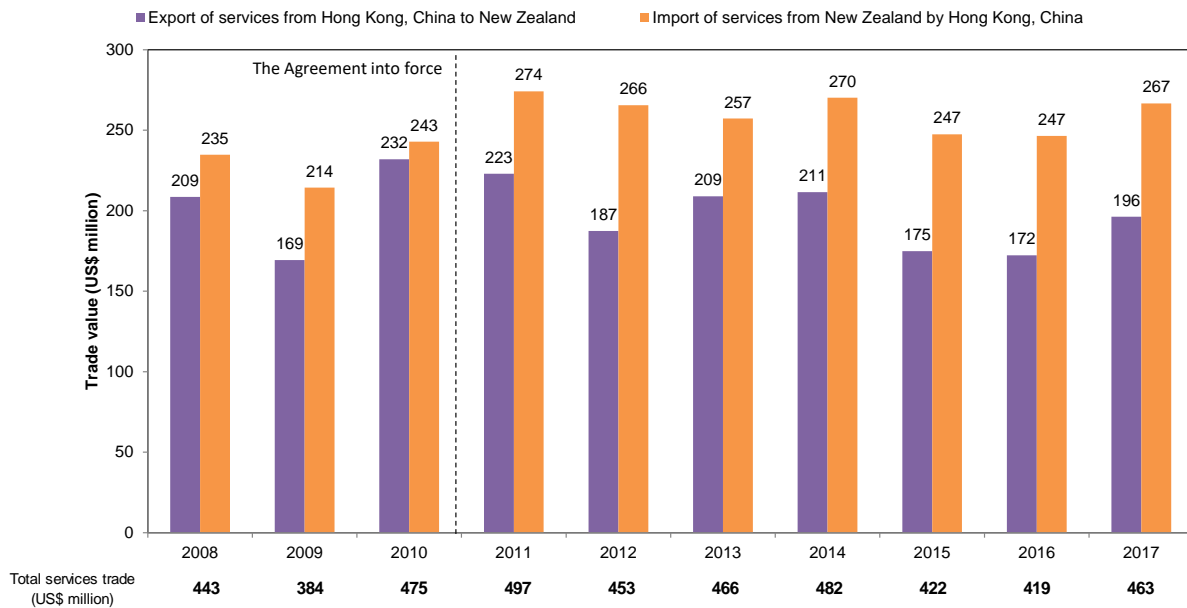
3.21 New Zealand was Hong Kong, China's 27th largest trading partner in services trade, 29th largest export market (0.2% of total exports of services), and 26th largest source of imports (0.3% of total imports of services) in 2017. The respective rankings were 27th, 30th and 24th in 2011. Conversely, in 2017, Hong Kong, China was New Zealand's 11th largest trading partner in services trade, 12th largest export market (1.7% of total exports of services), and 11th largest source of imports (1.7% of total imports of services). The respective rankings were 11th, 11th and 9th in 2011.

Hong Kong, China's Services Trade with New Zealand¹²

3.22 Exports of services from Hong Kong, China to New Zealand fell from US\$223 million in 2011 to US\$196 million in 2017 (see **Figure 9** below). Over the same period, imports of services by Hong Kong, China from New Zealand declined at a more moderate pace, from US\$274 million to US\$267 million.

¹¹ Note that trade reported by one market does not necessarily coincide with trade reported by its trading partner, due to differences arising from valuation, inclusions/exclusions of particular commodities, timing etc.

¹² Statistics on Hong Kong, China's trade in services with New Zealand are sourced from the Census and Statistics Department of Hong Kong, China.

Figure 9: Hong Kong, China's Trade in Services with New Zealand from 2008 to 2017

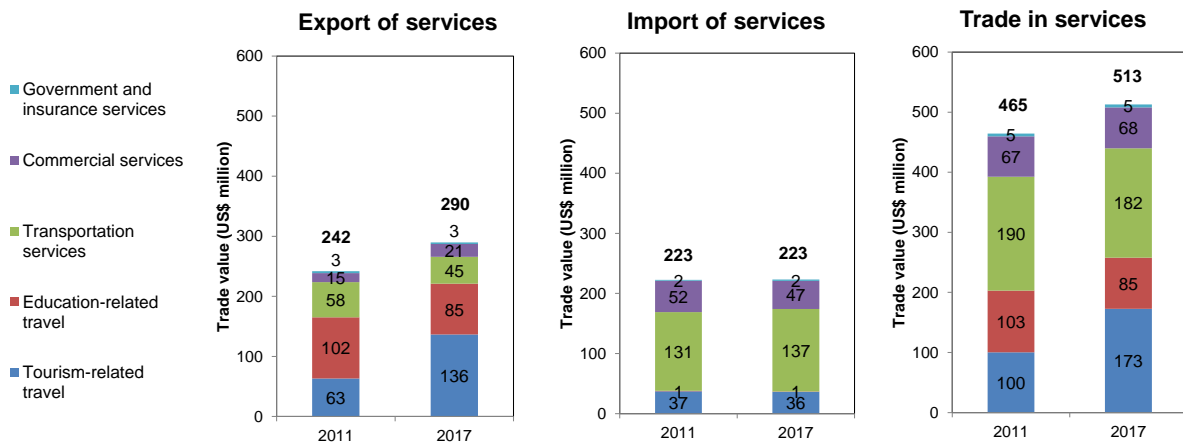
Source: Census and Statistics Department, Hong Kong, China.

New Zealand's Services Trade with Hong Kong, China¹³

3.23 Detailed data on New Zealand's bilateral trade in services with Hong Kong, China is available from Statistics New Zealand (see **Figure 10** below). Within New Zealand's exports of services to Hong Kong, China, the top three components in 2017 were tourism-related travel (US\$136 million), education-related travel (US\$85 million) and transportation services (US\$45 million). They represented 47%, 29% and 15% of the overall services exports respectively. Tourism-related travel was the primary driver behind the increases in New Zealand's exports of services to Hong Kong, China from 2011 to 2017.

3.24 As to New Zealand's imports of services from Hong Kong, China, the top three components were transportation services (US\$137 million), commercial services (US\$47 million) and tourism-related travel (US\$36 million), representing 61%, 21% and 16% of total services imports respectively. The composition of imports of services from Hong Kong, China by New Zealand stayed largely unchanged between 2011 and 2017.

¹³ Statistics on New Zealand's trade in services with Hong Kong, China are sourced from Statistics New Zealand, and converted from NZ dollar to US dollar by the annual average US dollar conversion rate from the Reserve Bank of New Zealand.

Figure 10: New Zealand's Trade in Services with Hong Kong, China in 2011 and 2017

Note: Exports of services refer to exports of services from New Zealand to Hong Kong, China, and imports of services refer to imports of services from Hong Kong, China by New Zealand.

Source: Statistics New Zealand.

Movement of Business Persons

3.25 Business visitors from New Zealand have visa-free access to visit Hong Kong, China for a stay up to 90 days. Hong Kong, China does not maintain separate statistics on business visitors from New Zealand within the total number of visitors from New Zealand enjoying visa-free entry. Facilitation has been accorded to eligible applicants in intra-corporate transfer applications. The numbers of applications received from 2013 to 2016 were 60, 57, 56 and 43 respectively, amounting to 216 applications. All the applications were finalised within 10 working days. Facilitation has also been accorded to eligible applications from installers or servicers from New Zealand.

3.26 Total visitor arrivals in New Zealand from Hong Kong, China totalled 26,272 in 2012. Visitor arrivals from Hong Kong, China increased 5% in 2011 and a further 3% in 2012. In 2012, 2,208 visitors came to New Zealand for business.

3.27 The numbers of applications for working holiday visa received from New Zealand nationals from 2013 to 2016 were 58, 62, 63 and 51 respectively, making a total of 234 applications. The numbers of applications approved during the 4 years were 58, 57, 59 and 50 respectively, amounting to 224 applications.

3.28 The number of applications for working holiday visas received from Hong Kong, China has seen the quota of 400 fully subscribed in 2011 and 2012.

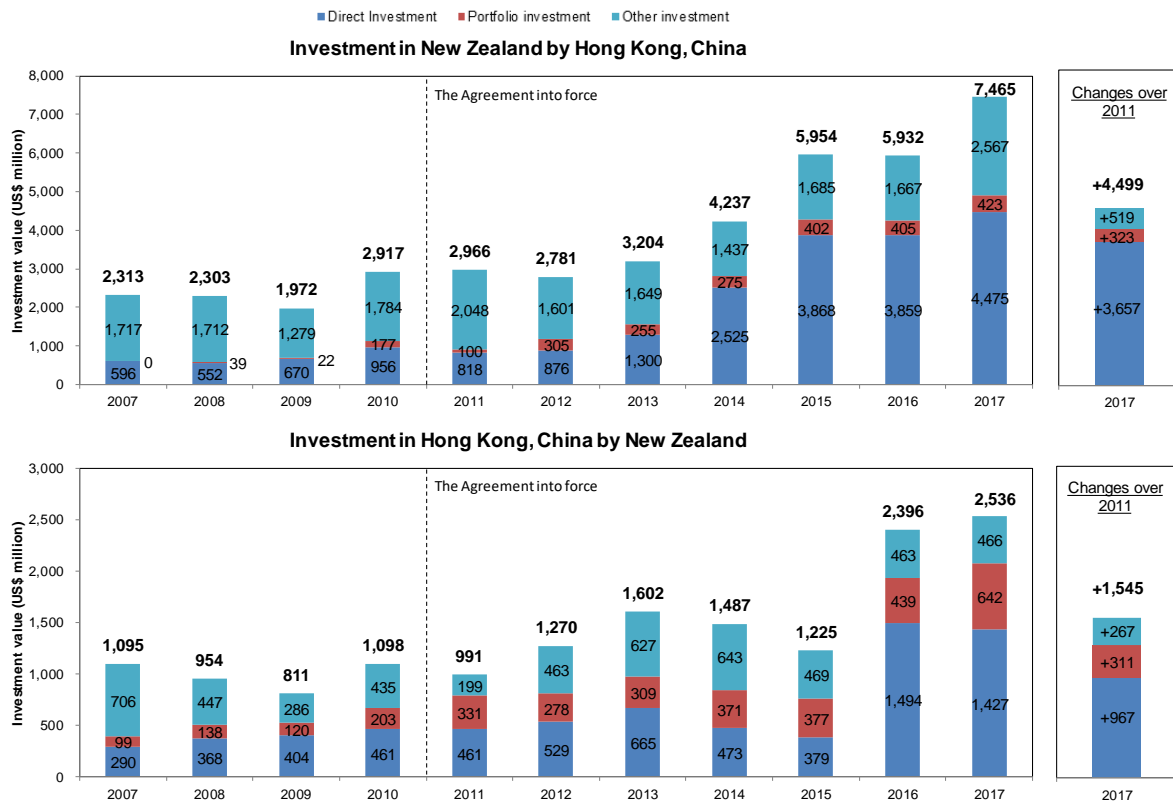
Investment

Bilateral Investment¹⁴

- 3.29 Hong Kong, China and New Zealand signed the Investment Promotion and Protection Agreement (IPPA) on 6 July 1995. The Agreement came into force on 5 August 1995.
- 3.30 For investment in New Zealand, Hong Kong, China was the fifth largest source, with a total amount (consisting of direct investment, portfolio investment, and other investment) of US\$7.5 billion in 2017 (see **Figure 11** below). It had increased by US\$4.5 billion, or by 16.6% per annum, over 2011. Direct investment, which rose from 28% in 2011 to 60% in 2017 in terms of share in total, was the largest contributor to the increase. Reciprocally, total investment by New Zealand in Hong Kong, China rose from US\$991 million in 2011 to US\$2.5 billion in 2017. Such rise was also mainly attributable to the surge in direct investment, with its proportion to total investment rising from 46% in 2011 to 56% in 2017.

¹⁴ Statistics on bilateral investment are sourced from Statistics New Zealand, and converted from NZ dollar to US dollar by the annual average US dollar conversion rate from the Reserve Bank of New Zealand. Values in this section refer to the stock of investments as at 31 March of that year.

Figure 11: Investment between New Zealand and Hong Kong, China from 2007 to 2017 (stocks as at 31 March)



Note: Figures are international investment position for the years ending 31 March.
 Source: Statistics New Zealand.

CHAPTER FOUR: CONCLUSIONS

The Parties welcome the successful completion of the second Review of the Agreement; noting the positive outcome of the implementation and operation of the Agreement since the first Review to date.

The Review finds that the total elimination of tariffs on all exports from Hong Kong, China to New Zealand since 1 January 2016 has resulted in improved market access opportunities for business and reduced business costs. The Agreement has also successfully promoted communication and cooperation among government agencies on both sides, generating greater understanding of each other's trade and investment regimes and laying a solid foundation for cooperation across a wide spectrum of issues to facilitate bilateral trade and investment. The Parties welcome the positive impact that the Agreement has had on bilateral trade and investment flows.

While celebrating the benefits of the Agreement to date, the Parties also recognise further opportunities to build on the bilateral trade and economic relationship. Both Parties will continue with the effective implementation of the Agreement and explore practical ways to further facilitate trade and promote regional economic integration within existing frameworks. Promoting productive bilateral dialogue and cooperation across all areas of the Agreement will be an important part of that process.

In conclusion, both sides reaffirm its commitment to continue developing the Agreement, not only for mutual benefit in the bilateral context, but also contribute effectively to our common resolve to pursue free and open trade and investment in the regional and global context.