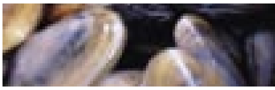
NEW ZEALAND MINISTRY
OF FOREIGN AFFAIRS & TRADE

MANATŪ AORERE



MINISTRY OF FOREIGN AFFAIRS AND TRADE

THE NEW ZEALAND - THAILAND
CLOSER ECONOMIC PARTNERSHIP

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This Ministry of Foreign Affairs and Trade publication provides an overview and a practical business guide to the New Zealand – Thailand Closer Economic Partnership. A full copy of the Agreement and associated documents can be obtained at www.mfat.govt.nz/tradeagreements/thainzcep/overview.html. New Zealand Trade and Enterprise is producing a sister publication titled *Doing Business with Thailand – a how to guide*.

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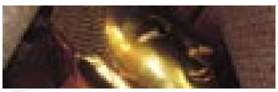


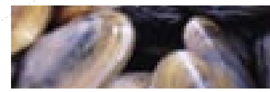

New Zealand Ministry of Foreign Affairs & Trade
Manatū Aorere

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FROM THE MINISTER OF TRADE NEGOTIATIONS >>

THE NEW ZEALAND-THAILAND CLOSER ECONOMIC PARTNERSHIP (CEP) USHERS IN A NEW ERA IN ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. IT OPENS UP EXCITING OPPORTUNITIES FOR EXPORTERS AND FOR WIDER BUSINESS PARTNERSHIPS BETWEEN NEW ZEALAND AND ONE OF THE MOST DYNAMIC ECONOMIES IN OUR REGION.

The New Zealand-Thailand Closer Economic Partnership (CEP) ushers in a new era in economic relations between the two countries. It opens up exciting opportunities for exporters and for wider business partnerships between New Zealand and one of the most dynamic economies in our region.

I am particularly proud of this Agreement because it provides for comprehensive coverage of all goods traded between New Zealand and Thailand.

The CEP opens up the Thai market. It clears the way for duty-free access on more than half New Zealand's current exports on the very day it comes into effect – 1 July 2005. Within five years tariffs on virtually all manufactured goods will have disappeared. The last remaining tariffs and quotas will go by 2025.

This provides a significant opportunity for exporters of products as diverse as persimmons and gas pumps. New market opportunities will be created with the elimination of prohibitive tariffs, and current exporters will have the inside running to expand market share.

Just as importantly the CEP will help to keep a level playing field for New Zealand exporters competing with suppliers from Thailand's other free trade partners.

The Agreement is a big step forward to enhancing the economic relationship between our two countries but it is not the end of the road.

There is an undertaking to enter into negotiations on the liberalisation of trade in services within three years.

The New Zealand-Thailand Closer Economic Partnership enhances a multi-layered bilateral relationship dating back to the 1950s, while at the same time maintaining momentum towards multilateral trade liberalisation in the World Trade Organisation (WTO).

Now we have an agreement with Thailand, the government wants to work with business to maximise the benefits and opportunities it offers. It is only by government agencies and the wider business community 'pulling together' as one that we will collectively harvest the gains made within the fine print of the Closer Economic Partnership.

Jim Sutton

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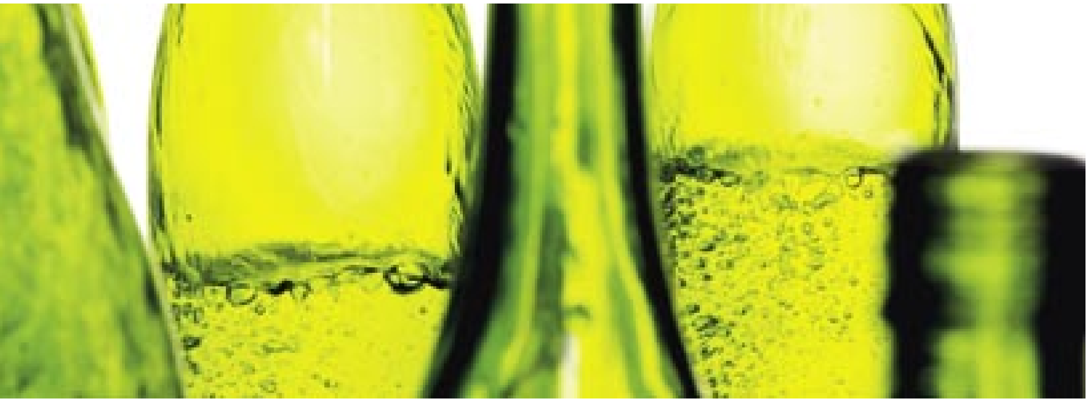



1 WHAT IS THE NEW ZEALAND-THAILAND CLOSER ECONOMIC PARTNERSHIP?

The New Zealand-Thailand Closer Economic Partnership (CEP) Agreement is a treaty which liberalises and facilitates trade, establishes rules for the trade and investment relationship and promotes cooperation across a broad spectrum of economic activities.

The key elements of the Agreement outlined here are described in more detail in the remainder of this guide.

The core commitment in the CEP is the establishment of a free trade area between New Zealand and Thailand. Both countries have undertaken to remove all tariffs and quotas on all goods over time. There will be substantial liberalisation immediately the Agreement is implemented. For more sensitive areas tariffs will be phased out over a longer period.

The CEP contains rules governing the free trade area. These include rules to determine which goods qualify for tariff preferences (the 'rules of origin') as well as rules to counter unfair trade or unexpected import surges between the two countries.

There are measures in the CEP designed to improve the business environment between New Zealand and Thailand, reduce the cost of doing business, and promote cooperation. These are in areas such as technical barriers to trade and customs procedures.

The undertaking to conclude an agreement liberalising trade in services is accompanied by an exchange of letters on temporary entry to Thailand for New Zealand business people. Separately, New Zealand has offered enhanced temporary employment access for qualified Thai chefs.

Rules and initial commitments are established on investment.

The CEP establishes robust bilateral dispute settlement mechanisms. It also contains certain protections which preserve governments' regulatory and policy-making flexibility.

Importantly, the CEP establishes a framework for taking the economic relationship forward, both through the bilateral institutions it sets up and through scheduled reviews and future negotiations.

Parallel with the agreement, New Zealand and Thailand have entered into Arrangements on Labour and Environment.

2 THE PATH TO THE AGREEMENT

Prime Minister Helen Clark and Thai Prime Minister Thaksin Shinawatra launched the CEP process at the APEC Leaders' Summit in Bangkok in October 2003.

The Agreement was negotiated over six months in the second half of 2004 following a joint study by Thailand and New Zealand.

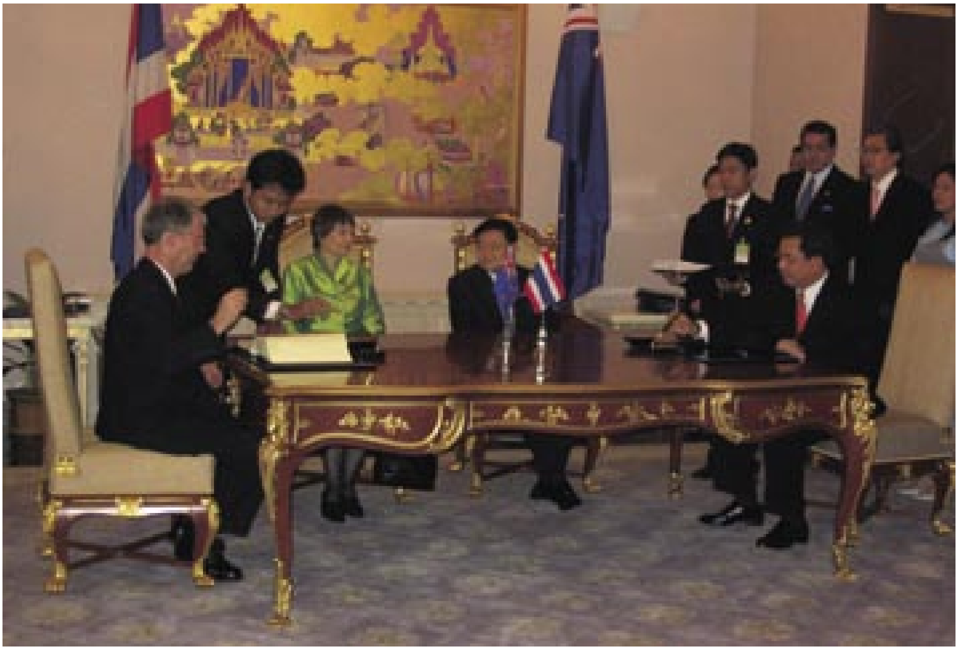
The two Prime Ministers announced the successful conclusion of these negotiations at the ASEAN Summit in Vientiane on 30 November 2004.

Minister for Trade Negotiations Jim Sutton and Thai Commerce Minister Dr Thanong Bidaya signed the Agreement in the presence of Prime Ministers Helen Clark and Thaksin Shinawatra in Bangkok on 19 April 2005.

The CEP will be implemented on 1 July 2005 following completion of both countries' processes for bringing the Agreement into force.

LEFT: Prime Minister Helen Clark and Thai Prime Minister H E Dr Thaksin Shinawatra inspect the guard of honour prior to the formal signing of the New Zealand-Thailand Closer Economic Partnership Agreement on 19 April 2005.

BELOW: Trade Negotiations Minister Jim Sutton and Thai Commerce Minister Dr Thanong Bidaya, watched by their respective Prime Ministers, sign the New Zealand-Thailand Closer Economic Partnership Agreement in Bangkok on 19 April 2005.



3 WHY THAILAND?

New Zealand has strong interest in forging closer economic links with Thailand, and in doing so now.

Thailand is South East Asia's fastest-growing economy with growth in 2004 of 6.2 percent. Strong growth is projected to continue, fueled by domestic investment and international trade.

Thailand is enthusiastically pursuing free trade agreements (FTAs) that will add to trade flows and make Thailand more competitive.

Thailand is an increasingly important business hub for the Greater Mekong sub-region and the wider South East Asia region.

New Zealand and Thailand's longstanding, friendly relationship provides a sound basis for doing business together. The alumni of New Zealand educational institutions in Thailand will support the expansion of the economic relationship.

Thailand and New Zealand are largely complementary economies, making us natural CEP partners. Thailand exports mainly motor vehicles and electronic goods to New Zealand while New Zealand's exports are concentrated in agriculture-based products and niche manufactured goods. Two-way trade topped NZ$1 billion in 2004,[1] with New Zealand exports to Thailand accounting for $365 million of this total.

[1] Statistics New Zealand provisional 2004 figure.

Thailand has maintained some of the highest trade barriers in the South East Asia region. It is a market where tariffs and quotas impede New Zealand exports. Tariffs on New Zealand products average nine percent and for many goods are as high as 40 to 60 percent. By removing all these barriers over time, and many of them immediately, the CEP will open up significant opportunities for New Zealand and Thailand to develop their trading relationship to full potential.

Without this agreement, New Zealand would be significantly disadvantaged in the Thai market due to the preferential entry given to Thailand's current FTA partners, China, Australia and ASEAN, and future partners including the United States and Japan.

4 THE NEW ZEALAND-THAILAND CLOSER ECONOMIC PARTNERSHIP AND THE WIDER TRADE AGENDA

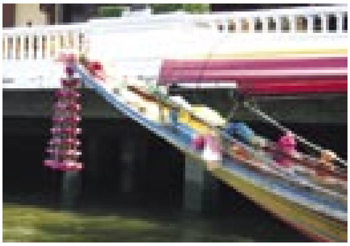
At no time in recent history has there been so much activity in the global trade negotiating environment. World trade talks and multiple bilateral and regional free trade agreements are all progressing simultaneously.

The multilateral World Trade Organisation (WTO) process remains the top trade priority for New Zealand because it offers the largest potential gains. But the scale of the negotiations and the interests involved means that progress is slow.

While the WTO Doha Round continues, New Zealand recognises that closer economic partnerships (CEPs) and free trade agreements (FTAs) can open up important new opportunities for New Zealand exporters in a shorter timeframe than through the WTO. They allow New Zealand to accelerate progress towards more open markets by partnering with countries that share our same level of determination for progress.

Good quality FTAs can also usefully contribute to moving the WTO and Asia Pacific Economic Cooperation (APEC) processes forward by highlighting the benefits of liberalisation.

CEPs and FTAs are under negotiation by most of our trading partners and have proliferated around the world – particularly in the Asia region. It is essential that New Zealand is part of this activity to strengthen economic links and obtain improved access to markets.



5 FREE TRADE IN GOODS

The CEP establishes a free trade area between New Zealand and Thailand. Both countries have agreed to remove all tariffs and quotas on all goods. Much of this liberalisation takes place when the agreement kicks off. For more sensitive areas tariffs are phased out over a longer period.

The initial tariff cuts will take place upon implementation of the CEP on 1 July 2005 and the second round will follow on 1 January 2006. Subsequent tariff reductions will be applied on 1 January each year.

There is scope within the agreement for negotiations to accelerate tariff reductions in the future.

Comprehensive details of changes to tariffs and the timetables for these changes are set out in the New Zealand and Thailand Tariff Schedules. They form Annex 1 of the Agreement. These schedules are available online at:

>> www.mfat.govt.nz/tradeagreements/thainzcep/cepindex.html

OPENING UP THE THAI MARKET

Once implemented, the Closer Economic Partnership will dramatically increase the proportion of New Zealand exports entering duty-free into Thailand, as illustrated.

Virtually all New Zealand exports to Thailand are currently subject to tariffs. Once in force the CEP will provide duty-free access for more than half New Zealand's current exports. The remaining barriers will phase out in stages, with the last tariffs and quotas removed in 2025.

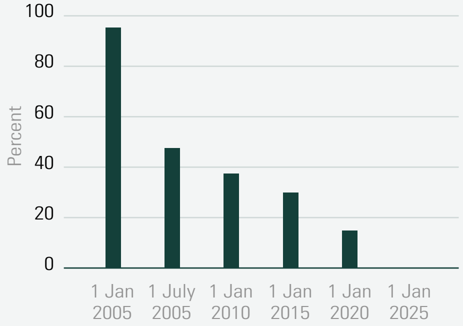
Details of the arrangements for liberalising Thailand's tariff quotas on certain agricultural products are set out in Annex 1.3 of the Agreement. This is available online at:

>> www.mfat.govt.nz/tradeagreements/thainzcep/annex1.3.html

There are some products exported to Thailand that will be subject to a special agricultural safeguard marked as 'SSG' in Thailand's Tariff Schedule. The operation of these safeguards is explained in the Trade Remedies section.

PERCENTAGE OF NEW ZEALAND EXPORTS TO THAILAND

(subject to duties)



Based on 2002-2004 imports

> “ THIS IS A SUBSTANTIAL AGREEMENT FOR THE NEW ZEALAND DAIRY INDUSTRY. IT IS VERY IMPORTANT BECAUSE IT WILL RE-ESTABLISH A LEVEL PLAYING FIELD WITH AUSTRALIA IN THE MARKET NOT LONG AFTER AUSTRALIA’S FREE TRADE AGREEMENT WITH THAILAND ENTERS INTO FORCE. ”
>
> Fonterra

THAI TARIFF REDUCTIONS BY SECTOR

Dairy

Dairy exports, worth $214.3 million in 2004, account for 58 percent of New Zealand trade with Thailand. Generally speaking, imported dairy products complement domestic production of fresh milk. Many imported dairy products are ingredients for Thailand’s food processing sector. Nevertheless this was the most sensitive sector for Thailand in the negotiation. It is subject to the longest phase-outs under the Agreement.

The CEP offers substantial benefits to dairy exporters. Benefits come in the medium to long term from the phased elimination of all tariffs and quotas. Among the short-term benefits is the immediate elimination of the five percent tariff on infant milk food. This is New Zealand’s single largest export to Thailand.

TARIFF REDUCTIONS: DAIRY

PRODUCT	EXPORTS (NZ$ AV. 2002- 04)	CURRENT TARIFF	PHASE-OUT
Infant milk food	57,611,301	5%	1/7/2005
Skim milk powder	56,360,809	5%[2]	Tariff and quota removed 1/1/2025
Whole milk powder	51,279,024	18%	Reduces to 15% 1/7/2005, phases to zero 1/1/2020 (SSG)
Butterfat	17, 515,190	5%	Eliminated 1/1/2008
Buttermilk	17,150,720	18%	Reduces to 15% 1/7/2005, phases to zero 1/1/2015 (SSG)
Cheese	5,171,552	30%	Phases to zero 1/1/2020 (SSG)
Sweetened whole milk powder	2,395,689	18%	Reduces to 15% 1/7/2005, phases to zero 1/1/2020 (SSG)
Other dairy preparations	1,805,077	5%	Eliminated 1/7/2005
Milk powder for infant feeding	1,593,317	5%	Eliminated 1/7/2005
Caseinates	561,921	5%	Eliminated 1/7/2005
Lactose	380,789	1%/10%	Eliminated 1/7/2005
Butter	372,847	30%	Phases to zero 1/1/2020 (SSG)
Whey	248,559	5%	Reduces to 3% 1/1/2008, eliminated 1/1/2009 (SSG)
Evaporated milk	210,254	30%	Phases to zero 1/1/2015 (SSG)
Liquid milk and cream	11,579	20%/41%	Tariff and quota removed 1/1/2025[3]

[2] 5% is the current applied in-quota tariff. The bound in-quota tariff is 20%. The out-of quota tariff is 216%. An in-quota tariff applies to exports within a set annual quota. However provisions allow for this tariff to rise to a set maximum, known as a bound in-quota tariff. An out-of-quota tariff applies to exports above and beyond the set annual quota.

[3] Liquid milk and cream are currently subject to a tariff quota with an in-quota tariff of 20% and an out-of-quota tariff of 41%. Thailand will establish a New Zealand-specific quota of 120 tonnes, which will expand by 17% every five years at the same time as the tariff reduces progressively.

"THE DRAMATIC REDUCTION IN TARIFFS SHOULD SEE EXPORTS TO THAILAND GROW AS PRICES TO THE CONSUMER FALL. THAILAND HAS A POPULATION OF 64 MILLION AND A DYNAMIC ECONOMY, WITH A GROWING NUMBER OF AFFLUENT PEOPLE WANTING GOOD QUALITY, SAFE FOOD."

Horticulture Export Authority

Fruit and vegetables

Thailand has restrictive tariffs, mostly in the range of 30-40 percent, on imports of fruits and vegetables, with many products attracting specific duties by weight. On top of this, tariff quotas restrict imports of onions and potatoes.

The CEP makes radical and immediate changes to the exporting environment for the horticulture industry.

The immediate elimination of tariffs on most fruit and vegetable exports will put New Zealand exporters on the same footing as Chinese suppliers in the Thai market. China has had duty-free access to Thailand since October 2003.

Access to the Thai market will also improve under the CEP for a number of other products. In particular, the 40 percent tariffs on avocados, sweet potatoes and frozen mixed vegetables will be eliminated immediately.

Fresh potatoes, like onions, are subject to a tariff quota with an in-quota tariff of 27 percent. The out-of-quota tariff for potatoes is 125 percent. New Zealand has not so far exported potatoes in any quantity, partly due to Thailand's current requirement for potatoes to be washed prior to export.

A small New Zealand-specific quota for potatoes of 30.2 tonnes will be established under the CEP and increase by five percent annually. For this quantity, the tariff will reduce progressively. From 1 January 2020 New Zealand potatoes will have tariff and quota-free access to Thailand.

Under the exchange of letters on sanitary and phytosanitary (SPS) issues, Thailand will address New Zealand's request for alternative measures to the current washing requirement for potato imports.

TARIFF REDUCTIONS: HORTICULTURE

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Apples	3,895,698	10%	Eliminated 1/7/2005
Carrots	1,135,630	40%	Eliminated 1/7/2005
Dried peas	435,422	30%	Eliminated 1/7/2005
Persimmons	400,369	30% or 33.5 baht/kg	Eliminated 1/7/2005
Frozen peas	359,203	40%	Eliminated 1/7/2005
Kiwifruit	139,876	30% or 25 baht/kg	Eliminated 1/7/2005
Cherries	110,100	40%	Eliminated 1/7/2005
Onions	100,779	142% out of quota 27% in-quota	NZ-specific quota of 36.5 tonnes per annum established and expands by 5% per annum. In-quota tariff phases to zero on 1/1/2020, at which point all restrictions are lifted.

Forestry products

While unprocessed wood entering Thailand faces relatively low barriers, the tariffs escalate for value-added products such as fibreboard and plywood. Thailand treated these as sensitive products in the negotiation with New Zealand.

The CEP will immediately remove the one percent tariff on a number of less processed but high volume New Zealand forest products exported to Thailand.

For New Zealand exporters to Thailand's more heavily protected joinery and furniture component sectors, the Agreement will provide some immediate tariff cuts and full free trade over time.

Seafood

New Zealand's seafood exports to Thailand are largely destined for Thailand's world-leading fish processing export industry. Tariffs on these imports (including tuna, hoki and squid) are generally rebated under Thailand's duty drawback arrangements for re-exported goods.

But Thailand maintains significant tariff barriers on seafood imports for domestic consumption. It treated some seafood imports as sensitive items in the negotiation.

Some of these tariffs will be eliminated immediately, while tariff phase-outs will improve opportunities for other products in the medium term.

TARIFF REDUCTIONS: FORESTRY PRODUCTS

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Sawn timber	19,899,994	1%	Eliminated 1/7/2005
Wood pulp	9,326,570	1%	Eliminated 1/7/2005
Newsprint (weighing not more than 55g/m2)	5,063,431	0.33 baht/kg	Eliminated 1/7/2005
Logs	3,206,167	1%	Eliminated 1/7/2005
Fibreboard	497,525	12.5%	Cut to 5% 1/7/2005, eliminated 1/1/2012
Particle board	139,881	12.5 %	Cut to 6.25% 1/1/2010, eliminated 1/1/2015
Plywood	30,369	12.5%	Cut to 6.25% 1/7/2005, phases to zero 1/1/2010

TARIFF REDUCTIONS: SEAFOOD

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Frozen tuna	8,133,889	5% (duty drawback applies to re-exports)	Eliminated 1/7/2005
Other frozen fish (mackerel, hoki, ling, deepsea dories, alfonsino etc)	6,562,125	5% (duty drawback applies to re-exports)	Reduces to 4% 1/1/2011, phases to zero 1/1/2015
Frozen fish fillets	909,577	5%	Reduces to 4% 1/1/2011, phases to zero 1/1/2015
Frozen scampi	871,635	5%	Eliminated 1/7/2005
Mussels and oysters	568,736	5%	Reduces to 3% 1/1/2008, eliminated 1/1/2009
Frozen squid	237,450	5% (duty drawback applies to re-exports)	Eliminated 1/7/2005
Processed mussels	46,875	20%	Eliminated 1/7/2005

Meat

Thailand currently imports only small quantities of red meat. This is due to a combination of factors including trade barriers and consumption patterns. New Zealand supplies 22 percent of current red meat imports to Thailand. Opportunities are increasing as demand for high quality red meat grows, especially from Thailand's hotel and tourism sector.

Domestic industry sensitivities in Thailand mean that market opening under the CEP is gradual, and subject to special safeguards. New Zealand meat exporters nevertheless stand to benefit, particularly from cumulative reductions in the high tariffs on beef.

Processed food and beverages/ food ingredients

Tariff reductions on processed food and beverages and ingredients for the large Thai food-processing sector are expected to open up opportunities for both current and new exporters.

Of particular relevance to new exporters is the immediate elimination of the 30 percent tariff on certain fruit-based products, which are currently shut out of the market.

The significant upfront reductions in tariffs on wine and spirits should enable New Zealand exporters to build on their current small foothold.

TARIFF REDUCTIONS: MEAT

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Beef	616,347	50%	Cut to 40% 1/7/2005, phases to zero 1/1/2020 (SSG)
Beef offal	280,199	30%	Phases to zero 1/1/2020 (SSG)
Sheepmeat	477,183	30%	Cut to 24% 1/7/2005, phases to zero 1/1/2010

TARIFF REDUCTIONS: PROCESSED FOOD & BEVERAGE

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Processed frozen potatoes	3,423,858	30% or 25 baht/kg	Reduces to 24% 1/7/2005, phases to zero 1/1/2015 (SSG)
Other sugars/ honey powder	532,563	30%	Reduces to 24% 1/7/2005, phases to zero 1/1/2010
Denatured ethyl alcohol and other spirits	380,975	2.5 baht/litre	Reduces to 6% 1/7/2005, removed 1/1/2009
Spirits and liqueurs	251,008	60% or 120 baht/litre	Reduces to 30% 1/7/2005, phases to zero 1/1/2010
Wine	117,708	60%	Reduces to 30% 1/7/2005, phases to zero 1/1/2015

Manufactured goods

The CEP offers particular opportunities for exporters of manufactured goods. Tariffs will be eliminated immediately on 78 percent of current manufactured exports.

The remaining tariffs will virtually all phase out by 2010, resulting in free trade in manufactured goods well before this is achieved for primary products.

The table opposite illustrates the impact of the CEP on a range of manufactured goods currently exported to Thailand.

The CEP opens up fresh opportunities for some other goods where Thai tariffs have so far proved prohibitive, such as air conditioners.

TARIFF REDUCTIONS: MANUFACTURED GOODS

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Aluminium foil	2,249,267	7.5%	Cut to 5% 1/7/2005, eliminated 1/1/2007
Plastic sacks and bags	2,130,941	30%	Cut to 15% 1/7/2005, phases to zero 1/1/2010
Gas pumps	1,778,388	15%	Eliminated 1/7/2005
Telephonic/telegraphic switching apparatus	1,507,012	3%	Eliminated 1/7/2005
Plastic plates, sheets, film etc	1,271,847	30%	Cut to 15% 1/7/2005, phases to zero 1/1/2010
Regulating or controlling instruments/apparatus	985,647	10%	Eliminated 1/7/2005
Transmission apparatus for radio-telephony etc	764,173	3%	Eliminated 1/7/2005
Conveyor belts	420,884	20%	Eliminated 1/7/2005
Electrical machines and apparatus with individual functions	350,817	15%	Cut to 7.5% 1/7/2005, phases to zero 1/1/2009
Makeup and skincare products	243,557	40%	Cut to 20% 1/7/2005, phases to zero 1/1/2010
Plastic moulding equipment	177,866	5%	Eliminated 1/7/2005

TARIFF REDUCTIONS: MISCELLANEOUS OTHER PRODUCTS

PRODUCT	EXPORTS (NZ$ AV. 2002-04)	CURRENT TARIFF	PHASE-OUT
Yarn	3,118,254	5%	Eliminated 1/7/2005
Petroleum oil	1,628,376	10%	Eliminated 1/7/2005
Salt	183,864	10% or 1.85 baht/kg	Cut to 5% 1/7/2005, eliminated 1/1/2009
Sphagnum moss	96,951	30%	Cut to 12% 1/7/2005, phases to zero 1/1/2010

OPENING UP THE NEW ZEALAND MARKET

The opening up of the Thai market for New Zealand goods under the CEP is reciprocated in New Zealand.

Currently 65 percent of Thai goods (dominated by motor vehicles and computers) enter New Zealand tariff-free compared to four percent of New Zealand exports to Thailand.

Once the CEP is in force, New Zealand will provide duty-free access to 85 percent of imports from Thailand.

The remaining tariffs will phase out in stages as illustrated. Final tariffs will be eliminated on 1 January 2015.

Sensitive products

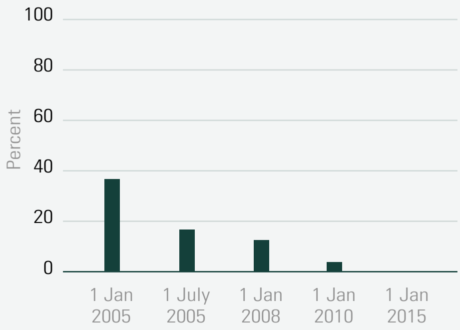
Tariffs on the most sensitive products, in the textiles, clothing, footwear and carpets sector, phase out gradually between 2005 and 2015. Sensitive products with lower tariffs, such as whiteware with a five and a half percent tariff, are essentially held at current levels before going to zero in 2010.

Phasing-out of tariffs on Thai imports

The table opposite lists the main items which will become tariff free at each stage of tariff liberalisation.

PERCENTAGE OF THAILAND EXPORTS TO NEW ZEALAND

(subject to duties)



Based on 2002-2004 imports

TARIFF PHASE-OUT: THAI IMPORTS

1 JULY 2005	>> air conditioners
	>> noodles
	>> skincare products
	>> some jewellery
	>> some haircare products
1 JAN 2008	>> some furniture
	>> remaining jewellery
	>> remaining haircare products
1 JAN 2010	>> remaining furniture
	>> whiteware
	>> paper/paperboard
	>> steel/iron products
	>> aluminium products
	>> plasterboard
	>> automotive components
1 JAN 2015	>> textiles
	>> clothing
	>> footwear
	>> carpets

RULES GOVERNING THE FREE TRADE AREA

The Closer Economic Partnership establishes rules to determine which goods qualify for tariff preferences under the Agreement. It also provides arrangements for countering unfair trade or unexpected import surges between the two countries.

Rules of Origin

Products must meet the rules of origin and be declared to be 'originating' goods from New Zealand or Thailand to qualify for preferential tariff treatment under the Agreement. Any goods traded between New Zealand and Thailand that do not meet the rules of origin will be subject to normal tariffs.

To qualify as 'originating', goods must fall into one of two categories. The first covers goods that are wholly obtained or produced in New Zealand or Thailand. All such goods are 'originating'. The second covers goods that include 'non-originating' materials (for example, components from third countries). These goods must satisfy the product-specific requirements contained in Annex 2 of the CEP.

The principal requirement under Annex 2 is for a 'change of tariff classification' (CTC). This means that the exported product must be classified differently from the 'non-originating' input materials as a result of processes performed in New Zealand or Thailand. Annex 2 sets out the required change for each tariff line. See:

» www.mfat.govt.nz/tradeagreements/thainzcep/pdfs/nzthairulesoforiginannex.pdf

Textile, clothing, footwear and carpet products must meet a 50 percent free on board (FOB) Thai/New Zealand content rule, in addition to the change of tariff classification requirement.

The CTC model has been adopted as the principal rule because it is more predictable in terms of origin outcomes. For example, it is not influenced by exchange rates. It is also simpler and cheaper for business to apply. There is less need to maintain costly records systems for small and medium enterprises.

Exporters wishing to secure tariff preference for their products need to include a special declaration on the export invoice. This declaration replaces the current requirement to provide a certificate of origin.

Customs authorities in both countries have the right under the CEP to verify eligibility for tariff preference and may seek additional information or visit the exporter for this purpose.

More detailed guidance on the CEP's rules of origin, and the wording of the origin declaration is available in a Customs Fact Sheet relating to Thailand, accessible online at:

>> www.customs.govt.nz/library/Fact+Sheets/default.html

> “ THE CHANGE OF TARIFF CLASSIFICATION (CTC) METHOD WILL GIVE EXPORTERS GREATER CERTAINTY OVER ACCESS TO TARIFF PREFERENCES IN THAILAND. ”

Trade remedies

Under the CEP, both countries will retain their existing World Trade Organisation (WTO) rights and obligations on anti-dumping and countervailing duties procedures and the use of global safeguard measures. However, there is discretion to exclude partner country trade from any global safeguard action if they are not a cause of serious injury.

Bilateral transitional safeguards will also be available. These will allow either country to address situations of serious injury to domestic industries caused by increased imports due to tariff reductions under the CEP. They will be permitted to revert to higher tariffs for a certain period.

The CEP sets out rules for conducting bilateral safeguard investigations and applying measures, where justified, following an investigation.

In New Zealand, the Ministry of Economic Development will be responsible for conducting any bilateral safeguards investigations. Information on the New Zealand procedures will be available online, once relevant legislation is implemented, at:

>> www.med.govt.nz/buslt/trade_rem.html

Imported products designated under Thailand's Special Agricultural Safeguard Measures (SSG) will benefit from the reducing tariffs up to a certain volume. This volume will increase annually. Once the volume of imports from New Zealand reaches the specified annual level, the tariff reverts to Thailand's normal rate for the remainder of the calendar year. Detailed provisions for the operation of the Special Agricultural Safeguards are contained in Article 5.11 of the Agreement. The annual trigger volumes are set out in Annex 3. See:

>> www.mfat.govt.nz/tradeagreements/thainzcep/thaissgannex.XLS

Thai Customs will publish online regular updates of the volume of imports recorded for each product subject to special safeguards. These are available at:

>> www.customs.go.th/Customs-Eng/FTA/ReportFTA.jsp

6 MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT

Recognising that tariffs are not the only barrier to trade, the CEP contains provisions designed to assist trade and improve the regulatory environment for business transactions between New Zealand and Thailand.

The Agreement establishes mechanisms for sharing information, cooperating and resolving problems in the areas of customs procedures, sanitary and phytosanitary measures, technical barriers to trade, electronic commerce, intellectual property, competition policy and transparency.

CUSTOMS PROCEDURES

The procedures set out rules for administering the importation of goods.

The CEP contains a general obligation to ensure that customs procedures are predictable, consistent and transparent and facilitate trade.

It also includes specific requirements relating to the customs valuation of goods, advance rulings on tariff classifications, handling of express consignments, appeals against customs rulings, paperless trading, risk management, and the publication of customs regulations.

Procedures for early resolution of differences are set out. A parallel Cooperative Arrangement establishes the basis for cooperation between New Zealand and Thailand on customs law enforcement.

SANITARY AND PHYTOSANITARY MEASURES

Sanitary and phytosanitary measures are used to protect human, animal and plant life and health by preventing the introduction of pests and diseases, and to help ensure that food is safe for consumption.

Both countries' existing rights and obligations under the WTO Agreement on Sanitary and Phytosanitary Measures (SPS) are reaffirmed under the CEP Agreement.

Decisions on matters affecting biosecurity and food safety will continue to be made and enforced strictly in accordance with New Zealand's existing regulatory regime.

The CEP also contains mechanisms for addressing concerns about specific SPS measures and food standards that affect trade.

TECHNICAL BARRIERS TO TRADE

Technical barriers to trade cover standards, regulations and conformity assessment procedures that can impact on trade.

While both countries' rights and obligations under the WTO Technical Barriers to Trade (TBT) Agreement are maintained, the CEP contains a number of additional obligations.

Of particular importance is the requirement for all relevant stakeholders to enter into consultations and take part in work programmes in priority areas where concerns arise over the impact on trade of technical regulations and conformance requirements.

ELECTRONIC COMMERCE

Electronic commerce is trade conducted over the internet.

New Zealand and Thailand undertake to minimise the regulatory burden on e-commerce, to provide online consumer protection, and accept trade administration documents in electronic format.

INTELLECTUAL PROPERTY

Intellectual property covers rights in areas such as copyright, trade marks and patents.

The CEP reaffirms both countries' WTO commitments on intellectual property rights. It also aims to ensure effective enforcement of intellectual property rights through cooperation and promotes wider cooperation between agencies responsible for intellectual property.

COMPETITION POLICY

The provisions on competition policy are intended to promote competition through addressing anti-competitive practices. These are in line with the APEC Principles of non-discrimination, comprehensiveness, transparency and accountability.

There are undertakings on the application of the New Zealand and Thai competition laws to all commercial activities (subject to specific, transparent exemptions), cooperation between competition authorities, and consultation on competition issues adversely affecting trade and investment between the two countries.

TRANSPARENCY

Greater transparency of laws, regulations, administrative rulings, procedures and policies pertaining to trade in goods, services and investment is promoted through the CEP. These are to be published or made available to interested people.

7 SERVICES AND TEMPORARY ENTRY

SERVICES

Thailand was not able to consider significant coverage of services when the CEP was negotiated. It was therefore agreed to schedule a negotiation on the liberalisation of services trade within three years of the Agreement coming into force.

This will provide an opportunity to negotiate a services component to the Agreement with wide coverage of different sectors.

TEMPORARY ENTRY FOR BUSINESS VISITORS

Thailand will take some initial steps under the CEP to ease and clarify the conditions by which New Zealand business people enter and operate in Thailand. These are set out in the exchange of letters on temporary entry. See:

>> www.mfat.govt.nz/tradeagreements/thainzcep/templetterentry.html

Thailand's commitments include confirmation that New Zealand business visitors will be eligible to apply for one-year multiple-entry non-immigrant business visas valid for visits of 90 days at a time.

Intra-corporate transferees employed as managers, executives or specialists in Thailand can have their work permits extended annually, up to a maximum of five years.

Intra-corporate transferees will be permitted to attend business meetings, seminars, or 'conduct business contacts' throughout Thailand, without having to notify Thai authorities.

New Zealand companies in Thailand may apply for work permits for New Zealand employees before they enter Thailand.

The spouses of investors and intra-corporate transferees with non-immigrant visas will have the right to be employed as managers, executives or specialists, provided they comply with the relevant Thai laws and regulations.

New Zealand investors with fully paid up capital of at least two million baht (approximately NZ$70,000 at March 2005 exchange rates) will have access to Thailand's One Stop Service Centre for visa and work permit applications.

TEMPORARY EMPLOYMENT

New Zealand will allow qualified and experienced Thai chefs to be employed on contract in New Zealand without labour market testing for up to four years, provided they have a genuine job offer.

New Zealand will also explore the scope for recognising the qualifications of traditional Thai massage therapists which could allow them to enter New Zealand for temporary employment.

These commitments are set out in an exchange of letters on temporary employment. See:

>> www.mfat.govt.nz/tradeagreements/thainzcep/templetterchefs.html

8 INVESTMENT

The CEP aims to improve the investment environment for New Zealanders in Thailand, over time. Thailand currently maintains restrictions on foreign equity in most sectors and on the types of businesses that foreigners are allowed to operate.

The framework for investment set out in Chapter 9 of the CEP provides, in principle, for both countries to treat investors and investments of the other country at least as well as they treat their own investors ('national treatment'). This principle is qualified by the actual commitments set out in Thailand's and New Zealand's schedules, contained in Annex 4 of the CEP. New Zealand's schedule specifies that Thai investors will remain subject to New Zealand's overseas investment screening regime.

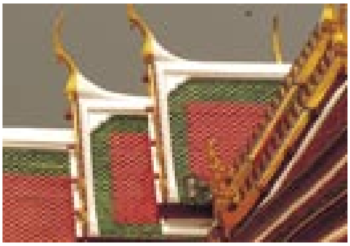
Thailand's only sectoral commitment at this stage is to maintain access for 100 percent equity participation and to not restrict the number of New Zealand directors for investments in a number of manufacturing sectors including machinery and mechanical appliances, food processing, paper products, software manufacture, furniture and textile manufacture. Future services negotiations will provide an opportunity to seek improved access for investment in other sectors.

The Agreement provides for additional protections for New Zealand investments in Thailand in line with international law requirements. These include compensation for losses, appropriate protection against expropriation and the right to transfer funds.

The Agreement also provides a framework for the settlement of disputes between foreign investors and the country in which the investment is made. This framework includes opportunities for consultation and settlement through the domestic court system of the country concerned. If an investor seeks to take a dispute to international arbitration, this can only occur with the consent of the country concerned.

9 DISPUTE SETTLEMENT

The CEP contains a number of mechanisms for consultations where issues arise over the implementation of the Agreement. In the event that consultations fail to resolve issues, an arbitral tribunal may be established under the CEP's dispute settlement procedures.



10 PROTECTIONS UNDER THE AGREEMENT

GENERAL EXCEPTIONS

A set of general exceptions in the CEP ensures that New Zealand retains full decision-making powers in areas of national importance. This includes measures necessary, among other things, to protect, animal or plant life or health; to conserve exhaustible natural resources; to protect national treasures or specific sites of historical or archaeological value; to support creative arts of national value; or to protect essential security interests.

The CEP also affirms the rights of governments to regulate in order to meet national policy objectives.

TREATY OF WAITANGI

As in the New Zealand-Singapore CEP, this Agreement allows successive New Zealand governments flexibility to take measures in relation to Maori in respect of matters covered by the Agreement, including in fulfilment of obligations under the Treaty of Waitangi.

11 MOVING FORWARD

JOINT COMMISSION

The CEP establishes a Closer Economic Partnership Joint Commission with responsibility for the proper implementation of the Agreement and for keeping the partnership under review. The Joint Commission is to meet once a year, at Ministerial or official level.

Joint Commission meetings are one way to ensure the CEP evolves in a way that ensures ongoing trade and investment expansion between New Zealand and Thailand.

The Joint Commission may seek advice from non-governmental people and organisations and will develop procedures on the extent of private sector participation in its work.

REVIEWS

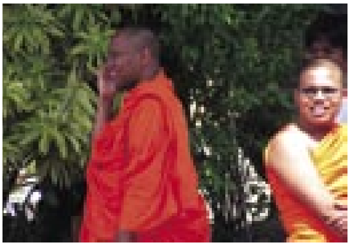
Both sides are committed to a general review of the Agreement within five years, and every five years thereafter. There is also a specific commitment to review the special agricultural safeguard mechanism within three years.

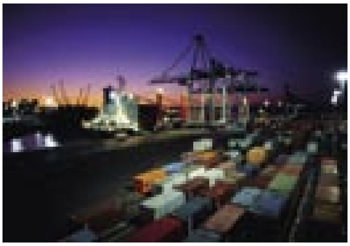
FUTURE NEGOTIATIONS

In addition to the commitment to liberalise trade in services, the CEP mandates a working group to make recommendations on starting bilateral negotiations on government procurement within the first year of the Agreement.

12 HARVESTING THE CEP POTENTIAL

A collaborative effort between government and business is required for New Zealand to make the most of the opportunities offered by the CEP.





The Agreement creates a new environment for the conduct of business between New Zealand and Thailand. To gain maximum benefit from this, government and business will need to work together effectively and strategically.

This will involve implementing strategies in targeted areas showing the greatest potential for increasing New Zealand's exports. The aim will be to ensure that New Zealand capitalises on the reduction/elimination of Thai tariffs by pursuing complementary promotion efforts and addressing any non-tariff barriers affecting trade in these areas.

Pending the services negotiation within three years, there will be scope for New Zealand to take advantage of the profile-raising effect of the Agreement to promote exports of services where access is not constrained.

There is also good scope for promoting investment between the two countries.

Maximising CEP benefits will also merit New Zealand investment in building long-term relationships with Thai counterparts in government and business.

One way of developing these relationships will be the cooperative activities in areas identified in the CEP and associated Arrangements. Another will be business itself learning how to operate effectively in the Thai market and with domestic networks that support their activities.

Given the different strengths of the New Zealand and Thai economies, there is ample scope for mutually beneficial business collaboration, including in global markets.

Government agencies will need to ensure effective implementation of the CEP and actively shape its future development, through reviews and ongoing negotiations foreshadowed in the CEP.

Agencies will continue to look for strong private sector input into these activities so the Agreement continues to serve New Zealand's economic interests.

13 THE LABOUR AND ENVIRONMENT ARRANGEMENTS

New Zealand and Thailand have negotiated Arrangements on Labour and Environment in parallel with the CEP Agreement.

Both countries will work to ensure that labour and environmental laws, regulations, policies and practices are in harmony with relevant international obligations.

Neither country will seek to gain trade or investment advantage by weakening or derogating from their labour or environmental laws and regulations.

They also agree not to use their labour or environment laws, regulations, policies and practices for trade protectionist purposes.

New Zealand and Thailand will promote public awareness of labour and environmental laws, regulations, policies and practices domestically and ensure fair, equitable and transparent processes for operating and enforcing their labour laws.

COOPERATION AND INSTITUTIONAL ARRANGEMENTS

Cooperative activities will be important in the operation of the Arrangements.

Labour and Environment officials committees will be responsible for developing and implementing cooperation programmes and implementing other elements of the Arrangements.

A process for resolving differences is established based on consultation through the Labour and Environment Committees, with the option of reference to Ministers.

Ministers responsible for the Labour and Environment Arrangements will meet at least once within the first two years of operation.

PUBLIC PARTICIPATION

The Labour and Environment Committees may consult, seek the advice or invite the attendance of non-government sectors or relevant experts at their meetings.

Members of the public and non-government sectors may submit views or advice on matters relating to the operation of the Arrangements.

Full texts of the Labour and Environment Arrangements are available online at:

» www.mfat.govt.nz/tradeagreements/thainzcep/overview.html

> “ THE LABOUR AND ENVIRONMENT ARRANGEMENTS PROVIDE NEW ZEALAND AND THAILAND WITH A FORUM TO WORK TOGETHER IN A PRACTICAL WAY ON PROMOTING SOUND LABOUR AND ENVIRONMENT POLICIES AND PRACTICES. ”

FOR MORE INFORMATION

Further detail on the Thailand-New Zealand CEP can be accessed online at:

» www.mfat.govt.nz/tradeagreements/thainzcep/overview.html.

USEFUL CONTACTS:

For assistance and advice on the New Zealand – Thailand CEP Agreement:
Thailand Desk Officer
South/South East Asia Division
Ministry of Foreign Affairs and Trade
www.mfat.govt.nz
04 439 8000

For assistance and advice on business with Thailand:
New Zealand Trade and Enterprise
www.nzte.govt.nz
0800 535 888

For assistance and advice on rules of origin or customs procedures:
The National Manager
Goods Management
New Zealand Customs Service
www.customs.govt.nz
0800 428 786

For assistance and advice on services trade:
FTA Services Officer
Trade Negotiations Division
Ministry of Foreign Affairs and Trade
www.mfat.govt.nz
04 439 8000

For assistance and advice on government procurement, standards and conformance, and rules of origin policy:

Manager, International Technical and Regulatory Coordination
Regulatory and Competition Policy Branch
Ministry of Economic Development
www.med.govt.nz
04 472 0030

For assistance and advice on intellectual property and competition policy:
Manager, Intellectual Property and Competition Policy
Regulatory and Competition Policy Branch
Ministry of Economic Development
www.med.govt.nz
04 472 0030

For assistance and advice on trade remedy issues:
Team Leader
Trade Remedies Group
Regulatory and Competition Policy Branch
Ministry of Economic Development
www.med.govt.nz
04 472 0030

For assistance and advice on investment issues:
International and Defence Section
New Zealand Treasury
www.treasury.govt.nz
04 472 2733

For assistance and advice on
sanitary and phytosanitary issues:
International Policy Directorate/MAF Policy
Ministry of Agriculture and Forestry
www.maf.govt.nz
04 474 4100

For assistance and advice on
temporary employment for Thai chefs:
Immigration Contact Centre
Department of Labour
www.immigration.govt.nz
0508 558 855

For assistance and advice on
the Labour Arrangement:
Director, International Services
Department of Labour
www.dol.govt.nz
04 471 0012

For assistance and advice on
the Environment Arrangement:
Environment and Trade Advisor
Ministry for the Environment
www.mfe.govt.nz
04 917 7400

FEEDBACK

The business community and other interested parties were consulted extensively when the New Zealand-Thailand Closer Economic Partnership was negotiated.

We want to continue this dialogue as the CEP is implemented. Interested people are invited to contact the Ministry of Foreign Affairs and Trade initially through the South/South East Asia Division or Trade Policy Liaison Unit:
South/South East Asia Division
Trade Policy Liaison Unit
Ministry of Foreign Affairs and Trade
P.O.Box 18-901
Wellington
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