

# SUBMISSION



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To: Ministry of Foreign Affairs and Trade

Submission on: Proposed United Kingdom-New Zealand Free Trade Agreement

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From: **Federated Farmers of New Zealand**

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**SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE  
ON  
PROPOSED UNITED KINGDOM-NEW ZEALAND FREE TRADE AGREEMENT**

**1. INTRODUCTION**

- 1.1 Federated Farmers of New Zealand (FFNZ) welcomes the opportunity to comment on the proposed New Zealand United Kingdom Free Trade Agreement (NZ-UK FTA).
- 1.2 Federated Farmers has a long history of supporting efforts to liberalise trade and reduce trade barriers. FFNZ has also urged producers in other countries to embrace trade liberalisation, drawing on New Zealand farmers' experiences since the 1980s reforms.
- 1.3 It is difficult to overstate the importance of trade to New Zealand, with the movement of goods and services from and into the country being vital to the country's generally high standard of living. Agriculture is no exception, and the success of the sector is dependent upon exporting products into international markets and on importing foreign goods, services and knowledge to maximise domestic productivity.
- 1.4 Access to foreign markets is key to the success of agriculture in New Zealand, with 95% of dairy, 90% of lamb, and 80% of beef production being exported. New Zealand producers receive some of the lowest rates of government support of any member of the OECD and compete in international markets with nations that provide their producers with much higher rates of government support.<sup>1</sup>
- 1.5 The removal of direct government support for the agriculture sector in the mid 1980's caused short term disruption in the sector, but has driven diversification and efficiency gains in the industry. New Zealand farmers now produce more with less and the agriculture sector's productivity growth rates have been significantly higher than those for the overall economy.<sup>2</sup>
- 1.6 New Zealand is a member of the Cairns Group, a coalition of nineteen nations who advocate for the continued liberalisation of agricultural exports across the globe. The New Zealand agriculture sector has benefited from the creation of the World Trade Organisation (WTO) Agreement on Agriculture, and will continue to benefit from the hard work of the group in the Doha round of the WTO.
- 1.7 As a small trade dependant nation New Zealand is reliant upon the rules based international order underpinned by the WTO and strengthened by multilateral and bilateral trade agreements. Through the WTO and through trade agreements, such as a UK-New Zealand FTA, New Zealand can both ensure that existing rules are followed and work towards the continued gradual liberalisation of global trade.

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<sup>1</sup> OECD, "Producer and Consumer Support Estimates database", Accessed 11 February 2019, <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>

<sup>2</sup> Statistics NZ, "Productivity Statistics", Accessed February 11 2019, [http://archive.stats.govt.nz/browse\\_for\\_stats/economic\\_indicators/productivity/productivity-statistics-info-releases.aspx](http://archive.stats.govt.nz/browse_for_stats/economic_indicators/productivity/productivity-statistics-info-releases.aspx)

## **2 SUMMARY OF RECOMMENDATIONS**

- 2.1 If the United Kingdom (UK) leaves the European Union (EU) single market and customs union, New Zealand should pursue an FTA with the UK as soon as possible.
- 2.2 The UK-NZ FTA should be high quality, comprehensive and should remove as many tariffs and technical barriers to trade as possible.
- 2.3 The UK-NZ FTA should include agriculture.
- 2.4 New Zealand should push for a separate tariff rate quota deal with a post-Brexit UK, rather than apportioning the existing EU quota.

## **3 EXISTING TRADE TIES BETWEEN THE UK AND NEW ZEALAND**

- 3.1 The UK is the fifth largest economy in the world and is New Zealand's eighth largest trading partner.<sup>3</sup> Trade between New Zealand and the UK was valued at NZ\$3.18 billion for 2017 and includes many inputs and outputs of the New Zealand agricultural sector.
- 3.2 The UK is a major market for many of New Zealand's agricultural exports with the value of exports for 2017 being valued at NZ\$ 1.45 billion and including:
  - NZ\$ 445 million worth of sheep meat
  - NZ\$ 387 million worth of wine
  - NZ\$ 93 million of apples, pears and quinces
  - NZ\$ 53 million of honey
  - NZ\$ 53 million of wool<sup>4</sup>
- 3.3 New Zealand also maintains strong links with the UK through imports, which were valued at NZ\$ 1.73 billion for the year ending 2017 and included many products necessary for agriculture such as:
  - NZ\$ 445 million worth of motor vehicles
  - NZ\$ 74 million worth of trailers and semi-trailers
  - NZ\$ 27 million of tractors
  - NZ\$ 24 million of trucks and vans
  - NZ\$ 19 million of motor vehicle parts and accessories

## **4 OTHER TIES BETWEEN THE UK AND NEW ZEALAND**

- 4.1 The Trade and Export Growth Minister Hon. David Parker recently described the UK as "One of New Zealand's oldest friends" and ties between the two nations extend well beyond healthy bilateral trade.<sup>5</sup>
- 4.2 As a former British colony, New Zealand continues to share much of its culture, customs and values with the UK. These strong historic ties have resulted in the two

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<sup>3</sup> The World Bank, "GDP (current US\$)", Accessed 11 February 2019, [https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year\\_high\\_desc=true](https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true)

<sup>4</sup> Statistics NZ, "Global New Zealand: Year ended December 2017", Accessed 11 February 2019, <https://www.stats.govt.nz/reports/global-new-zealand-year-ended-december-2017>

<sup>5</sup> New Zealand Government, "Have your say on a United Kingdom-New Zealand free trade deal", Published 23 November 2018, <https://www.beehive.govt.nz/release/have-your-say-united-kingdom-new-zealand-trade-deal>

nations continuing to share liberal democratic systems of government, a common law legal system, English as an official language, and Queen Elizabeth II as head of state.

- 4.3 New Zealand proudly sent thousands of troops to fight for the British Empire in the Boer War and First World War, many of whom did not return. As an independent nation, New Zealand continued to fight alongside the UK in major international conflicts, including the Second World War. New Zealand is also a member of the 'Five Eyes' alliance, which facilitates the close sharing of intelligence between Australia, Canada, New Zealand, the UK and the United States
- 4.4 There have also been and continue to be largescale movement of people between the UK and New Zealand, permanently, for a long term and also for a short term. With:
- 192,000 UK tourists visiting New Zealand and 123,000 New Zealanders visiting the UK in 2017 for a short term.
  - 15,000 people also moved from the UK to New Zealand either permanently or for a long term and 8,600 New Zealanders moved to the UK in 2017.<sup>6</sup>
- 4.5 Investment ties between the UK and New Zealand are also very strong. At the end of 2017:
- New Zealand held NZ\$1.3 billion worth of investments in the UK
  - The UK held NZ\$ 5.7 billion worth of investments in New Zealand.<sup>7</sup>
- 4.6 A UK-New Zealand FTA has the potential to increase these levels of investment, movement of people as well as the flow of goods and services between the two nations. This will be beneficial to agricultural, and wider, producers and consumers in both the UK and New Zealand.

## **5 NEW ZEALAND AGRICULTURE AND WORLD PRODUCTION**

- 5.1 While known for its agriculture sector and being a major exporter of agricultural commodities, New Zealand is a small nation, and its production reflects this small size. New Zealand makes up 6% of world sheep meat production and less than 1% of world beef production. New Zealand also produces less than 3% of world dairy production and New Zealand's arable industry primarily feeds domestic demand with cereal crops and also exports highly valuable seeds.
- 5.2 Global demand for meat and dairy is predicted to increase as the middle class of Asia continues to grow and purchase high protein agricultural the products. The industries in both the UK and New Zealand also face challenges such as environmental and nutritional concerns, and an FTA offers the chance for closer cooperation on these opportunities and challenges.
- 5.3 New Zealand and the UK are counter-seasonal agricultural producers and stronger ties have the potential to offer more stable year-round prices and greater choice for consumers in both nations.

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<sup>6</sup> Statistics NZ, "Global New Zealand: Year ended December 2017", Accessed 11 February 2019, <https://www.stats.govt.nz/reports/global-new-zealand-year-ended-december-20177>

<sup>7</sup> *ibid.*

## 6. THE NEED FOR A UK-NEW ZEALAND FTA

- 6.1 In the event of the UK leaving the EU customs union and single market, either as a part of a deal with the EU or as a part of a no-deal Brexit, an FTA with New Zealand will ensure that trade between the two nations remains strong.
- 6.2 Without an FTA, trade between the UK and New Zealand will be bound by WTO regulations and must abide by the 'most favoured nation' (MFN) principal.
- 6.3 New Zealand has no current FTA with the EU (and consequently the UK) and therefore tariff barriers into the UK are significant for New Zealand and will remain so post-Brexit without an FTA. Retaining current market access will be crucial and Tariff Rate Quotas (TRQs) the most urgent issue.
- 6.4 Under the current arrangement New Zealand exporters pay the prohibitively high WTO MFN tariff rates for exports above TRQs. The TRQs have the following impact on products exported to the EU:
- For sheep meat a bound tariff rate of 0% is paid on exports below 225,000 tonnes from New Zealand and a bound tariff rate of 12.8% + 1,713 Euros (ECU) per tonne for exports out of quota
  - For high quality beef a bound tariff of 20% applies to 1,300 tonnes and exports out of quota face a 12.8% + 1,414-3,034 ECUs per tonne bound tariff rate
  - For butter a tariff of 86.88 ECU per 100 kg applies to 76,667 tonnes and a tariff of 1,896-2,313 ECU per 100 kg to exports out of this quota
  - For cheese for processing a bound tariff of 17.06 ECU per 100 kg applies for 3,500 tonnes and a bound tariff of 1,671 ECU per tonne applies for exports out of quota.<sup>8</sup>
- 6.5 Federated Farmers strongly opposes the joint EU-UK position to apportion the TRQ between the UK and the remaining 27 EU member states upon the exit of the UK from the EU.
- 6.6 The EU decision to apportion the EU tariff rate quota will reduce flexibility and practical market access for New Zealand exporters and is in violation of the EU's commitments under the WTO. We support the New Zealand Government, along with many of the trading partners of the EU and UK in advocating for a more consultative process to be undertaken.
- 6.7 Along with tariff barriers, an FTA has the potential to reduce non-tariff barriers encountered between the UK and New Zealand. The recently signed Mutual Recognition Agreement (MRA) between the UK and New Zealand will act to ensure the current MRA between the EU and New Zealand will apply after the UK leaves the EU. This will act to reduce non-tariff barriers in sanitary certificates for animals and animal products between the UK and New Zealand, there are however many non-tariff barriers which remain, and an FTA between the UK and New Zealand should help minimise specific non-tariff barriers between the two nations.
- 6.7 One such non-tariff barrier facing the meat industry is the lack of recognition for New Zealand animal welfare standards by the EU. This lack of recognition will continue for exports to the UK post-Brexit and the additional requirements provide no benefits to

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<sup>8</sup> WTO, "Current Situation of Schedules of WTO Members", Accessed 11 February 2019, [https://www.wto.org/english/tratop\\_e/Schedules\\_e/goods\\_Schedules\\_table\\_e.htm](https://www.wto.org/english/tratop_e/Schedules_e/goods_Schedules_table_e.htm)

animal welfare. This is unsatisfactory given that New Zealand has been judged as equal first by the Animal Protection Index.<sup>9</sup>

- 6.8 In addition the New Zealand TRQ for butter exports into the EU is not being met due to the high administration costs, which effectively act as a non-tariff barrier to trade. An FTA with the UK should address the administration complexity and high cost of filling our current TRQ to the EU, along with expanding the available market access.

## **7. CONCLUSION**

- 7.1 Trade agreements are good for business and a high quality, comprehensive FTA with the UK (and the EU) is in the interests of New Zealand farmers and agriculture industry and would also be beneficial to the UK (and the EU).
- 7.2 The FTA at a minimum provides the opportunity to level the playing field for New Zealand exporters in the UK market. Federated Farmers would like to see a comprehensive agreement which includes all agricultural products, that protects and builds on our current WTO access and administrative arrangements and delivers tangible new market access opportunities for all sectors and eliminates tariffs.
- 7.3 We appreciate the opportunity to provide input into this process and look forward to further engagement as the Brexit process clarifies and FTA negotiations continue.

## **8. FEDERATED FARMERS OF NEW ZEALAND**

- 8.1 Federated Farmers is a member based organisation that represents farmers and other rural businesses throughout New Zealand. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand's farmers.
- 8.2 The Federation aims to add value to its members' business. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:
- Our members may operate their business in a fair and flexible commercial environment;
  - Our members' families and their staff have access to services essential to the needs of the rural community; and
  - Our members adopt responsible management and environmental practices.

## **Submission Ends**

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<sup>9</sup> World Animal Protection, "Animal Protection Index", Accessed 11 February 2019, <https://api.worldanimalprotection.org/>