



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE  
Manatū Aorere

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# Indo-Pacific Economic Framework for Prosperity

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NATIONAL INTEREST ANALYSIS



INDO-PACIFIC ECONOMIC  
FRAMEWORK FOR  
PROSPERITY

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# Frequently Used Acronyms and Terms

<b>Term</b>	<b>Explanation</b>
CBF	Capacity Building Framework
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
FATCA	Foreign Account Tax Compliance Act
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
ILO	International Labour Organisation
IPEF	Indo-Pacific Economic Framework for Prosperity
MBIE	Ministry for Business, Innovation and Employment
MFAT	Ministry of Foreign Affairs and Trade
NIA	National Interest Analysis
OECD	Organisation for Economic Cooperation and Development
SMEs	Small and Medium Enterprises
TPP	Trans Pacific Partnership Agreement
UNCAC	United Nations Convention against Corruption
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples

# 1 Executive summary

Key drivers of the initiative that became the Indo-Pacific Economic Framework for Prosperity were deterioration in the geopolitical environment in the region, critical weaknesses in regional production and supply chains highlighted in the early stages of the pandemic, and a growing sense that technology, trade and investment flows needed to underpin regional response to climate change.

The United States' move to re-engage in the regional economic agenda, after earlier withdrawing from TPP, was widely welcomed, and 14 countries (Australia, Brunei, Fiji, India, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States and Viet Nam) ended up joining the IPEF initiative. The group represents 40% of global GDP, contains most of the top technological, industrial and financial powers in the region, and takes 50% of New Zealand's exports.

Following the political launch of IPEF in May 2022 and a first round of negotiations in December the process moved quickly, with negotiations for the four agreements led by the US Department of Commerce concluding in less than a year (in November 2023). Work on a separate trade pillar negotiation led by the United States Trade Representative is well advanced but has yet to conclude.

The IPEF agreements have a strong focus on trade and investment flows and associated supply chains, and the agreed agenda for the trade pillar contains many of the rules chapters found in traditional trade agreements. But aside from the trade pillar the approach taken relies heavily on countries collaborating over time to improve supply chain resilience, respond to climate change and boost trade and investment flows, in contrast to the hard obligations and enforcement at the heart of more traditional trade deals.

The IPEF agreements discussed in this analysis do not contain market access commitments on goods, services or investment and do not constitute a free trade agreement. The four agreements are:

- A Supply Chain Agreement focusing on improving the resilience of supply chains across the region, including crisis response;
- A Clean Economy Agreement focusing on climate action at a regional level, including through facilitation of green investment flows;
- A Fair Economy Agreement that seeks to improve the business environment in IPEF markets by addressing corruption, reinforcing rule of law and improving transparency in tax administration;
- An overarching Agreement on IPEF that establishes an IPEF Council at ministerial level to oversee the full IPEF architecture and work programmes.

Following the completion of parliamentary treaty examination it is proposed that New Zealand ratify the agreements in August 2024.

IPEF breaks new ground in having agreements dedicated to strengthening supply chain resilience, taking concerted regional action in response to climate change and improving the business environment that traders and investors experience in regional markets. Facilitating international investment flows has been a cross-cutting theme throughout the negotiations.

While New Zealand has a good existing network of trade agreements across the Asia-Pacific region, IPEF will be significant as the first regional economic framework to extend across the wider Indo-Pacific region and one that specifically addresses supply chain resilience and climate change response. It will also be significant in expanding New Zealand's treaty-level trade architecture to include the United States and India.

Participation in the new IPEF processes for ministers and leaders will give New Zealand a voice in discussions at political level on the future shape and direction of the regional economic agenda at a time when new trade policy risks are emerging. Collaboration within the IPEF coalition will also be an opportunity to pursue longer-range trade and investment diversification goals.

Key benefits to New Zealand from participation in the IPEF framework will include:

- Opportunity to participate from technical up to political level in a large new regional economic coalition whose membership includes the United States and India;
- Becoming part of a structured effort to improve supply chain resilience, including through a crisis response mechanism;
- Collaborating with top technological, industrial and financial powers in the region to boost the technology and investment flows needed for the clean economy transition;
- Having a voice in a comparatively like-minded regional forum on emerging trade policy risks and responses;
- Opportunity to engage on further development of the IPEF trade pillar agenda.

Impacts and costs to New Zealand of participation in these agreements will be limited. Some of the commitments are legally binding but the main operating model is one of collaboration. The commitments and legal obligations broadly sit within established New Zealand domestic policy or international commitments.

New Zealand will implement in the good faith the commitments set out in the four agreements but will, like other parties, have some discretion in the manner of implementation given the non-binding nature of many of the commitments, specific flexibilities and exceptions built into the texts and the opt-in nature of a number of workstreams. Implementation by the departments concerned will be managed within baselines.

## 2 Nature and timing of proposed treaty action

The Indo-Pacific Economic Framework for Prosperity (IPEF) is a plurilateral treaty-level set of agreements negotiated between Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States and Viet Nam. Negotiations have taken place under four “pillars” covering trade, supply chain resilience, clean economy (climate change response) and ‘fair economy’<sup>1</sup>, alongside an overarching agreement covering the full framework. The agreements discussed in this analysis are:

- *Indo-Pacific Economic Framework for Prosperity Agreement Relating to Supply Chain Resilience* (Supply Chain Agreement);
- *Indo-Pacific Economic Framework for Prosperity Agreement Relating to a Clean Economy* (Clean Economy Agreement);
- *Indo-Pacific Economic Framework for Prosperity Agreement Relating to a Fair Economy* (Fair Economy Agreement); and
- *Agreement on the Indo-Pacific Economic Framework For Prosperity* (Agreement on IPEF).

The separate “trade pillar” is still under negotiation and is not addressed in this analysis.

Negotiations across the four original pillars began in Brisbane in December 2022. The substantive conclusion of negotiations on the Supply Chain Agreement was announced by IPEF ministers in May 2023, and that agreement was subsequently signed on 14 November 2023. Substantive conclusion of negotiations on the Clean Economy Agreement, Fair Economy Agreement and Agreement on IPEF was announced by ministers in November 2023 and these agreements were signed by IPEF ministers in Singapore on 6 June. New Zealand is now a signatory to all four agreements.

The intention is to ratify all four agreements following parliamentary treaty examination with a view to having the agreements enter into force for New Zealand by September. In the meantime New Zealand as a signatory is able to participate in the initial work of these agreements, where they have already come into force, by nominating delegates to relevant bodies.

Entry into force provisions are similar for each of the four agreements: each will come into force 30 days after five countries have ratified that agreement. If New Zealand is not among the first five to ratify, each agreement would come into force for New Zealand 30 days after New Zealand ratification.

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<sup>1</sup> Earlier referred to as Pillar I, Pillar II, Pillar III and Pillar IV respectively. The ‘fair economy’ pillar focuses on corruption, including bribery and money laundering, together with taxation issues.



The Supply Chain Agreement entered into force on 24 February 2024 following ratification by five IPEF members. Assuming that a standard parliamentary review and ratification timetable is followed, it is proposed that New Zealand ratify the four agreements in August 2024. If the threshold of five ratifications has been met for any of the agreements, those agreements would then enter into force for New Zealand in September 2024.

The agreements will not apply to Tokelau, the Cook Islands, or Niue.

## 3 Reasons for New Zealand to become a party to the agreements

### 3.1 General reasons to join the agreements

The IPEF membership, which includes most of the top economies in the region, accounts for 32% of the global population, 40% of global GDP and 50% of New Zealand's exports.

IPEF, with its broad membership, is a good fit with New Zealand's core interests in the Indo-Pacific region. New Zealand has been active over several decades in helping to shape the political and economic architecture of the region. Regional trade initiatives such as AANZFTA and TPP/CPTPP, along with a series of bilateral deals, have been at the heart of our efforts to secure strong trade and investment links with Asian markets. They have been supported by parallel engagement through APEC and ASEAN processes.

But notwithstanding the success of a generation of New Zealand trade diplomacy in the region, the resilience of existing trade architecture cannot be taken for granted. Recent years have seen a marked deterioration in the geopolitical environment. Supply chain disruption during the pandemic underlined New Zealand's particular vulnerability, reflecting our size and isolation and the nature of our industrial base. Climate change is having increasingly acute impacts, with the technologies needed to address it largely being developed or produced offshore. Our export and import trade is not as broadly based as we would hope at a time of growing trade risks. Meanwhile New Zealand's record of under-performing productivity growth and the comparatively low capital intensity of our industrial sector increases our need for access to foreign direct investment. And New Zealand lacks comprehensive trade arrangements with two of the biggest players in regional affairs, the United States and India.

Becoming party to the IPEF agreements covered in this analysis will not resolve these issues, but it has the potential to mitigate weaknesses and impacts while also opening up, over time, significant new opportunities.

There are a number of reasons for joining the agreements that relate to the IPEF framework as a whole:

#### *Developing international connections*

Joining the IPEF agreements will give New Zealand a place in a key new piece of Indo-Pacific regional architecture, one that is focused on practical issues such as improving the business and investment environment in regional markets, boosting the resilience of production and supply chains and seeking commercial opportunities within a new regional climate response coalition. The IPEF political bodies

– annual ministerial council meetings and a biennial event for leaders – offer new forums, in the company of broadly like-minded partners, to help shape the regional economic agenda to respond to changing needs.

#### *Scale, like-mindedness, results focus*

The significance of the IPEF initiative rests not only on its aggregate scale (40% of global GDP) but also on the presence of so many of the top technological, industrial and financial players in the region. The heavily collaborative IPEF operating model assumes a good level of engagement and like-mindedness. That has been visible in outcomes to date. Notwithstanding the diversity of the IPEF group, experience through 2022 and 2023 indicates a real appetite for being part of a new regional coalition and a strong focus on delivering results: negotiation of the four initial agreements was completed in less than a year. The quick completion also reflected the lack of more controversial elements of traditional FTAs. These qualities also suggest good longer-range potential in the IPEF framework for joined-up action.

#### *Strengthening links with the United States and India*

Considering the strength and breadth of the trade, investment and wider bilateral links with the United States, New Zealand's existing bilateral formal trade architecture with the United States is rudimentary. New Zealand's trade with India is much smaller but, considering India's regional role, the size of its economy, the profile of the Indian community in the New Zealand economy and potential for trade and investment growth, existing bilateral trade and investment architecture again seems inadequate. The IPEF framework does not offer new access to either of these markets. But it does make us partners in important new agreements calling for collaboration on production and supply chains, climate action and business environment, with associated forums for ministers and leaders.

#### *Improving investment flows*

A theme throughout the IPEF process has been the need to address impediments to investment. The agreements discussed in this analysis do not have explicit investment rules or market access commitments. But the Supply Chain Agreement, Clean Economy Agreement and Fair Economy Agreement contain a range of provisions designed to address issues that feature in due diligence and decision-making by international investors. For a small economy such as New Zealand, affected by distance and a narrow industrial base and with a record of under-performing productivity growth and low capital intensity, the opportunity IPEF offers to improve our profile and credentials as an investment destination is useful, particularly at a time when the government is working to signal greater openness to investment.

#### *Remaining engaged in the evolution of the IPEF agenda*

The IPEF framework is designed to allow future evolution in whatever ways members choose to take it. Alongside the completed agreements discussed in this analysis the ongoing negotiation under the trade pillar aims to deliver a separate IPEF agreement with many of the rules elements of a traditional FTA. The working assumption is that there will be a push to conclude this negotiation in 2025. There

will also be interest from many IPEF participants in a further conversation at political level on longer-term scope and ambition of the IPEF trade agenda. In the meantime there are decisions to be taken on areas of focus for IPEF work programmes and projects, particularly under the Supply Chain Agreement and Clean Economy Agreement and the separate initiatives being developed for leaders. Ratifying the IPEF agreements promptly will mean New Zealand can remain an active voice in these discussions and will position us to help shape work programmes and projects.

#### *Managing trade policy risks*

Because of its composition and its importance for New Zealand trade the IPEF group is potentially a significant forum for addressing emerging trade policy risks. These risks, which threaten the open and rules-based model that has been so important for economies such as New Zealand, include:

- fading commitment to multilateral trade rules and institutions;
- tension between security, industrial and trade policy interests; and
- the corresponding proliferation of non-tariff barriers, which can carry extremely high costs for New Zealand traders.

This initial set of IPEF agreements and bodies offers opportunities to engage again on these issues with key players in our region as they arise. Resolving non-tariff barriers tends to happen more through cooperation and good will than by invoking rules or dispute settlement in FTAs. The expected conclusion of the IPEF trade pillar, though outside the scope of this analysis, would expand those opportunities.

#### *Diversification*

While a generation of active trade diplomacy has achieved a remarkable expansion of trade and investment opportunities for New Zealand, our export and import trade remains highly concentrated for some products and sectors. There is a clear case for seeking further diversification, both within and outside existing trade agreements, to improve resilience in the face of emerging risks. The combination of scale and like-mindedness of the IPEF group and the potential evolution of the IPEF trade agenda makes this group highly relevant for New Zealand's diversification goals.

Beyond the cross-cutting reasons set out above arguing for participation in the IPEF framework, there are specific reasons relating to individual agreements set out below.

## 3.2 Supply Chain Agreement

#### *Need for more resilient supply chains*

As a small, open and distant trading economy New Zealand depends heavily on the smooth operation of global supply chains. We rely on imports of competitively priced goods for consumption, as

intermediate inputs and as capital goods. And efficient supply chain networks are integral to our ability to get our exports to global markets.

Events of recent years, notably the pandemic and the war in Ukraine, have disrupted the supply chains that producers, importers, exporters and consumers rely on. In 2020 and 2021 most countries were affected by shortages of medicines, protection equipment and other critical inputs into the pandemic response. Sea and airfreight services suffered deep disruptions. Sea lanes carry around 99% of our trade by volume (around 80% by value). Beyond the direct impact on flows of goods and services these disruptions triggered a global spike in inflation whose impacts still linger.

The costs to New Zealand's economy of supply chain disruptions can be substantial. Analysis carried out by supply chain consultancy TMX Global in early 2023 showed that supply chain delays caused by Covid lockdowns, climate change and the war in Ukraine were costing the New Zealand economy \$1.7 billion a year in lost revenue. According to the Customs Brokers and Freight Forwarders Association, the cost of sending a shipping container from New Zealand to the United States grew from \$2000 to \$10,000 at the peak of the pandemic disruption. The time taken for shipping containers to travel across major global shipping routes likewise grew from under 60 days in 2019 to an all-time high of more than 120 days in 2022, according to Flexport's Ocean Timeliness Indicator.

There will be further supply chain disruptions in years to come, whether for geopolitical, climate, health or other reasons. According to analysis conducted by McKinsey Global Institute, averaging across industries, companies could expect supply chain disruptions lasting a month or longer to occur every 3.7 years.

As an indication of the impacts of such events, a June 2023 report by Sense Partners<sup>2</sup> indicated that, at the time, 79% of New Zealand businesses surveyed saw supply chain disruption as their main concern.

In light of the pandemic experience, many governments moved to explore ways to improve the resilience of their own economies in the face of future supply chain disruption risks. *Improving Economic Resilience*, the February 2024 report on a New Zealand Productivity Commission inquiry, comments extensively on global supply chain risks, New Zealand's exposure to such disruptions and international responses. But as the report acknowledges<sup>3</sup>, there are limits to what national action alone can achieve.

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<sup>2</sup> Sense Partners report, *Improving NZ's resilience to trade shocks* dated 16 June 2023, can be found here: <https://www.mfat.govt.nz/assets/Trade-General/Trade-stats-and-economic-research/Improving-New-Zealand-resilience-to-trade-shocks.pdf>

<sup>3</sup> *Improving Economic Resilience: Report on a Productivity Commission inquiry* p6. Available at [www.productivity.govt.nz](http://www.productivity.govt.nz)

### *Collaborating on strengthening regional supply chains*

Against a background of acute disruptions since 2020 the 14 IPEF countries developed an agreement that seeks to build resilient and robust supply chains by putting in place architecture and processes for collective response to supply chain crises. The Supply Chain Agreement also lays out a work programme that starts with identification and notification by each party of critical sectors and key goods. Under the agreement, the IPEF partners seek to:

- build their collective understanding of significant supply chain risks, supported by each partner's identification and monitoring of its own critical sectors and key goods;
- improve crisis coordination and response to supply chain disruptions and work together to support the timely delivery of affected goods during a crisis;
- identify potential disruptions and respond promptly, effectively and collectively;
- better prepare businesses to identify, manage, and resolve supply chain bottlenecks, including by strengthening logistics and infrastructure and mobilizing investment;
- address labour rights and skills issues critical to improving supply chain resilience;
- respect market principles, minimize market distortions, including unnecessary restrictions and impediments to trade, and protect business confidential information.

Participation in this process will offer new insights into the operation of supply chains for sectors and goods of trade and economic significance for New Zealand. Of particular value, given experience of recent years, is the new Crisis Response Network which will allow parties to call for coordinated action and support from a group of like-minded countries in the event of a supply chain emergency. This alone represents a strong reason for New Zealand to become party to the Supply Chain Agreement.

## 3.3 Clean Economy Agreement

Through the Clean Economy Agreement, the IPEF partners are committed to actively pursue shared climate objectives and respective pathways to net-zero emission economies while ensuring the promotion of sustainable growth. The agreement sets out a range of collective and individual actions that parties can take to leverage economic benefit from transitioning to net zero greenhouse gas emissions economies. The agreement establishes new channels and platforms to help governments catalyse investment and scale up deployment of decarbonisation technologies. A core element is mobilising private sector engagement and funding.

The agreement supports implementation of the Paris Agreement by seeking to drive achievement of nationally determined contributions through supporting alignment of policy settings, investment, availability of technologies and capacity building to support greenhouse gas emission reductions.

*New Zealand's low emissions transition requires foreign technology*

New Zealand's emissions reduction plans identify a need to scale up development of renewable energy, electrify households, industry and transport, and equip farmers with tools needed to reduce biogenic greenhouse gas emissions. Many of the currently available technologies to reduce emissions in these sectors are produced offshore. These are often difficult for New Zealand to access, reflecting supply chain constraints, competing demand and the relatively small scale of the New Zealand market.

The Clean Economy Agreement's key benefit to New Zealand technology supply chains is its establishment of Cooperative Work Programs, consisting of joint actions, projects or activities to achieve the objectives of the agreement. These cooperative work programmes will allow exchange of best practice along with insights into policy and technical challenges. They aim to develop regulatory environments that attract investment and will enable dissemination and deployment of emerging solutions. Greater production volumes of relevant clean technologies can be expected to ease constraints on supply of those technologies to New Zealand. Parties' commitment to cooperate in ensuring accessibility of supply of those technologies may result in stronger connections between New Zealand business and suppliers, potentially giving rise to preferential supply channels.

Where the New Zealand government chooses to become involved, New Zealand will have opportunities to collaborate with others on developing technologies or standards, regulations and policies that might be needed to develop new green supply chains. The first work programme, a Hydrogen Supply Chain Initiative, was launched in May 2023. In March 2024 IPEF partners launched work programmes on carbon markets, just transition, clean electricity and supply chains for sustainable aviation fuel.

Separately, the Clean Economy Agreement provides for cooperation to scale up availability and accessibility of a number of technologies of interest to New Zealand, including: zero emissions hydrogen, sustainable aviation fuel, zero and low emission bunker fuels, zero emissions (passenger, light and heavy duty) vehicles and infrastructure, climate-smart agricultural technology, offshore wind energy and carbon capture use and storage.

The pace of global technological development is rapid. Many of the technologies needed to transform New Zealand's economy to a low emissions future do not yet exist and are likely to be produced offshore. The Clean Economy Agreement creates opportunities for New Zealand entities to work alongside others to bolster research, development, commercialisation, deployment and accessibility of new decarbonisation technologies. This will support availability of clean energy, transport and emissions removal technologies to New Zealand users, and position us close to new technological innovation. It may also offer New Zealand research institutions and businesses opportunities to work alongside like-minded others to develop technological solutions.

*Scaling up home grown solutions to climate challenges requires investment*

New Zealand's need for clean tech also presents economic opportunities for New Zealand entrepreneurs, start-ups and innovators. However, public funding for scale up and commercialisation efforts will remain constrained. New Zealand has a strong tradition of climate innovation, and a number of impact-focused entrepreneurs developing and exporting solutions for climate challenges. However clean tech innovators are raising less private investment than their counterparts in other small advanced economies and are generally not well connected to investors and international markets. Attracting capital to commercialize often requires relocation offshore.

The Clean Economy Agreement can help start-ups and innovators to get visibility with potential investors. The forums and processes it sets up deliver opportunities to showcase solutions to investment decision-makers and end-use customers and position start-ups to enter new markets. And activities under the agreement can facilitate match making between innovators and investors. Both the New Zealand investment community and New Zealand business can potentially benefit. At the same time the challenges for New Zealand businesses raising capital are broader than the opportunity to showcase to investors – international investors are frequently looking for bigger opportunities than New Zealand start-ups or SMEs offer, and in large markets such as the United States investors will often expect that businesses seeking capital will already have a market presence

Under the agreement parties have already committed to convening an annual IPEF Clean Economy Investment Forum. The forum brings together investors and project owners/managers from the region, including private sector, sovereign wealth funds, pension funds, clean economy-focused institutional investment funds, philanthropists, companies, multilateral development banks and government officials. The recent June 2024 Clean Economy Investor Forum had a dual focus on clean economy infrastructure and climate technology. In addition to announcements of public and private sector deals supporting the objectives of the Clean Economy Agreement, the event announced an Indo-Pacific climate tech top 100 companies list and published a pipeline of investment-ready (or nearly ready) projects, announced new government funding commitments and profiled government plans and policy developments. Several New Zealand companies had the opportunity to pitch their climate solutions to potential investment partners.

*Engaging Māori in the low emissions transition*

The Clean Economy Agreement recognises that active participation by Indigenous Peoples is a key factor in achieving a successful transition to clean economies. The parties commit to partnering with Indigenous Peoples in implementation of the agreement. The agreement provides for parties to draw on the traditional knowledge and practices of Indigenous Peoples to enhance efforts to transition to clean economies in areas that include the sustainable management and governance of ecosystems, forests, oceans, and waterways and the move towards sustainable agricultural practices. This aspect of the agreement also creates an opportunity to share New Zealand's experiences of partnering with Māori in the clean economy transition.



### *The world needs the Indo-Pacific region to decarbonise*

There is now broad acceptance that climate change is a profound and urgent global challenge, posing risks to the economy, environment and way of life of every country. It is clear from the science that urgent action is needed to avert collapse of ecosystems and serious flow-on impacts for societies, security and prosperity. New Zealand cannot control climate impacts unilaterally so our fundamental interest lies in effective joined-up climate action by and with other countries. That is not yet happening with the necessary scale and speed. Recognised barriers to action include access to clean technologies and investment, along with short-term costs. For many developing countries investment risk is compounded by inadequate regulatory environments, making them unattractive to private capital. IPEF countries account for almost 30 percent of global greenhouse gas emissions. They include three of the top five emitters and eight of the top 20. The pace and efficacy of their decarbonisation efforts will materially affect New Zealand's future.

The IPEF Clean Economy Agreement is intended to support participating countries to implement existing emissions reduction and adaptation goals and commitments. It provides another layer of accountability for emitters' delivery on Paris Agreement commitments. By participating in the Clean Economy Committee and joining IPEF Clean Economy cooperation activities, New Zealand will be positioned to encourage others to take effective action. Scaled up mitigation action by others is valuable to New Zealand as a beneficiary of reduced greenhouse gas emissions and reduced impacts of climate change.

### *Clean Economy Committee*

The Clean Economy Committee established under the agreement is charged with meeting annually to drive implementation of the agreement. It will lend support to parties' actions to transition to clean economies, amongst other things through considering parties' periodic reporting on their implementation activity, establishing working groups, subcommittees, or similar bodies needed to accelerate implementation of the agreement, and identifying ways to facilitate cooperation amongst parties. New Zealand will have an opportunity to use the committee to draw attention to and seek action on shared decarbonisation challenges.

### *IPEF Investment Accelerator*

Initiatives developed alongside the Clean Economy Agreement will support its implementation. The IPEF Investment Accelerator established to scale up high-standard project financing to drive sustainable economic growth in IPEF developing country parties will contribute significantly to regional decarbonisation. The accelerator will increase project-specific financing, upstream project development, and robust private sector engagement, focusing on high-standard outcomes, including strong worker and environmental protections. Amongst these efforts, the *IPEF Project Preparation Facility* will bring in additional funding to support the full life cycle of project preparation.

### *IPEF Catalytic Capital Fund*

Enhanced climate action in developing countries is a priority outcome for the IPEF Catalytic Capital Fund, established to pool resources and expand the pipeline of bankable climate projects. The fund will offer later-stage support to projects such as lender due diligence, viability gap funding, and other forms of concessional capital, in support of the IPEF partners' shared objectives and goals under the Clean Economy Agreement.

### *Public Private Partnership*

Enhanced climate action by regional partners will also be supported by the United States Public Private Partnership to mobilise engagement and investment from the private and non-profit sector.

Within the Clean Economy Agreement, then, there will be joint work programmes focusing on technology solutions and associated regulatory issues, mechanisms to facilitate and drive clean investment flows, and oversight by senior officials in the Clean Economy Committee. New Zealand and other ministers will have the opportunity to provide political direction when they convene in the IPEF Council and the Joint Commission.

Considering the technological, industrial and financial weight of the IPEF group, the significance of actions taken by the major emitters in the group and New Zealand's continuing need to pursue climate goals in partnership with larger players there is a strong case for New Zealand to become party to the Clean Economy Agreement and participate in its work.

## 3.4 Fair Economy Agreement

The Fair Economy Agreement focuses on corruption, tax, transparency and rule of law and their impact on the business and investment environment in Indo-Pacific markets. The agreement is aligned with New Zealand objectives of good governance and an open predictable, rules-based environment for the promotion of trade and investment, along with efficient tax systems, and it is consistent with established New Zealand practice and international reputation.

The scale and diversity of New Zealand's economic and commercial interests across the IPEF membership – in the export of goods and services, in outbound and inbound foreign direct investment and in collaboration with government and non-government partners across a wider agenda – underlines the importance of these objectives. For traders and investors, the ability to operate successfully in other markets depends heavily on the integrity of the business environment.

The Fair Economy Agreement has the objective of supporting efforts to prevent and combat bribery and corruption in matters affecting international trade and investment; to improve tax administration and compliance; to support participation of society in the fight against corruption; and to support countries to do this work with capacity-building initiatives. To this end, the agreement contains commitments by the parties to ensure that bribery and corruption are criminalised and an obligation

to uphold their commitments in relevant international agreements including the OECD Anti-Bribery Convention and UNCAC. The section on technical assistance and capacity building aims to support each country to implement these international commitments and develop capacity on anti-corruption and tax.

Ratifying the agreement and thereby helping to bring it into force offers an opportunity to improve ease of doing business in markets that are important to New Zealand traders and investors.

#### *Continued support for international action on corruption and bribery*

Corruption increases the cost of doing business, creates uncertainty in the business environment and weakens the rule of law. The Fair Economy Agreement aims to reduce risks and costs flowing from various forms of corruption that can occur in IPEF jurisdictions.

There are a number of existing international agreements and processes addressing corruption in its different forms. All countries that participated in the fair economy negotiation are already parties to UNCAC. A number are also parties to the OECD anti-bribery convention and some are members of the Financial Action Task Force. Building on these initiatives, the Fair Economy Agreement sets out a range of obligations to prevent and sanction domestic and foreign bribery and related corruption offences and to enforce these commitments.

Parties to the agreement commit to build on internationally accepted standards, including in promoting transparency and accountability in the return and disposition of recovered proceeds of crime. Parties also commit to promote integrity among public officials, including in government procurement; to establish protected systems for reporting corruption; and to encourage the private sector to implement effective compliance programmes.

The agreement also recognises the connection between corruption and workplace exploitation, including the particular vulnerability of migrant workers. Parties have accordingly committed to providing appropriate protections for migrants, prohibiting interference with the right to freedom of association, and ensuring judicial processes are fair and effective.

#### *Improving tax transparency*

The provisions on international tax issues seek to improve tax transparency and exchange of information. The agreement provides for increased collaboration in these areas with the aim of fostering better tax administration.

#### *Building capacity*

The capacity-building provisions in the agreement aim to strengthen regional cooperation in the areas covered by the agreement to accelerate implementation of commitments under the agreement. New Zealand is already an active participant in international initiatives against corruption and funds a

number of development activities relating to asset recovery, preventing money laundering and countering the financing of terrorism.

### 3.5 Agreement on IPEF

The conclusion of a separate overarching agreement was prompted by a recognition that, for a project as ambitious as IPEF, participants would ultimately want to be able to engage at ministerial level on issues spanning the whole of the IPEF initiative, including progress, future direction and membership, in a single forum. This will be true notwithstanding the plan to have ministerial commissions for specific agreements.

The IPEF Council established by the Agreement on IPEF will allow a New Zealand minister to engage with other IPEF ministers on issues across all four of the original pillars – trade, supply chains, clean economy and fair economy. Such issues could include future evolution in the scope of the IPEF agenda, membership of the IPEF group and relationship with the process for IPEF leaders. A New Zealand minister will also be able to participate separately in the Joint Commission (covering the agreements led by the United States Department of Commerce – Supply Chain Agreement, Clean Economy Agreement, Fair Economy Agreement) and, when the trade pillar negotiation has been concluded, the Trade Commission.

Ability to participate at ministerial level in each of these forums and engage on questions of initial implementation as well as longer-term direction will be important for New Zealand. It will be in New Zealand's interest to become party to the agreement at an early opportunity.

## **4 Advantages and disadvantages to New Zealand of the treaty entering into force and not entering into force for New Zealand**

### **4.1 Supply Chain Agreement**

#### **4.1.1 Advantages**

New Zealand is at the beginning or end of most supply chains. Trade can be separated into four product categories: raw materials and intermediate, consumer and capital goods. Our trade profile has large proportions of raw material and intermediate exports (67% of exports) and even larger proportions of consumer and capital goods imports (75% of imports). Supply chain resilience in New Zealand depends on diversified integration into global supply chains for both our exports and imports. Regional cooperation is a new element in New Zealand's international supply chain resilience strategy. In addition to the reasons for joining the agreement outlined above there are a series of distinct advantages New Zealand could derive from ratifying the agreement, including:

- Access through the Crisis Response Network to a network of potential rapid support from a group of relatively like-minded countries, most with much larger economies, in the event of a supply chain crisis, whether narrow in scope or broader. This network would not be available to New Zealand if we did not join the agreement;
- The establishment in New Zealand of a mechanism, housed in MBIE, to undertake a systematic cross-agency process to deepen understanding of the nature of New Zealand's supply chains. This will provide fuller understanding of potential supply chain risks (and opportunities) via the obligation for parties to identify and notify critical sectors and key goods;
- The identification through our engagement in the agreement's work programme of potential mitigations that New Zealand can consider to strengthen the resilience of our supply chains;
- The opportunity for New Zealand to benefit from the expertise of IPEF partners in the evaluation of and comment on our list of critical sectors and key goods (through the annual reports and participation in the meetings of the newly-created Supply Chain Agreement bodies);

- Access to a wider range of information and best practice about ways in which other IPEF partners are addressing their own supply chain resilience issues;
- Opportunity to highlight for New Zealand's business community the importance of diversifying critical supply chains, notably in those areas that are identified in the process of identifying critical sectors and key goods.
- Opportunity via the labour provisions to reduce workplace exploitation in IPEF supply chains and encourage investment into the region by: addressing investor concerns around labour practices; offering best practice guidance and support more relevant to IPEF businesses via the Labour Rights Advisory Board; and driving improved practices in IPEF workplaces via the Facility Specific Mechanism (a process for resolving allegations of labour rights abuses in specific IPEF workplaces).

#### **4.1.2 Disadvantages**

There are no distinct disadvantages arising from New Zealand joining the Supply Chain Agreement. A number of potential risks, flagged below, were identified in the negotiation and associated consultation. These risks have largely been mitigated in the negotiation of the agreement or will be mitigated by departments in the implementation of the agreement.

##### *Undercutting multilateral rules*

Some actions by governments to improve supply chain resilience could undercut WTO rules – for example through use of subsidies to enhance capacity to supply. This is directly addressed in the agreement. First, the preamble records parties' intention "to act consistently with their respective obligations under the WTO Agreement". More importantly, Article 18 stipulates that nothing in the agreement may be construed to permit or require a party to implement the agreement in a manner inconsistent with its obligations under the WTO Agreement.

##### *Interventions that distort the market*

Actions by governments that distort markets are a further area of risk. To address this point the agreement states that "fair and open markets...are fundamental to building resilient supply chains" and emphasises that the agreement aims to "minimize market distortions" and "respect market principles". The importance of respecting market principles and minimizing market distortions is reinforced in the context of responses to supply chain disruption in Article 12.3.

Potential for market distorting interventions was also raised in relation to the establishment of an Action Plan team by the IPEF Supply Chain Council. In one scenario, a country might wish to investigate a particular sector or good that another party has notified under the agreement, potentially with market distortionary or anti-competitive intentions.

To mitigate this risk, the agreement sets a threshold whereby a critical sector or key good needs to be notified by at least three parties before an Action Plan (which will analyse the notified sector or good) can be established. In the event of a supply chain disruption, the agreement is deliberately flexible about what a party's support could look like and makes clear that government responses should facilitate private sector-driven solutions and minimise market distortions that could flow from government intervention.

In combination these provisions limit the risk of our trading partners applying, pursuant to the Supply Chain Agreement, unilateral, interventionist and market-distorting policies (such as the export bans put in place during the pandemic).

#### *Resilience versus efficiency*

There is potential for efforts to improve resilience in supply chains to generate inefficiencies and thus raise economic costs, which will ultimately need to be borne by consumers – for example, by moving from “just in time” supply models to “just in case” arrangements in critical areas, or by deliberately working to increase diversification of suppliers. Elsewhere geopolitical factors have already led to a degree of supply chain fragmentation, particularly where governments inject national economic security objectives into supply chain risk management. For New Zealand any consideration of measures to encourage change in the way supply chains operate would be shaped by advice on the balance between benefits, risks and costs as well as good market principles.

#### *Sensitive information*

Concerns over confidentiality of business information were raised in the government's outreach to stakeholders during the negotiations. These concerns are acknowledged in the preamble of the agreement, and under Articles 13 and 14 there are also specific provisions that protect confidential business information from release to other parties.

The sharing of New Zealand's critical sectors and key goods for the purposes of the Supply Chain Agreement may have economic security implications. Departments will manage this risk within existing frameworks.

#### *Unrealistic expectations*

The Supply Chain Agreement could raise unrealistic expectations of government capacity to address supply chain vulnerabilities and risks. New Zealand's supply chains are different in character from those of typical developed economies. Analysis of New Zealand's supply chain risks may suggest mitigation strategies that fall outside of the mechanisms provided by the Supply Chain Agreement. Additionally, supply chains are specific to individual products, a complex web of upstream and downstream relationships, unique to firms and constantly evolving to seek the best balance of resilience, efficiency and sophistication. Most importantly, in market economies, supply chains are the

sum of sourcing decisions by firms, not governments. Departments will manage this risk through engagement and communication with their respective sectors within existing frameworks.

#### *Reputational risks relating to labour standards*

Provisions for publishing labour rights risks in IPEF supply chains and allegations of labour rights abuses in specific workplaces risk negatively impacting the reputation of businesses in IPEF countries if they publicly identify exploitative practices. While the names of businesses would not be published, New Zealand businesses could potentially be identified through such processes. Any risk to the reputation of New Zealand businesses is mitigated by maintaining good labour standards and effective workplace regulation.

#### *Costs*

The potential costs to New Zealand of servicing an active contribution to IPEF bodies and initiatives are covered under Section 8 (Costs to New Zealand of compliance with the agreements) of this National Interest Analysis.

## 4.2 Clean Economy Agreement

### 4.2.1 Advantages

In addition to the general reasons for joining the agreement outlined above, there are a series of distinct advantages New Zealand could derive from ratifying the agreement, including:

- boosting investment in development and deployment of clean technology in the Asia-Pacific region to support New Zealand's transition to net zero;
- creating platforms and processes for attracting and engaging investors with New Zealand entrepreneurs and producers of nascent and emerging technologies;
- reducing non-tariff barriers, providing clarity and certainty in business environments, and developing mutually recognized standards, methodologies, and certification, thus improving ease of doing business and interoperability of the regulatory environments in participating economies in the IPEF region for New Zealand exporters;<sup>4</sup>

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<sup>4</sup> Deployment of clean technologies is supported by standardisation of demand (for example, common plugs for electric vehicle charging). Regulation of emerging technologies will draw, in part, on collectively agreed standards. Exporters may further benefit from collaborative efforts amongst IPEF partners to manage export life-cycle emissions through action to establish green shipping corridors and increase production of sustainable aviation fuels.



- allowing New Zealand to influence these regional standards, methodologies and taxonomies through the relevant cooperative activities under the agreement, which will position New Zealand to better influence outcomes that are important for us;
- influencing major emitters' climate action. This may also generate greater supplies of tradable emissions reductions available for use by New Zealand to support achieving its international and domestic emissions reduction targets. A collective focus on development of robust carbon markets in the region is likely both to build supply of tradable emissions reductions and to reinforce credible standards for ensuring traded emissions reductions have environmental integrity;
- driving demand for climate-smart agricultural practices, policies and technologies and promoting legally harvested timber and the carbon benefits of the utilization of harvested wood products. Participating in the agreement offers opportunities for New Zealand to influence other participants to take more effective action to manage agricultural and forestry emissions, contributing to a more level playing field for New Zealand exporters and helping manage leakage risks;
- giving others greater visibility of New Zealand's climate action, which can be used to reinforce the credibility of New Zealand's efforts, and enhance understanding of New Zealand's circumstances (e.g. the dominance of agricultural emissions in New Zealand's emissions profile).

#### **4.2.2 Disadvantages**

The potential costs to New Zealand of servicing an active contribution to IPEF bodies and initiatives are covered under Section 8 (Costs to New Zealand of compliance with the agreements) of this National Interest Analysis.

### **4.3 Fair Economy Agreement**

#### **4.3.1 Advantages**

New Zealand's regulatory system sets high standards for transparency and good governance. For a number of years New Zealand has consistently ranked near the top of international indices for transparent, open and non-corrupt government. In addition to the reasons for joining the agreement outlined above, the agreement offers New Zealand a number of distinct advantages:

- promoting more inclusive growth and development in all IPEF economies;
- promoting objective, transparent and impartial rules for New Zealand business in IPEF economies. This is particularly advantageous for small and medium sized New Zealand

enterprises, whose capacity to challenge regulatory decisions or poor practice by foreign government officials or to sustain any losses resulting from such practices is more limited;

- supporting the work of international bodies, including the WTO, the UN and the OECD, in combatting corruption and supporting transparency and good government principles. It is also of value to New Zealand that we have joined with 13 other partners in reinforcing work completed a number of years ago (in the case of the UNCAC, ratified by New Zealand in 2013) and building on this to modernise our partnerships and take further steps towards strong economic governance as a region;
- facilitating New Zealand's ability to cooperate with other countries in order to combat corruption, including on mutual legal assistance and asset recovery processes.

### **4.3.2 Disadvantages**

All of the commitments under the agreement are consistent with existing New Zealand law and practice. Many of the anti-corruption measures, for example, are covered by the Crimes Act 1961 and Secret Commissions Act 1910. Additionally most of the commitments in the agreement have already been made in other international forums, including CPTPP, or are based on existing international obligations – including the OECD Convention on Bribery and UNCAC. There are a small number of new commitments in the agreement but all are consistent with our international obligations and with New Zealand's long-standing existing policy settings on anti-corruption and related issues.

The potential costs to New Zealand of servicing an active contribution to IPEF bodies and initiatives are covered under Section 8 (Costs to New Zealand of compliance with the agreements) of this National Interest Analysis.

## **4.4 Agreement on IPEF**

### **4.4.1 Advantages**

The agreement establishes bodies at ministerial level with oversight of the full IPEF architecture (the IPEF Council) and oversight of the three pillars whose negotiation was led by the United States Department of Commerce (the Joint Commission). Advantages to New Zealand of becoming party to this agreement accordingly include:

- The opportunity for a minister to engage with counterparts from other IPEF parties in the formal ministerial councils overseeing the work and ongoing development of a large new economic initiative that brings together most of New Zealand's top regional partners;
- Representation at ministerial level in the annual meeting of the IPEF Council, where matters affecting the four IPEF pillars, changes in scope or priorities within the negotiating agenda,

proposals for new IPEF agreements and proposals for new IPEF members will be discussed and decided;

- Opportunity to participate in the annual meeting of the Joint Commission, where matters connected to the operation of the Supply Chain Agreement, Clean Economy Agreement and Fair Economy Agreement will be discussed;
- Future opportunities to chair these bodies or host their annual meetings.

#### **4.4.2 Disadvantages**

The potential costs to New Zealand of servicing the council and commission are covered under Section 8 (Costs to New Zealand of compliance with the agreements) of this National Interest Analysis.

## **5 Legal obligations which would be imposed on New Zealand by the treaty action, the position in respect of reservations to the treaty, and an outline of any dispute settlement mechanisms**

In contrast to the hard obligations and enforcement approach of typical trade treaties, the IPEF agreements largely rely on countries partnering and cooperating to improve supply chain resilience, respond to climate change and boost trade and investment flows. The majority of obligations are non-binding, and binding obligations largely relate to participation in the operation of the agreement, resourcing policy work and confirming compliance with norms that are already a part of New Zealand law, policy or practice. Each of the agreements – Supply Chain Agreement, Clean Economy Agreement and Fair Economy Agreement – contains a caveat that it shall be implemented by each party within its available resources. Additionally, by design, none of the agreements have a binding dispute settlement process. There is however provision for consultations between parties to help resolve disputes.

### **5.1 Supply Chain Agreement**

#### **5.1.1 Binding obligations**

The binding obligations under the agreement are a mix of general obligations and obligations relating to the establishment, operation and functions of specific IPEF supply chain bodies, namely the IPEF Supply Chain Council (Article 6), the Crisis Response Network (Article 7) and the IPEF Labour Rights Advisory Board (Article 8).

##### *General obligations*

- Each party must notify its contact point (Article 20);
- Each party must submit (annual or as otherwise decided) reports on its implementation of the agreement (Article 6.5).

##### *Obligations relating to the Supply Chain Council*

- Each party must notify its designated member of the Supply Chain Council (Article 6.2);

- Each party must identify its own critical sectors and key goods within 120 days of entry into force for that party and then notify other Parties (Articles 10.1, 10.3).

In preparation for taking on this obligation, MBIE has established a dedicated critical supply chains team which will manage the process of identifying New Zealand's critical sectors and key goods. Recognising the potentially resource-intensive nature of this obligation, the agreement provides that it shall be implemented "within the existing resources of each Party" (Article 16).

The agreement sets out a number of criteria that parties commit to use in identifying their critical sectors or key goods. These include:

- the impact of a potential shortage on its national security, public health and safety, or prevention of significant or widespread economic disruptions;
- the level of dependence on a single supplier or a single country, region, or geographic location;
- geographic factors including actual or potential transport constraints, especially for its island or remote regions;
- the availability and reliability of alternative suppliers or supply locations;
- the extent of imports required to meet domestic demand;
- the availability of domestic production capacity; or
- the extent of interconnectedness with other critical sectors or key goods.

Given the potential sensitivity of some of the information that is gathered through implementation of the agreement, there are grounds on which a party can choose not to disclose such information – for example, confidentiality of business information, public interest (Article 14), or security (Article 15). These exceptions may also come into play when determining the level of specificity of information provided.

#### *Obligations relating to Crisis Response Network*

- The agreement establishes a Crisis Response Network, serving as an emergency communications channel and facilitating cooperation on responses to disruptions (Article 7.2). Where a party requests an emergency meeting of the Crisis Response Network, the agreement sets out the type of information that that party is required to provide (Article 12.2), though with the caveat "if available and appropriate".
- The IPEF Supply Chain Council is charged with a number of functions, one of which is to establish Action Plan teams to develop recommendations to increase the resilience and competitiveness of critical sectors or key goods from among those notified by at least three parties pursuant to

Article 10.3 (mentioned above). As a party to the agreement, New Zealand could choose to participate in an Action Plan team, with attendant obligations to notify its representative and to report back to the Supply Chain Council (Articles 6.11, 6.12). Whether New Zealand chooses to participate will depend on a range of factors, including the extent to which the sectors and goods targeted by the Action Plan team are of trade and economic interest to us and the opportunities and risks that are presented.

#### *Obligations relating to Labor Rights Advisory Board*

- The Labor Rights Advisory Board is required to identify labour rights concerns that pose a significant risk to the resilience, efficiency, productivity, sustainability, transparency, diversification, security, fairness, or inclusivity of IPEF supply chains and shall develop recommendations to address such risks. Any risks identified and recommendations need to be shared with the IPEF Supply Chain Council. The Labor Rights Advisory Board is tasked with developing up to two sector-specific technical reports annually on labour rights in IPEF supply chains, in consultation with the International Labour Organisation (Article 8).
- Each party is required to establish a process for addressing facility-specific labour rights inconsistencies. This includes developing procedures for receiving and considering allegations through an electronic reporting mechanism about practices in facilities in other IPEF countries. Parties are required to maintain the confidentiality of the allegation and supporting information. There is an obligation to review allegations received about New Zealand workplaces, consistent with our laws and regulations, through efforts such as engaging with workers and the subject facility. The parties have committed to review information received and provide a written notification about their domestic facilities within 60 days and facilities located in other parties within 30 days. The parties have committed to engage in dialogue in good faith to reach a resolution on allegations about their domestic facilities within 120 days of receiving a notification (Article 9). There are obligations relating to the maintenance of confidential information that may be shared between the parties (Article 13).

### **5.1.2 Non-binding obligations**

Non-binding obligations under the agreement include the following:

- Collaboration in areas that can help increase the resilience, efficiency, productivity, sustainability, transparency, diversification, security, fairness, and inclusivity of IPEF supply chains. Examples of where IPEF countries can work together include: improving the attractiveness of investment in supply chains; fostering improvements in logistics services and logistics infrastructure; aligning policies relating to trade facilitation; sharing information on practices in mutual recognition arrangements; developing and adopting digital standards and frameworks that support data flows among freight and logistics enterprises; supporting the capacity of enterprises (particularly SMEs) to strengthen the resilience of their supply chains,

including through diversifying their source markets for key inputs; and using tools such as risk and readiness assessments and technical assistance to help manufacturers (Article 2);

- Individual actions to be taken by parties to strengthen IPEF supply chains, including: minimising barriers to trade that affect supply chains; adopting procedures that allow for the quick release of perishable goods; increasing the availability of cold-chain warehousing near entry ports; facilitating transportation worker access to those entry ports; consulting with relevant stakeholders in developing policies relating to IPEF supply chains; exploring supply chain mapping approaches to improve supply chain transparency; and maintaining a focal point (for New Zealand this will be NZTE's investment team) to facilitate foreign direct investment into a party's market (Article 3);
- Steps to promote regulatory transparency around IPEF supply chains. The key ones relate to parties publishing their laws relating to supply chains and providing relevant public information, "to the extent practicable", to other parties "upon request"; and providing other parties with a "reasonable opportunity" to comment on proposed regulations at the central level of government "likely to significantly impact IPEF supply chains, to the extent practicable" (Article 4). The practical effect of these non-binding commitments will need to be determined by how broadly IPEF supply chains are defined when considering each proposed regulation, though what is clear is that the caveats as highlighted above were designed to ensure that the scope of the measures is subject to feasibility and is contained to those regulatory measures that are significant;
- Actions the parties intend to take to ensure that there are a sufficient number of skilled workers in critical sectors and to improve working conditions (Article 5). The parties intend to increase access to quality education and training to upskill and reskill workers, as well as supporting efforts to increase understanding and comparability of skills in critical sectors. The promotion of workplace inclusivity is also a focus, with the parties intending to ensure resources and formal training are open to all persons, including women, Indigenous Peoples, persons with disabilities, rural and remote populations, minorities and local communities. The parties also intend to continue promoting ILO fundamental principles and rights at work in their economies and through domestic enforcement of labour laws. This is supported by parties' intention to consult with private sector and representative workers' organisations on the development of policies and measures related to labour rights.
- Monitoring for and addressing supply chain vulnerabilities, with parties exploring technical assistance and capacity building activities to support this work (Article 11.2). Parties will also exchange information with other parties in order to encourage additional business-to-business relationships (Article 11.3);
- Support for another party's responses to a supply chain disruption or an imminent supply chain disruption, to the extent possible, in accordance with its existing legal requirements, respect for

market principles, and the goal of minimising market distortions, and with appropriate recognition given to actions being led or undertaken by the private sector (Article 12.3). The agreement sets out the types of support that other parties might provide, including: sharing best practices; engaging in dialogue with the private sector; exploring and facilitating joint procurements of goods; and adopting procedures to expeditiously process the export of goods in affected sectors.

### **5.1.3 Dispute Resolution**

There is no binding dispute resolution process in the agreement. However there is a consultations mechanism to resolve disputes between the parties. A party can request consultations with another party if it has concerns with that party's implementation of a provision of the agreement (Article 19). A party requests consultations through a written notification that sets out the reasons for the request. The other party is obliged to respond promptly in writing. A copy of the consultations request must be provided to the other parties to the agreement.

If the concerned party's request and the other party's response do not resolve the concerns, consultations are to be held on a mutually decided date no later than 60 days after receipt of the response. The parties are to attempt to arrive at a mutually satisfactory resolution as soon as practicable.

## **5.2 Clean Economy Agreement**

The IPEF Clean Economy Agreement builds on existing legal obligations under the Paris Agreement, and decisions taken on regulation of greenhouse gas emissions by the International Civil Aviation Organization, International Maritime Organization, the United Nations Environment Assembly, as well as voluntary initiatives such as the Global Methane Pledge. The Clean Economy Agreement creates no new emission reduction obligations for participating parties.

The IPEF Clean Economy Agreement mainly comprises non-binding commitments to individual and cooperative actions critical to the transition to clean economies.

### **5.2.1 Binding obligations**

Legally binding obligations are limited to operationalisation of the agreement and relate to:

- resolving objections to proposed cooperative work programs (Article 23);
- notifying the party's designated representatives to the Clean Economy Committee (Article 24) and contact points for the agreement (Article 31);
- maintaining confidentiality of information provided in confidence (Article 27);



- making and responding to requests for consultations (Article 30).

## 5.2.2 Non-binding obligations

Non-binding obligations are largely obligations of effort rather than outcome. These comprise:

- partnering with Indigenous Peoples or local communities in implementing the agreement (Article 3(2));
- promoting energy efficiency and conservation schemes (Article 5);
- promoting means to generate demand for low and zero emissions material, technologies and solutions in industries (Article 8);
- encouraging all levels of government to improve transport planning (Article 9);
- encouraging relevant institutions and stakeholders to contribute to technical discussion and collaboration on innovation in agriculture (Article 11);
- advancing coordination of sustainable forest management efforts (Article 12);
- consulting representative workers' and employers' organisations on implementation of the agreement, engaging in social dialogue with such organisations, promoting use of social dialogue to discuss just transition plans and policies, sharing best practices identified through dialogues and providing regular public updates on social dialogue (Article 21);
- engaging stakeholders in developing policies to achieve the objectives of the agreement; and
- providing regular updates to the Clean Economy Committee on implementation of the agreement.

Except as specified above, the actions identified in the agreement are illustrative and elective, to be undertaken if doing so would result in tangible benefit, and within available resources. With respect to non-binding commitments to collective action, parties' undertaking is to cooperate with others in some form of activity. New Zealand will have the opportunity to make such decisions case by case as the question arises.

The agreement records IPEF partners intent to cooperate or collaborate to:

- enhance efforts to advance their transitions to clean economies and mobilise tangible benefits (Article 1); achieve energy security and accelerate the research, development, commercialization, availability, accessibility, affordability, and deployment of a diverse set of clean energy and climate friendly technologies, develop a hydrogen ecosystem (Article 4);

- strengthen regional energy interconnections to help facilitate cross-border business activities through collaboration on infrastructure, technologies, and mutually recognized standards, methodologies, and certifications and promote renewable energy, energy efficiency, and energy conservation (Article 5);
- strengthen energy market stability and systems resilience, and strengthen regional clean energy supply chains and reduce vulnerabilities and risks posed by supply chains that are adversely monopolised by single suppliers (Article 6);
- support efforts to reduce global anthropogenic methane emissions by 2030 and reduce methane emissions in the energy sector by reducing methane flaring, venting and leakage (Article 7);
- facilitate research and development, commercialization, and deployment of clean technologies to decarbonize industries by promoting demand for low and zero emissions industrial inputs, developing product disclosure and measurement systems, (Article 8);
- facilitate development, commercialisation, availability, accessibility, deployment and uptake of technologies and strategies for low and zero-emissions transport, promote initiatives to scale up battery recycling, increase the production, availability and diversification of sustainable aviation fuels, establish green shipping corridors, scale up infrastructure and a vehicle fleet that supports zero emissions road transport, advance use of vehicle labelling schemes, support expansion of electrification, battery power and sustainable fuels for transport, reduce greenhouse gas emissions from rail operations and encourage transport planning (Article 9);
- advance decarbonisation efforts by economic clusters focused on integrating innovative clean technologies, promoting clean energy supply chains, and engaging in decarbonisation projects (Article 10);
- advance sustainable agricultural practices through innovative policies, tools, and technologies to reduce emissions, increase productivity, improve environmental outcomes, advance resource efficiency and sustainable waste management, increase investments in food systems innovation and accelerate efforts on climate smart and climate resilient agriculture (Article 11);
- increase sustainable management, conservation, and restoration of forests and other natural ecosystems, addressing drivers of deforestation and degradation (Article 12);
- consider policies to drive development of offshore wind energy, cooperate on ocean-based clean energy supply chain development, exchange best practice to support growth in the offshore clean energy workforce, share information on project development, accelerate action to promote sustainable water solutions and ocean based solutions for climate change adaptation and mitigation, including through considering development of offshore wind energy and developing and integrating ocean-based clean energy supply chains, collaborate to reuse

and recycle water, and share best practices to strengthen protection and restoration of blue carbon (Article 13);

- enhance efforts to support supply and demand for carbon capture and storage and collaborate on development of access to carbon capture utilisation and storage (CCUS) value chains (Article 14);
- bolster supply of and demand for low- or zero-emissions goods and services by providing clarity and interoperability of the clean economy operating environment and reducing potential non-tariff barriers to trade of low and zero emissions goods and services, and by positioning the region to take advantage of economic opportunities of low and zero greenhouse gas production capabilities (Article 15);
- develop and engage with carbon markets (Article 16);
- maintain investment policy and regulatory frameworks to mobilise finance at the scale required to transition to clean economies and collaborate to mobilise and expand access to financing for low and zero emissions projects and activities; promote sustainable finance and transition finance; foster innovative financial mechanisms; facilitate interoperability of approaches to financing; and promote secure, resilient, and diverse clean energy supply chains (Article 17);
- provide technical assistance and capacity building to help partners in their transitions to clean economies (Article 18);
- support just transitions for workforces and communities, pursue actions to create quality jobs and decent work, and conduct and report on social dialogues (Article 19);
- share information for assessing effects on employment of policies relating to clean energy transition and eliminate forced labour from supply chains and sectors covered by the agreement (Article 20).

The agreement further provides for 'interested parties' to 'opt in' to cooperation to:

- support research, development and utilisation of recycled carbon fuels (Article 4);
- collaborate on multi-fuel firing in existing pulverised coal-fired boilers and gas turbines, agro-based biomass/refuse-derived fuel firing in pulverised coal fired boilers, and labelling thermal power (Article 4);
- ensure sound policy and regulatory frameworks in nuclear safety and waste management are in place, and enable deployment of advanced nuclear energy technologies (Article 4);

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- develop a regional framework for cross-border electricity interconnections, facilitate the secure transport of electricity and development of offshore electricity infrastructure for unrestricted cross-border electricity trade (Article 5);
- support mini-grid renewable energy solutions (Article 5);
- share information and best practice regarding oil and gas security, enable other parties to access available petroleum storage capacity (Article 6);
- identify and advance at least 20 new or upgraded economic clusters and encourage integration of best practices in energy, greenhouse gas and environmental management in economic clusters (Article 10);
- promote development of carbon pricing (Article 15).

### **5.2.3 Dispute Resolution**

There is no binding dispute resolution process in the agreement. However there is a consultations mechanism to resolve disputes between the parties. A party can request consultations with another party if it has concerns with that party's implementation of a provision of the agreement (Article 30). A party requests consultations through a written notification that sets out the reasons for the request. The other party is obliged to respond promptly in writing. A copy of the consultations request must be provided to the other parties to the agreement.

If the concerned party's request and the other party's response do not resolve the concerns, consultations are to be held on a mutually decided date no later than 60 days after receipt of the response. The parties are to attempt to arrive at a mutually satisfactory resolution as soon as practicable.

## **5.3 Fair Economy Agreement**

The Fair Economy agreement contains commitments similar to those already undertaken by New Zealand in the CPTPP, UNCAC, Financial Action Task Force and OECD contexts, along with other bilateral free trade agreements. In the case of tax, the agreement recognises work done in the OECD context and through applicable tax conventions which govern the exchange of information for tax purposes.

### **5.3.1 Binding obligations**

Parties to the agreement agree to:

- enhance their efforts to effectively prevent, detect, investigate, prosecute, and sanction corruption offenses consistent with their respective obligations under UNCAC and, as

applicable, the OECD Anti-Bribery Convention, including through adopting or maintaining and effectively enforcing measures concerning domestic and foreign bribery and money laundering, (Article 5);

- adopt or maintain measures enabling the identification, tracing, freezing, seizure, and confiscation in criminal or civil proceedings of proceeds of crime, consistent with the UNCAC, take other actions to promote transparency and accountability in the return and disposition of recovered proceeds of crime, and strengthen international cooperation on asset recovery (Article 6);
- promote the active participation of the private sector to prevent and combat corruption including bribery, raise public awareness on the existence, causes, and the gravity of and threats posed by corruption, and encourage the private sector to implement internal controls, compliance programs or monitoring bodies that contribute to preventing and detecting corruption (Article 7);
- address gaps in their respective legal and operational frameworks to prevent money laundering and meet the standards set out in Financial Action Task Force recommendations regarding transparency and beneficial ownership of legal persons, including those relating to government procurement, and take concrete actions to prevent corrupt actors from funnelling the proceeds of their corruption into partners' real estate markets (Article 8);
- adopt or maintain confidential complaint systems or procedures for the appropriate protection of individuals reporting corruption offenses (Article 9);
- promote integrity, honesty, and responsibility among their public officials by, for example, promoting education and training programs to raise awareness of corruption risks in the performance of their functions (Article 10);
- adopt or maintain criminal, civil, or administrative measures to address corruption, fraud, and other illegal acts in government procurement, and promote contracting with suppliers that operate with integrity and use good business practices (Article 11);
- engage with non-governmental stakeholders on the agreement (Article 12);
- raise public awareness and promote the active participation of individuals and groups outside the public sector to prevent and combat corruption, support and protect media in their efforts to expose corruption, and promote policies that advance gender equality and women's empowerment in anti-corruption programs and initiatives (Article 12);
- affirm their obligations as members of the ILO, including to respect, promote and realize the principles concerning the fundamental rights as stated in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998, as amended in 2022), and adopt or

maintain measures, as appropriate, to ensure that labour rights are respected including prohibiting employers from interfering with employees in the exercise of their freedom of association or collective bargaining rights, as well as measures to provide appropriate protection for migrant workers under their labour laws (Article 14);

- inform other parties at regular intervals of their efforts to implement the corruption and tax provisions (Article 23).

### **5.3.2 Non-binding obligations**

Parties to the agreement also commit to:

- take actions to reflect the importance of transparency and inclusion relating to the UNCAC implementation review mechanism, such as engaging with relevant stakeholders and following up on UNCAC country review reports (Article 13);
- recognize and support efforts on tax transparency and information exchange for tax purposes and effective implementation and administration of tax policies (Articles 16 and 18);
- support efforts to improve domestic resource mobilization in developing countries through technical assistance, and support jurisdictions in building tax policy and administration capacity (Article 17)
- support capacity building to ensure the development of well-trained and efficient tax administrations, and effectively investigate and prosecute transnational anti-corruption cases and cooperate on international tax matters (Articles 20 and 21);
- to support capacity building, share information and best practices in relation to corruption and tax; and strengthen information-sharing more generally in relation to issues addressed in the agreement Article 20);
- establish a new capability-building framework to enhance capability to implement all aspects of the agreement (the framework outlines the principles, modalities, identification of needs, and processes for the provision of technical assistance and capacity building underpinning the agreement) (Article 21);
- hold annual coordination meetings on corruption, labour and tax to discuss implementation of commitments, challenges in implementation, and any technical assistance needs (Article 21);
- monitor implementation through a system of mutual information exchange, including to inform the technical assistance and capacity building needs for the Capacity Building Framework; and facilitate stakeholder input on the implementation of the proposed agreement along with

public-private sector dialogue to deepen coordination on supporting the agreement's aims (Article 21).

### 5.3.3 Dispute Resolution

There is no binding dispute settlement process set up under the agreement. However, the agreement provides a two-step process to help resolve disputes between the parties. The first step is a consultations mechanism and the second step is the appointment of an *ad hoc* committee.

A party can request consultations with another party if it has concerns with that party's implementation of a provision of the agreement (Article 24). A party requests consultations through a written notification that sets out the reasons for the request. The other party is obliged to respond promptly in writing. The concerned party must notify the other parties to the agreement of the request.

If the concerned party's request and the responding party's response do not resolve the concerns, consultations are to be held on a mutually decided date no later than 60 days after receipt of the response. The parties are to attempt to arrive at a mutually satisfactory resolution as soon as practicable. Any mutually satisfactory resolution shall be notified to the other parties to the agreement. Consultations are deemed concluded no later than 120 days after the concerned party receives a response to its request unless the parties decide otherwise.

If consultations fail to resolve the matter a consulting party, or the consulting parties together, may request the establishment of an *ad hoc* committee to consider the matter. The *ad hoc* committee is to be made up of a government official of those parties to the agreement that did not participate in the consultations and that decide to nominate a government official to the *ad hoc* committee. Parties are to designate a government official no later than 30 days after the request to establish an *ad hoc* committee and the *ad hoc* committee is deemed established 45 days after the request is made.

The *ad hoc* committee is to consider the matter, having regard to any written notification and response provided during consultations and any views of the consulting parties. The *ad hoc* committee is to provide a summary of the matter including the facts and consulting parties' views; and encourage the consulting parties to continue to pursue efforts toward resolution of the matter. If requested by the consulting parties, the *ad hoc* committee may offer advice and propose solutions for consideration by the consulting parties. The consulting parties may accept or reject a proposed solution or decide on a different solution. The consulting parties are to inform the *ad hoc* committee of any mutually satisfactory solution they reach.

## 5.4 Agreement on IPEF

The binding obligations of the Agreement on IPEF relate to the establishment and function of an IPEF Council and a Joint Commission:

- The IPEF Council oversees all the IPEF agreements. It is composed of government representatives of each IPEF party at the level of ministers (Article 2). The functions of the IPEF Council include considering any matter affecting the collective operation of the IPEF agreements; any proposal for a new agreement; any proposal for accepting a new IPEF member; and any proposal to amend the agreement (Article 3).
- The Joint Commission is also a ministerial body (Article 3). The functions of the Joint Commission include considering any matter connected to the operation of the Supply Chain Agreement, Clean Economy Agreement and Fair Economy Agreement; and monitoring the work of the parties under those agreements (Article 5).

In relation to the IPEF Council and Joint Commission, the parties have agreed to:

- adopt rules of procedure for the operation of the IPEF Council and Joint Commission. The rules of procedure must address the participation of non-parties in the work of the IPEF Council and Joint Commission (this essentially relates to the participation of signatories that have yet to ratify the full set of agreements); address the non-participation of parties that are not party to all IPEF agreements; provide for the participation of more than one representative of a party in the IPEF Council or Joint Commission; establish procedures for selection of a chair; establish procedures for handling confidential information; and set out procedures for taking decisions and other actions (Article 6);
- hold annual meetings of the IPEF Council and Joint Commission, unless the parties decide otherwise (Article 7.1);
- if possible, schedule any annual meeting of the IPEF Council, Joint Commission, and ministerial level body established under the yet to be concluded IPEF Agreement on Trade concurrently and in the same location (Article 7.2).
- if possible, schedule any annual meeting called for in the Supply Chain Agreement, Clean Economy Agreement and Fair Economy Agreement to occur concurrently with the Joint Commission (Article 7.3).



## 5.5 All Agreements: Exceptions, General Provisions, and Final Provisions

### 5.5.1 General Provisions

The Supply Chain, Clean Economy and Fair Economy Agreements and the Agreement on IPEF all contain a number of General Provisions. These provisions address the way in which the agreements need to be implemented and the mechanics of the agreement. The Agreement on IPEF also contains a limited number of these provisions.

#### *Entry Into Force*

The Supply Chain, Clean Economy and Fair Economy Agreements contain identical entry into force provisions. Each agreement will enter into force once five of the IPEF Parties have deposited their instruments of ratification, acceptance, or approval for that agreement (parties deposit their instruments of ratification after completing applicable domestic processes required for implementation of each agreement). For a party which submits its instrument after those initial five parties, the agreement will enter into force for that party thirty days after it has submitted its instrument. The entry into force provision for the Agreement on IPEF requires that a party providing its instrument of ratification, acceptance or approval also be a party to one of the other IPEF agreements.

#### *Confidentiality*

The Supply Chain Agreement, the Clean Economy Agreement and the Fair Economy Agreement all contain a provision on confidentiality. Where a party provides information in relation to these agreements, the other party is obliged to maintain the confidentiality of this information, unless the party receiving the information is required to disclose it under its domestic law, including for judicial proceedings.

#### *Contact Points*

All four agreements contain a provision requiring IPEF parties to establish a contact point for official communications related to the relevant Agreement.

#### *Depositary*

All four agreements include a provision establishing a depositary. The United States is the depositary of each agreement. The depositary provides certified copies of the IPEF agreements to all parties and ensures notifications under the agreements are circulated to all parties.

Section 5: Legal obligations which would be imposed on New Zealand by the treaty action, the position in respect of reservations to the treaty, and an outline of any dispute settlement mechanisms

### *Status of Annexes and Footnotes*

The Fair Economy Agreement contains a provision that clarifies that annexes and footnotes are an integral part of that agreement. The provision ensures these components of the agreement have equal legal status to the provisions in the core text.

### *General Review*

The Supply Chains Agreement and the Clean Economy Agreement have identical provisions establishing a General Review mechanism. This provision requires, unless the parties provide otherwise, that a general review be undertaken every five years, with a view to updating and enhancing the agreement in furtherance of its objectives.

### *Accession*

All four agreements contain the same provisions on accession. Any state or customs territory may accede to any of the IPEF agreements, subject to any terms or conditions decided between the parties and the state or customs territory. No state or customs territory can accede until either the agreement has entered into force for all the original participants or one year after the agreement has entered into force. A state or customs territory seeking to accede to the Agreement on IPEF must be a party to one of the other IPEF agreements.

### *Relation to Other Agreements*

The Clean Economy Agreement contains a provision in which IPEF parties affirm their obligations and commitments under existing international agreements.

### *WTO Obligations*

The Supply Chains Agreement contains a provision clarifying that nothing within the agreement shall be construed to permit or require a party to implement the agreement in a manner that is inconsistent with its obligations under the WTO Agreement.

### *Implementation*

IPEF parties have agreed that the Supply Chain Agreement, the Clean Economy Agreement and the Fair Economy Agreement shall be implemented by each party within its available resources. The Agreement on IPEF contains a similar provision requiring any decision of the IPEF Council or Joint Commission that requires implementation by a party to be done within available resources and in accordance with its domestic laws and regulations.

### *Disclosure of Information*

The Supply Chain Agreement, the Clean Economy Agreement and the Fair Economy Agreement all have disclosure of information provisions. These provisions ensure that nothing in these agreements requires a party to provide or allow access to information where to do so would be contrary to its domestic law, or would impede law enforcement, or otherwise be contrary to the public interest, or would reveal confidential business information.

## **5.5.2 Exceptions**

Exception provisions provide exceptions that allow IPEF parties to justify actions that would otherwise violate the obligations in the IPEF agreement. The nature of the IPEF agreements, and the commitments taken within those agreements, mean few exceptions are required. The exceptions within each agreement are outlined below.

### *Security Exception*

- The Supply Chain Agreement contains a security exception in Article 15 that provides that a party to the agreement cannot be required to provide or allow access to any information where it determines that to do so would be contrary to its essential security interests. In addition, the exception ensures that a IPEF party may apply any measure that it considers necessary for the fulfilment of its obligations with respect to the maintenance or restoration of international peace and security, or the protection of its own essential security interests.

### *Treaty of Waitangi exception*

Both the Supply Chain Agreement and the Fair Economy Agreement contain New Zealand's Treaty of Waitangi exception. This means that, provided measures are not used for trade protectionist purposes, the agreements will not prevent New Zealand from taking measures it deems necessary to accord more favourable treatment to Māori in respect of matters covered by the agreements, including in fulfilment of its obligations under the Treaty of Waitangi. The text also specifies that the interpretation of the Treaty of Waitangi, including as to the nature of the rights and obligations arising under it, shall not be subject to the consultation provisions under the agreements.

The Clean Economy Agreement does not contain a Treaty of Waitangi clause. The context is that the Clean Economy Agreement does not contain binding policy obligations. IPEF participants accordingly agreed that no exceptions to the agreement were required. However the final text contains a confirmation of a party's right, in implementing the agreement, to fulfil its obligations to its Indigenous Peoples under its law or a treaty to promote and protect the rights, interests, duties, and responsibilities of its Indigenous Peoples.

## **6 Measures that the Government could or should adopt to implement the treaty action, including specific reference to implementing legislation**

The obligations set out in the IPEF Supply Chain Agreement, Clean Economy Agreement, Fair Economy Agreement and the Agreement on IPEF are consistent with New Zealand's existing domestic legal and policy regime. Legislative or regulatory amendments are not required for New Zealand to comply with the agreements.

## **7 Economic, social, cultural and environmental costs and effects of the treaty action**

### **7.1 Supply Chain Agreement**

There are no specific social, cultural and environmental costs or effects from New Zealand joining this agreement.

Generally, working towards strengthening supply chains as envisaged by the agreement can be positive for our communities, including in terms of building awareness of supply chain risks and opportunities for the private sector. Having a framework in place to allow countries in the Indo-Pacific region to work together in addressing the impacts of supply chain crises can be expected to help materially with averting crises or recovery from the associated economic disruptions. There is also the potential for the agreement to deliver new economic or commercial opportunities.

Risks that intervention by governments under the agreement could distort private sector markets and thereby have an economic impact are covered in Section 4.1 Advantages and Disadvantages.

### **7.2 Clean Economy Agreement**

The overarching purpose of the Clean Economy Agreement is to accelerate participating countries' transition to clean economies, and to minimise adverse social, economic and environmental impacts from this transition. The discretionary nature of the New Zealand's implementation effort will support outcomes that provide net economic, social, cultural and environmental benefit.

#### **7.2.1 Economic costs and effects**

Economic benefit will potentially derive from: reduced costs of access to clean technologies; enhanced access to offshore investment; new markets for New Zealand exports of low and zero emission products and climate solutions; and new sources of access to offshore mitigation for application to New Zealand's Nationally Determined Contribution under the Paris Agreement.

#### **7.2.2 Social costs and effects**

The Clean Economy Agreement is focused on engaging all levels of government and all actors in participating economies and seeks to enhance the well-being of all. The agreement contains a number

of commitments relating specifically to supporting the just transition of workers and communities affected by transitioning to clean economies. It also contains commitments relating to empowerment of stakeholders with interests in implementation action. These activities are broadly consistent with existing New Zealand processes for policy development and implementation.

Stepped up production of low emissions goods and services in the IPEF region is unlikely to displace production and employment in New Zealand as the agreement focuses principally on new and emerging technologies. In any case, New Zealand's decision on whether or not to enter the treaty will have no impact on other countries' efforts to produce low emissions goods and services.

Overall, entering the agreement will have no material social effects in New Zealand.

### **7.2.3 Cultural costs and effects**

The agreement specifically addresses implementation in partnership with Indigenous Peoples and local communities. It recognises the potential for mitigation actions to have adverse environmental impacts and as such be harmful to local communities, including indigenous communities. Provisions of the agreement serve as safeguards against such harm.

To the extent that New Zealand already has arrangements in place to engage with Māori in economic policy development and implementation, entering the agreement is likely to result in no cultural costs or impacts in New Zealand.

### **7.2.4 Environmental costs and effects**

In joining the Clean Economy Agreement, New Zealand will reinforce and support its commitment to delivering on existing emissions reductions commitments under the Paris Agreement and Climate Change Response Act. Accordingly, joining the Clean Economy Agreement will have no incremental environmental effect. The elective nature of implementation activities means New Zealand is able to limit action under the agreement and manage environmental effects through existing domestic legislative and regulatory settings, or to establish domestic protective mechanisms as needed.

## **7.3 Fair Economy Agreement**

The Fair Economy Agreement will have no direct social and cultural effects and will have no environmental effects. New Zealand has a tradition of low tolerance for corrupt activity. Participation will reinforce society's strongly held views on the subject and emphasise New Zealand's commitment to a corruption-free society.

The Fair Economy Agreement will not have a large economic impact: the substantive obligations are essentially met already by New Zealand's domestic regulation. However, it might be expected that over time the improved anti-corruption standards across the IPEF membership will make the wider region more attractive to investors and thus generate stronger investment flows. It is generally

accepted that economies operate more efficiently in societies that succeed in minimising corrupt practices.

## 7.4 Agreement on IPEF

There are no direct economic, social, cultural or environmental impacts that flow from the Agreement on IPEF itself.

## 8 Costs to New Zealand of compliance with the agreements

### 8.1 Costs of servicing the initiatives and meetings of the agreements

The extent to which benefits flow to government agencies, business, investors, innovators and research institutions from the IPEF agreements will be determined to a large extent by capacity to resource joining and servicing IPEF initiatives, including participation in meetings.

This is particularly true of the Supply Chain Agreement and Clean Economy Agreement, where the new bodies require annual attendance and policy work to inform New Zealand's participation. In some cases it will be some time before it becomes clear how new bodies, work programmes and mechanisms will function, and what demands they will make in terms of New Zealand input and participation. In the case of the Supply Chain Agreement, for which preparation is furthest advanced, MBIE as lead department has taken an approach which limits new resource demands by reprioritising work within baselines, with an expectation that other departments providing inputs will do the same.

These costs will be mitigated by:

- Ensuring policy work on different initiatives will be tailored to align with government priorities and available resourcing. There was discussion during the negotiation about the potential resourcing demands of implementation. In each agreement the result was the inclusion of a caveat making it explicit that each party would implement the agreement "within available resources". The Supply Chain Agreement specifically recognises that each country has its own unique economic, political and security interests that shape how it approaches supply chain challenges. The preamble also acknowledges the "different economic and geographic characteristics and capacity constraints of each Party" as important considerations in building supply chain resilience.
- Limiting costs of attending meetings by provisions seeking to ensure these meetings will be held concurrently with other meetings in the same locations and, where possible, virtually.

Resourcing requirements under the **Supply Chain Agreement** include:

- Implementation of the supply chain resilience provisions. MBIE has established a Critical Supply Chains Team for this purpose which will take the lead on implementation of the agreement within MBIE. It has established an Inter-Agency Coordination Group to steer future work among



relevant New Zealand Government agencies. The team has launched preparatory work that can be undertaken before New Zealand ratifies the treaty. This includes commencing work on identifying New Zealand's critical sectors and key goods. This will allow New Zealand to notify other parties to the agreement within 120 days of New Zealand becoming a party to the agreement. This structure will also support any engagement in Action Plan teams initiated by other parties which engage New Zealand's interests.

- Establishment of a process for receiving, considering and resolving complaints about practices in IPEF workplaces that are inconsistent with internationally recognised labour rights. This will require establishment of an electronic reporting mechanism for allegations about practices in other IPEF Parties. The agreement specifies timeframes for the parties to process complaints and engage in dialogue to resolve the allegation. This includes a requirement to review information received and provide a written notification to other parties within 30 days. Parties have also committed to engage in dialogue in good faith to reach a resolution on allegations about their domestic facilities within 120 days of receiving a notification.
- Participation in the Labour Rights Advisory Board, to contribute New Zealand positions on best practice and risks to labour rights. Given that the board is tripartite and the government expects to support social partners to engage in the board's activities.

Resourcing requirements under the **Clean Economy Agreement** include:

- preparing and submitting, at least biennially, a report on New Zealand's implementation of the agreement;
- attending meetings of the Clean Economy Committee and contributing to the business of that committee;
- participation in Clean Economy Investor Forums and facilitating participation by any New Zealand business and investor representatives;
- where New Zealand decides to participate, contributing to activities under Cooperative Work Programs;
- consulting representative worker and employer organisations, Indigenous Peoples and relevant stakeholder groups on implementation of the agreement and running a social dialogue on just transition policies.

Resourcing requirements under the **Fair Economy Agreement** include:

- attendance at annual meetings on anti-corruption, labour, and tax, and at separate convenings of the IPEF parties on the margins of other meetings;
- participation in the Technical Assistance and Capacity Building Coordination Group;

- maintenance of existing measures to remain compliant with the UNCAC and other international agreements;
- sharing of information and best practices;
- continued cooperation on asset recovery processes and mutual legal assistance;
- monitoring and periodic reporting on implementation of the agreement; and
- social dialogue including consideration of implementation of the agreement.

Under the **Agreement on IPEF**, costs are limited to participation at ministerial level in meetings, expected to be held annually, of the IPEF Council and the Joint Commission.

## 8.2 Technical assistance, capacity building, economic cooperation

A number of IPEF parties sought developed parties' commitment to providing technical assistance, capacity building, economic cooperation and broader access to public and private finance under the IPEF negotiations. All IPEF pillars include technical assistance provisions aimed at supporting developing country parties to meet the standards of IPEF. New Zealand already provides capacity building in a number of IPEF partner countries under existing International Development Cooperation frameworks which may help meet New Zealand's Indo-Pacific Economic Framework commitments. There is limited funding available from the Implementation and Promotion Pool of the interagency Trade Negotiations Fund administered by MFAT, but technical assistance provided directly by New Zealand government agencies will largely be constrained by baseline funding and domestic priorities.

## 8.3 Costs to the private sector and individuals

The Supply Chain Agreement does not impose direct costs on the private sector.

## 9 Engagement overview

The Ministry of Foreign Affairs and Trade led on IPEF negotiations with participation or input from other departments according to policy responsibilities.

Following New Zealand's participation in the 23 May 2022 formal launch of the IPEF initiative by leaders, the government initiated a programme of consultation to raise public awareness of the negotiations and to seek views of stakeholders and Tiriti partners across the IPEF agenda. This process relied mainly on online formats but included in-person presentations and discussion with stakeholders where practical.

Communications and engagement during IPEF consultations included:

- a call for public submissions on the IPEF initiative following the May 2022 launch of the initiative;
- maintaining a portal for further submissions during the negotiations;
- specific engagement with Māori;
- targeted follow-up with stakeholders who had identified specific interests;
- participation at regular meetings and briefings with New Zealand business with an interest in IPEF in the context of New Zealand's wider trade policy agenda;
- regular updates on the MFAT website, with information about the negotiations (including following each negotiating round);
- updating the MFAT website with any joint statements issued by the IPEF partners;
- organisation-specific presentations from IPEF negotiators (e.g. to business councils).

### 9.1 Submissions process

At the launch of the IPEF initiative, a call was made for submissions from New Zealand stakeholder groups, businesses and individuals with views on the initiative and on New Zealand joining the negotiations. The call for submissions was made on 3 June 2022 and ran until 20 June 2022. Beyond the submissions received in this period there were ongoing opportunities for public submissions via the MFAT *Have Your Say* website and the dedicated IPEF email inbox portal throughout the IPEF process. This consultation covered all four original IPEF pillars (but note that the trade pillar, for which negotiations have yet to conclude, is not covered in this National Interest Analysis).

Thirteen submissions were received from a range of New Zealand stakeholders and representing a range of sectors. A number of submissions were made in confidence, and accordingly submitters and details which could identify particular stakeholders were not, and will not be, made public.

## 9.2 Engagement with Māori

From an early stage, officials engaged with Māori on interests that Māori wished to see negotiators reflect in the IPEF process. This informed advice to Cabinet and positions taken in the negotiations, including the continuing negotiations in the trade pillar.

Engagement included meetings with Ngā Toki Whakarururanga, Te Taumata, the Federation of Māori Authorities and the National Iwi Chairs Forum on a range of Māori interests potentially affected in the IPEF process. Government agencies with direct connection to Māori interests were also engaged.

## 9.3 Issues raised during consultation

A range of other comments were received on IPEF through both written comments and face to face meetings. Comments focused particularly on the trade pillar for which negotiations are still under way and which is not assessed in this NIA.

### 9.3.1 General themes from public submissions

- Public submissions generally recognised the **strategic importance of IPEF** and in particular the **value of United States engagement in the regional agenda**. A number of the submissions acknowledged that in the current political environment the United States could not easily engage on a free trade negotiation, and recognised that, while IPEF is not a traditional free trade agreement, it could nevertheless offer value and opportunities for New Zealand.
- A consistent theme of submissions was **disappointment at the lack of market access in the trade pillar**. A related theme was a wish for the United States to (re)join CPTPP, with some suggesting New Zealand should still push for a comprehensive FTA with the United States. A few submissions characterised IPEF as a potential stepping stone towards the United States joining CPTPP, rather than a substitute.
- A few submitters saw the lack of traditional market access as an opportunity to be creative in **new areas of economic cooperation**, such as in the supply chain, clean economy and fair economy pillars.
- Some submissions noted the opportunity for the IPEF initiative to **support existing international agreements** such as the WTO Trade Facilitation Agreement, ILO agreements, and labour chapters in the CPTPP, UK-New Zealand FTA and other relevant agreements by incentivising adherence to existing international trade rules. Others expressed a wish for IPEF to go further and lift ambition beyond existing commitments.

- Some submitters emphasised the opportunity for **trade-restricting non-tariff barriers to be addressed** through IPEF with a particular focus on sanitary and phytosanitary issues and technical barriers to trade. There were calls for being creative in addressing trade impediments and accelerating cooperation.
- Several submissions noted that a key focus for New Zealand would be the **clean economy pillar**. Supporting the goal of reaching net carbon zero by 2050 was a key theme in these submissions, along with a case for working at regional level through the IPEF framework. Specific proposals included support for entities with climate reporting requirements, the development of common approaches to carbon accounting and investment in carbon reduction and methane reduction initiatives. Several submissions specifically emphasised the importance of a clean and just energy transition for Māori.
- Many submitters pointed to **areas of opportunity** that could be pursued through IPEF. Specific suggestions included:
  - a multilateral air services agreement for the Pacific;
  - new commitments that would support climate action by facilitating trade in lower carbon goods;
  - incremental improvement in areas of data sovereignty and trade facilitation;
  - resilient supply chains, with examples of opportunities in the maritime space and in construction materials;
  - incentivising greater private sector financing and investment.
- The use of annexes and side agreements was discouraged by some on the grounds that agreements should remain plurilateral to avoid cherry-picking. Others, by contrast, noted that subject-specific annexes, side letters and schedules (as used in other agreements), along with sub-groups of participants, could offer valuable opportunities.
- Multiple submissions welcomed the focus on workers and consumers throughout the IPEF framework in line with ‘trade for all’ principles.

### 9.3.2 Issues raised by Māori

In February 2023, prior to the first IPEF negotiating round, Ngā Toki Whakarururanga sent a “*Memorandum to inform cabinet on mandate for IPEF*” proposing New Zealand adopt nine positions in the negotiations, related to: secrecy, Treaty of Waitangi exception, an economy of mana, Te Waka Kai Ora, Rongoā Māori, Māori data sovereignty and digital governance, Te Taiao and the climate emergency and regulatory disciplines. Much of the content of this memorandum related to the trade pillar which is still under negotiation and is not assessed in this national interest analysis.

Ngā Toki Whakarururanga objected that there was no online facility allowing the group to participate in the in-person “listening” sessions organised by host governments in conjunction with IPEF rounds.

Ngā Toki Whakarururanga provided MFAT with written inputs on negotiating texts and a number of issue-specific briefing papers in the course of the negotiations, some of which were shared with negotiating partners on their behalf <sup>5</sup>including:

- December 2022 An explanation of the kaupapa of Ngā Toki Whakarururanga and of the Crown’s responsibilities sourced in Te Tiriti o Waitangi in relation to the IPEF negotiations, including the right to self-determination;
- March 2023 Position Paper on Pure Food and Genetic Modification explaining the cultural, spiritual and ecological significance of Indigenous food systems and the risks posed to them by biotech, and seeking effective protections for policy space to recognize and safeguard those food systems across the Indo-Pacific;
- May 2023 Briefing Paper on Digital Sovereignty and Governance explaining the Waitangi Tribunal finding that the CPTPP outcome on e-commerce breached Crown obligations to protect mātauranga Māori and proposing ways to effectively protect against similar impacts on indigenous knowledge and identity in IPEF;
- July 2023 Position Paper on Te Taiao (Ecosystem) and the Climate Crisis explaining the fundamental interconnection of Indigenous Peoples to Te Taiao, and the need for IPEF to recognise that relationship and the accompanying responsibilities, including in addressing the climate crisis, which requires Indigenous Peoples to have an independent seat at the IPEF negotiating table;
- August 2023 Position Paper on Indigenous Peoples Rights and Protections recommended a carveout from scope across each IPEF pillar to ensure that state parties retain the policy space to meet their domestic and international obligations to Indigenous Peoples in their territories, as proposed by New Zealand in the World Trade Organisation.

Broader engagement with Māori stakeholders was primarily focused on ensuring that New Zealand governments would retain an ability to meet their obligations under the Treaty of Waitangi and that Māori exporters and businesses would be able to access opportunities and benefits offered within the IPEF framework. In relation to the clean economy pillar there were also calls for protection of the rights and interests of Indigenous Peoples, specific recognition and protection of intellectual property rights and adherence to UNDRIP standards.

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<sup>5</sup> Ngā Toki Whakarururanga publishes IPEF material online at [www.ngatoki.nz](http://www.ngatoki.nz)

## Tiriti Analysis

In January 2024 Ngā Toki Whakarururanga provided a *Preliminary Tiriti-Based Analysis of Pillars 3 and 4* based on the texts substantially concluded in November 2023. The summary (available online)<sup>6</sup> concludes:

- *“There is no evidence of any meaningful influence on the outcomes of these three agreements. Nor are they Tiriti-compliant in how it was negotiated, the substantive provisions, its institutional arrangements, and the protections it provides for Māori duties, responsibilities, rights and interests. Some critical decisions, including the drafting or omission of protections for Māori, were made without prior notification.”*
- *“The IPEF negotiations have been conducted in secret with minimal public information. Ngā Toki Whakarururanga’s technical pūkenga provided extensive input under strict confidentiality, which prevented inputs from those with relevant expertise. This assessment faces the same dilemma; as the text is not yet public it can only be shared with those who have signed the confidentiality memorandum. This prevents us from sharing it even with our kaihautū. That, in itself, is inconsistent with our fundamental obligations of participatory decision-making and accountability to Māori who are affected by the agreements.”*
- *“There are no effective protections in these Agreements. The texts range from silence on Indigenous Peoples in the Overview to tokenism in Pillar IV. Pillar III lacks any substance. The high point is the 2001 Treaty of Waitangi Exception in the Fair economy (corruption and text) agreement. The previously un-disclosed wording in Pillar III on Climate Change downgrades protective wording to the point of being practically meaningless and sets an unacceptable precedent.”*
- *“Although these agreements are not enforceable and largely involve statements of intention by the state Parties, those factors do not relieve the Crown of its Tiriti obligations. It also sets dangerous precedents for future negotiations.”*

## Supply Chain Agreement

The novel architecture of the Supply Chain Agreement prompted discussion on the nature of the commitments and obligations in the agreement and their potential enforcement. There was particular focus, as with other IPEF agreements, on the government’s ability to adopt policies that fulfil its obligations to Māori, including under the Treaty of Waitangi.

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<sup>6</sup> <https://ngatoki.nz/tiriti-analysis/>

## **Clean Economy Agreement**

### *Application of Indigenous values, strategies and leadership to solutions*

Ngā Toki Whakarururanga and the National Iwi Chairs Forum emphasised the importance of Māori and other Indigenous Peoples' world views, responsibilities, values, knowledge being made central to the climate change solutions. Ngā Toki Whakarururanga considered that nothing beyond the preamble to the Clean Economy Agreement reflected those interests. Further, they considered that Indigenous Peoples are omitted from the list of communities impacted on by transition and climate change that governments will dialogue with over just transition.

### *Addressing drivers of Climate Change*

Ngā Toki Whakarururanga expressed concern that there is no firm commitment in the Clean Economy Agreement to change the behaviours that are causing the climate crisis.

### *Adverse effects of mitigation solutions*

Ngā Toki Whakarururanga expressed concern that the implications of proposed technological solutions for Indigenous Peoples, and for Te Taiao, are ignored.

## **Fair Economy Agreement**

There were no specific concerns raised by Māori regarding the content of the Fair Economy Agreement, beyond the concern across all IPEF agreements to ensure New Zealand governments would retain an ability to adopt policies to fulfil their obligations to Māori including under the Treaty of Waitangi.

### **9.3.3 Issues Raised in Broader Public and Stakeholder Consultations**

In the course of the negotiations, MFAT and supporting agencies engaged with New Zealand exporters, other businesses and stakeholders with an interest in the implications of IPEF outcomes for New Zealand trade policy.

This engagement included participation in briefings on specific issues to a range of New Zealand groups, including but not limited to: New Zealand Council of Trade Unions (CTU), Dairy Companies Association of New Zealand (DCANZ), Beef + Lamb New Zealand, the Meat Industry Association, Fonterra, the New Zealand International Business Forum (NZIBF), the Employers and Manufacturers Association, Export New Zealand, the Horticulture Export Authority, the NZ-United States Council, the ASEAN New Zealand Business Council, American Chamber of Commerce in New Zealand, the New Zealand-Japan Business Council, PwC New Zealand, Mint Innovation, the Climate Venture Capital Fund, the Centre for Sustainable Finance, New Zealand Green Investment Finance Ltd and UniServices.



While engagement with these groups generally suggested continuing support for New Zealand participation in the IPEF process, and most issues raised questions flagged earlier during the public submissions phase (9.4.1), some new issues did emerge. These included: concerns about the scope of the labour provisions in the Supply Chain Agreement (the facility specific mechanism); interest in ensuring opportunities under the Clean Economy Agreement would be accessible for New Zealand companies and investors; and concern that participation in cooperative work programs would depend on uncertain prioritisation by New Zealand agencies.

## 9.4 Addressing Concerns

### 9.4.1 Addressing general concerns

#### *Business confidential information*

There were concerns about any requirements in the Supply Chain Agreement to disclose business confidential or otherwise sensitive information. Such concerns ought to be addressed (at least in part if not in full) by Articles 13 and 14 on Confidentiality and Disclosure. Also relevant is the discretion parties have about the level of detail in the information that is shared under e.g. Article 10.1 on identification of critical sectors and key goods, including the broad character of the reference to the Harmonised System (HS) code as provided for in Article 10.1, footnote 12.

#### *Government intervention*

For the Supply Chain Agreement there were concerns about the agreement providing new justifications for subsidies and government interventions in the market. As mentioned in section 4.1.2 above, the agreement has explicitly sought to avoid this effect through the preamble and in text provisions.

#### *Facility-Specific Labour Rights Inconsistencies*

Concerns were raised about potential reputational impacts on businesses from actions under the Facility Specific Mechanism in the Supply Chain Agreement. There was a particular concern about risk of allegations of labour rights abuses being published without businesses having an opportunity to respond. The final form of the agreement addresses earlier due process and natural justice concerns. The process provides at least 120 days for parties to discuss an allegation before it can be published by the Labour Rights Advisory Board. There are also limitations on the information that will be published (the business will not be identified), reflecting the fact that it is an allegation being discussed by the parties rather than a tribunal ruling. Concerns were also raised that small family businesses could be within scope even though they are unlikely to have a significant impact on IPEF supply chains,

and may lack the resources to engage in the process. This concern was addressed by excluding businesses with 20 employees or less.

#### *Diversification of supply away from New Zealand*

One question raised was whether the Supply Chain Agreement's focus on supply chain resilience would lead to a diversification of sources of supply away from New Zealand. Given the composition of the IPEF group – a coalition of likeminded countries with a common goal of strengthening regional supply chains – it is difficult to imagine such an outcome. There is important protection in the rules (the Article 18 requirement for WTO consistency). Development of the work programme will be a collaborative effort with full opportunity for New Zealand participation in shaping the agenda and specific activities and the backstop of an IPEF ministerial council offering oversight of work across the IPEF framework.

#### *Lack of market access*

Recognising concerns that IPEF is not a free trade agreement, negotiators actively considered means other than new market access – particularly the cooperation agenda – for delivering new commercial opportunities for New Zealand. For example, the Clean Economy Agreement sets out a range of collective and individual actions that parties intend to take to leverage economic benefit from transitioning to net zero emissions economies. Separately the Fair Economy Agreement has ambitious goals for improving the business environment in IPEF markets by emphasising rule of law, meaning better transparency and predictability for New Zealand businesses and investors operating in the Indo-Pacific region.

#### *Supporting the goal of reaching Carbon Zero by 2050*

The Clean Economy Agreement supports achievement of parties' existing commitments: domestic net-zero targets and nationally determined contributions under the Paris Agreement. But the agreement leaves decisions about mitigation efforts to individual parties.

#### *Use of annexes and side agreements*

While a number of New Zealand FTAs make use of side letters and schedules, this is not the case with the IPEF agreements, which are plurilateral, and whose obligations will bind all IPEF parties. At the same time, the agreements will in some cases recognise different priorities of different IPEF parties. For example, under the Clean Economy Agreement parties may opt in to specific projects under the Cooperative Work Programme.

#### *Focus on workers and consumers*

The principles of sustainability and inclusivity are embedded throughout the IPEF agreements. Negotiators were guided by the principle that the benefits of the IPEF framework should be broadly shared by all.

Implementation of the Supply Chain Agreement envisages the involvement of a diverse range of stakeholders involved in IPEF supply chains, including businesses and workers, but also our wider communities which will have a role to play in strengthening supply chain resilience.

## **9.4.2 Addressing concerns raised by Māori**

### *Nature of engagement with Ngā Toki Whakarururanga*

MFAT signed a Toka Tumoana with Ngā Toki Whakarururanga in July 2023 to provide expert and strategic direction on Māori rights, duties, interests and responsibilities in the negotiations and to co-design relevant text proposals. The Toka Tumoana reaffirms the commitments in the 2020 Mediation Agreement for Ngā Toki Whakarururanga (Wai 2522 claimants) and MFAT's Trade and Economic Group, to ensure that Ngā Toki Whakarururanga has effective and genuine influence on the development of IPEF.

MFAT officials engaged extensively with Ngā Toki Whakarururanga through the IPEF negotiations, sharing draft IPEF texts in accordance with confidentiality agreements and information sharing protocols between MFAT and Ngā Toki Whakarururanga. Reflecting the pace of negotiations, much of this engagement was set up at short notice, in some cases during negotiating rounds.

### *Treaty of Waitangi*

Ngā Toki Whakarururanga consider IPEF protections under Te Tiriti o Waitangi (the Treaty of Waitangi) inadequate (see 9.3.2).

Since 2001, New Zealand negotiators have secured a Treaty of Waitangi clause in all new free trade agreements. The exception reserves the policy space for the Government to implement domestic policies in relation to Māori in order for the Crown to continue to fulfil its obligations under the Treaty, without being obliged to offer equivalent treatment to persons of other countries that are party to the agreement.

Although the Indo-Pacific Economic Framework is not a free trade agreement, New Zealand negotiators in the IPEF process sought and secured Treaty of Waitangi protections that vary according to the nature of the commitments in each agreement. The IPEF Supply Chain Agreement and Fair Economy Agreement include a conventional Treaty of Waitangi exception based on the 2001 exception used in FTAs, while the Clean Economy Agreement contains a policy statement affirming a party's right to fulfil its obligations to its Indigenous Peoples under its law or a treaty, and promote and protect the rights, interests, duties, and responsibilities of its Indigenous Peoples.

## **Clean Economy**

### *Application of Indigenous values, strategies and leadership to solutions*

Throughout the negotiations, New Zealand championed commitment to Indigenous Peoples' active participation in the Clean Economy Agreement and specific recognition of Indigenous Peoples' rights and interests, in particular, in respect of natural resource use.

The preamble of the Clean Economy Agreement recognises the importance of UNDRIP in the context of implementing the agreement and acknowledges the important role of Indigenous Peoples in transitions to clean economies. Parties commit to partner with Indigenous Peoples and local communities in implementing the agreement, including through enabling participation in cooperative work programs and capacity building activity, drawing on traditional knowledge and practices, particularly related to sustainable management and governance of ecosystems, forests, oceans and waterways and transition to sustainable agricultural practices. Negotiators did not seek inclusion of Indigenous Peoples within the scope of just transition and social dialogue commitments because these were intended to implement specific International Labour Organisation declarations that have a pre-defined scope.

### *Addressing drivers of climate change*

From the outset, the Clean Economy Agreement was intended to orient economic cooperation toward more climate-friendly outcomes. It was not intended to duplicate existing multilateral rules, but rather to stimulate technological, commercial and policy cooperation to support participating states' achievement of existing mitigation commitments: domestic net-zero targets and nationally determined contributions under the Paris Agreement. Throughout the negotiations, New Zealand advocated for cooperation aligned with high levels of mitigation ambition, for example provisions recognising explicitly the need to transition away from production and consumption of fossil fuels, limiting reliance on removal technologies to hard to mitigate sectors, prioritising cooperation on renewable energy and eliminating drivers of deforestation. Ultimately, consensus was found in high level context statements addressing substitutes for emissions intensive fuels and practices, but not seeking their phasing out. The final agreement leaves decisions about mitigation efforts (including the priority to attach to behavioural change versus technological solutions) to individual parties, while recognising the need for emissions reductions from all sectors.

### *Adverse effects of mitigation solutions*

The Clean Economy Agreement commits parties to partnering with Indigenous Peoples in implementation of the agreement, and engagement with Indigenous Peoples in developing policies and seeking to achieve the objectives of this agreement. In this respect, application of mitigation solutions can be expected to follow a process in which impacts on Indigenous Peoples are considered. New Zealand sought to ensure multilaterally recognised safeguards for nature-based solutions were incorporated into the Clean Economy Agreement along with technology solutions. The final text

adopts the United Nations Environment Assembly definition of nature-based solutions, in which the need for safeguards is articulated. It also recognises the need to accelerate sustainable water solutions and ocean-based solutions with appropriate social and environmental safeguards.

## 9.5 Interagency Consultation

The IPEF negotiating team was led by the Ministry of Foreign Affairs and Trade (MFAT) and included officials from the Ministry for Business, Innovation, and Employment, New Zealand Customs Service and Ministry for Primary Industries.

A range of other ministries were consulted in the course of the negotiations on issues for which they had a policy or resource or operational interest, including the Ministry for Business, Innovation, and Employment, Ministry for Primary Industries, Ministry for the Environment, Ministry of Justice, Inland Revenue Department, Te Puni Kōkiri, Ministry for Women, Ministry of Transport, Ministry for Culture and Heritage, Customs, Ministry of Health, Te Arawhiti, Privacy Commissioner, NZTE, DPMC, Pharmac, Te Whatu Ora, Department of Conservation, Callaghan Innovation and the Treasury.

# **10 Subsequent protocols and/or amendments to the treaty and their likely effects**

## **10.1 Amendments**

The Supply Chain Agreement, Clean Economy Agreement, Fair Economy Agreement and Agreement on IPEF all contain provisions allowing the parties to amend the agreements (Articles 24, 35, 32 and 12 respectively).

An amendment enters into force 30 days after the date all parties to that agreement have deposited an instrument of ratification, acceptance or approval with the depositary (the United States), or on such other date as the parties decide. The parties cannot amend the agreement until one year after the date of entry into force of the agreement or one year after the date the agreement has entered into force for all 14 original IPEF members, whichever comes first. New Zealand will not be bound by any amendment without first ratifying that amendment (following the normal treaty making process). New Zealand would need to consider any proposed amendment on a case-by-case basis.

## **10.2 Subsequent Agreements**

Under the Agreement on IPEF the IPEF Council can decide that a new IPEF agreement will be negotiated and the Joint Commission can add a new IPEF agreement as an annex to the agreement. A decision to add a new IPEF agreement as an annex would enter into force 30 days after the parties notify the depositary that they have completed any applicable domestic requirements and procedures.

New Zealand would need to consider supporting or joining any new IPEF agreement on a case-by-case basis.

# **11 Withdrawal or denunciation provision in the treaty**

The Supply Chain Agreement, Fair Economy Agreement and Agreement on IPEF all contain provisions allowing the parties to withdraw from the agreement at any time after three years from the date of entry into force of the agreement by providing notice of withdrawal in writing to the depositary. The withdrawal takes effect six months after that point, unless the parties decide a different period (Articles 23.1, 31.1 and 11.1 respectively).

For the Clean Economy Agreement the same provisions apply except that parties do not need to wait three years from entry into force to withdraw (Article 34.1).



# MFAT

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