

Key Outcomes

NEW ZEALAND - UNITED KINGDOM FTA AGREEMENT IN PRINCIPLE

Goods

The UK was New Zealand's seventh largest trading partner pre-COVID, with two-way trade in goods and services worth NZ\$6 billion for the year to March 2020, and goods trade making up NZ\$3.2 billion of that.

Under the Agreement in Principle, all tariffs will be eliminated on goods traded between New Zealand and the UK.

The FTA will create opportunities for kiwi businesses large and small to grow, invest and diversify, supporting New Zealand's economic recovery from the pandemic. This agreement will cut costs and red tape for New Zealand exporters, allowing them to compete on a level playing field in the UK.

The market access outcomes are among the very best New Zealand has secured in any trade deal. The UK will eliminate tariffs on 97% of product lines the day the FTA comes into force. This outcome, alongside the sizeable duty-free quotas secured, will mean that 98% of New Zealand's current exports will enter the UK duty-free on entry into force of the agreement. These quotas will also grow over time before all tariffs are eventually removed. The tariff elimination process will start when the FTA enters into force.

Under the FTA:

- As noted above, the UK will eliminate customs duties on 97% of tariff lines on entry into force of the FTA. This includes products such as wine, honey, onions, kiwifruit, and many dairy products, and accounts for nearly two-thirds of current New Zealand exports to the UK.
- A small number of New Zealand products will be liberalised over a longer time frame of up to 15 years but with immediate tariff-free access offered under quota arrangements in all cases. This includes beef and sheep meat (15 years), cheese and butter (5 years), and apples (3 years).
- Fresh apples exported to the UK during the seasonal period January to July will be duty free from entry into force of the Agreement, while those exported from August to December will have duties eliminated over three years, with a transitional duty free seasonal quota of 20,000 tonnes a year. This quota is set at almost twice the volume of New Zealand's seasonal exports to the UK in recent years.
- Butter and cheese exported to the UK will have customs duties and quotas fully eliminated 5 years after entry into force of the Agreement. In the interim, transitional duty free quotas will be established, starting at 7,000 metric tonnes (butter) and 24,000 metric tonnes (cheese) and rising to 15,000 metric tonnes (butter) and 48,000 metric tonnes (cheese). All other tariffs on dairy products will either be eliminated on entry into force of the agreement or over 3 years.

- Sheepmeat exported to the UK will have customs duties and quotas eliminated 15 years after entry into force of the Agreement. Existing access (through New Zealand's tariff-free WTO quota) combined with new FTA access means that from day one exporters will have tariff-free access of up to 149,205 metric tonnes, rising to up to 164,205 metric tonnes in years 5-15 following entry into force.
- Beef trade to the UK will be fully liberalised over 15 years. In the interim, a transitional duty free quota will be established, starting at 12,000 metric tonnes on day one and rising to 38,820 metric tonnes over 10 years in equal annual instalments. In years 11-15, a product-specific safeguard will apply, levying a 20% duty on trade exceeding the safeguard trigger volume in a given year. The safeguard trigger volume will start at 43,056 metric tonnes in year 11 and rise in equal annual instalments to 60,000 metric tonnes in Year 15.
- The UK has agreed that New Zealand will administer all quota and safeguard volumes.
- New Zealand will fully liberalise 100% of tariff lines at entry into force, covering all UK-originating goods exported to New Zealand. This includes products such as gin, chocolate, and motorhomes and campervans, which are currently subject to tariffs ranging between 5-10%.

Rules of Origin

Both sides have designed the rules of origin under the Agreement to be simple, transparent and trade facilitating. The rules that have been agreed will enable manufacturers to use materials from regional and global supply chains in their production processes. Traders will be able to use self-declaration to establish origin.

Customs Procedures and Trade Facilitation

The chapter on customs procedures is focused on ensuring efficient clearance for traders and the use of electronic systems, including paperless trading and the establishment of a 'single window' system for submitting the necessary customs documentation electronically. It will also stipulate quick release times, including for expedited shipments and for perishable products, which should normally be cleared by customs authorities within six hours of arrival provided regulatory requirements have been met. Provision will also be made for traders to apply for advance rulings on questions of origin and classification, which should be provided within 90 days.

Non-Tariff Measures

The Agreement will contain chapters on sanitary and phytosanitary (SPS) issues and technical barriers to trade (TBT) that go beyond respective WTO Agreements.

The SPS chapter will also build on the close and effective cooperation under the existing New Zealand-UK Sanitary Agreement (covering animals and animal products) by extending commitments under the FTA to processed foods and plant products. Under the SPS chapter, each side will accept the other's determinations on pest-free areas, places of production and production sites. For processed foods, official certification will only be required in cases where this is justified by risk analysis. The chapter also envisages cooperation between our respective experts in the development of international approaches on presenting SPS issues, including on anti-microbial resistance.

The objective of the TBT chapter is to promote increased cooperation and, where appropriate, alignment between the UK and New Zealand on technical regulations, standards and conformity assessment procedures. The chapter will establish mechanisms to work together to address non-tariff barriers, as well as to cooperate in areas of mutual interest, including in international standard setting bodies.

Reflecting New Zealand's significant wine trade to the UK (NZ\$463 million annually), the FTA will include a Wine Annex that will provide for comprehensive recognition of New Zealand wine-making (oenological)

practices, as well as minimising administrative burdens and costs from certification and labelling requirements. The FTA also incorporates a Distilled Spirits Annex, reaffirms that both Parties will maintain animal testing bans for cosmetics, and provides for cooperation in a number of other sectors.

Animal Welfare

In a first for New Zealand, the FTA will include a chapter that recognises the high priority that we afford animal welfare in farming practices and acknowledges the comparability of both countries' high standards in this area. It also commits both sides to not, where possible, weaken animal welfare standards in order to encourage trade or investment. Similarly, both countries have agreed not to use their animal welfare laws in a manner that would constitute a disguised restriction on trade or investment. The chapter also sets out how both countries will work together cooperatively, including in international standard-setting bodies, to promote animal welfare practices.

Trade Remedies

The trade remedies chapter reaffirms the application of the WTO Agreements on Anti-Dumping, Subsidies and Safeguards and includes additional, best-practice provisions to ensure any trade remedy actions taken by either side are conducted fairly, robustly and transparently, including taking into consideration the public interest in trade remedy investigations.

The Agreement will also contain an injury-based bilateral transitional safeguard mechanism. This only applies for a transitional period and cannot be applied at the same time as any general safeguard adopted under the WTO Agreement on Safeguards.

Services

We have agreed high ambition rules that will support greater trade in services between New Zealand and the UK. The UK is an important services market for New Zealand. In the year to March 2020, New Zealand exported NZ\$1.7 billion of services to the UK and imported NZ\$1.2 billion worth of UK services. The Agreement includes commitments that will help facilitate and provide certainty for services exporters. Outcomes on services will include chapters and annexes covering specific services sectors – domestic regulation, financial services, telecommunications, professional and business services, express delivery services, and international maritime services.

Services market access commitments will build significantly on commitments made in the WTO General Agreement on Trade in Services and follow the 'negative listing' approach, which provides for greater clarity and transparency of commitments. New Zealand and the UK have both agreed to include commitments on a broader range of aviation services, including in the areas of ground-handling, airport operations and specialty air services.

The chapter on domestic regulation will ensure that each side's licensing and qualification requirements and procedures affecting trade in services are transparent, non-discriminatory and not unduly burdensome.

There will also be provisions in the Agreement that aim to facilitate and expand the recognition of professional qualifications and registration in each other's jurisdiction, including agreement to put in place a work programme to address specific concrete outcomes in this area. This is designed to help facilitate further trade in professional services between New Zealand and the UK, building on the high level of commonality and familiarity that already exists between our respective professional services bodies and regulators.

Investment

The UK is currently New Zealand's sixth largest source of overseas investment and the fourth most important destination for New Zealand offshore investment. In the year to March 2020, UK investment in New Zealand amounted to NZ\$5.47 billion.

Investment provisions in the FTA will incorporate modern investment protection rules commensurate with those contained in other recent FTAs; as well as providing certainty and stability regarding market access for investors from both countries. This will deliver secure and predictable conditions for investments in both directions, with a view to supporting the growth and development of two-way investment between the UK and New Zealand.

New Zealand's existing investment screening regime, provided for under the Overseas Investment Act, will continue to apply. Under this Agreement, however, the UK will be able to benefit from the same screening threshold that has been agreed with New Zealand's other main FTA partners, including CPTPP members (NZ\$200 million).

Consistent with the New Zealand government's position opposing investor-state dispute settlement (ISDS), there will be no ISDS under this Agreement. It has also been agreed that ISDS will not apply between New Zealand and the UK should the UK accede to CPTPP.

Digital Trade

The chapter on Digital Trade will have three main focuses:

- provisions to facilitate trade through digital means, such as those aimed at promoting paperless trading, facilitating use of e-invoicing, prohibiting the imposition of customs duties on electronic transmissions, and enabling the free flow of data.
- provisions to protect the rights and interests of businesses and consumers, such as those designed to protect personal information and unsolicited commercial electronic messages; and
- provisions to promote innovation and economic growth through cooperation, including in relation to emerging technologies and digital inclusion.

Alongside the provisions designed to maximise the potential of digital trade, the chapter will also contain important safeguards to ensure both governments are able to regulate in the public interest, where this is justified in pursuit of legitimate public policy objectives.

Intellectual Property

The chapter on intellectual property will build on commitments both sides have already made under the WTO Agreement on Trade-Related Intellectual Property (TRIPs). Provisions on trademarks, patents and enforcement are similar to those contained in recent New Zealand FTAs and reflect existing policy settings.

New Zealand has agreed to make some changes to our copyright system. Specifically, we will extend copyright term by 20 years for authors, performers and producers; introduce an artist resale right scheme; and expand the scope of performer rights. We have secured transition periods for these commitments where needed (for example, New Zealand will have 15 years to implement the changes to copyright term).

No changes are required to patents and data protection rules, with the Agreement in Principle explicitly acknowledging that the FTA will not increase the cost of medicines.

No up-front commitments have been made on geographical indications (GIs). However, New Zealand has agreed that should a scheme for agricultural products or foodstuffs be introduced, the FTA will be

reviewed to extend this system to UK GIs (and provide for equivalent protection to be afforded to New Zealand GIs in the UK).

For New Zealand, the recognition of the Crown's Tiriti obligations has been a central consideration. New Zealand retains flexibility to respond to Tiriti obligations like those coming out of Wai 262. The Parties have also agreed to work closely together to advance a multilateral outcome at the World Intellectual Property Organisation (WIPO) Intergovernmental Committee on Genetic Resources, Traditional Knowledge and Folklore (IGC).

Government Procurement

New Zealand and the UK are both members of the WTO Government Procurement Agreement (GPA). The chapter on government procurement is based on WTO GPA rules. It also includes a clear articulation of both governments' ability to adopt procurement measures to achieve environmental, social, economic, or cultural objectives.

Market access commitments under the chapter build on existing WTO GPA obligations. Both sides agree to broaden their coverage in some areas, providing improvements to their respective WTO GPA coverage. Broadening coverage of sub-central entities will be taken up at a later date.

Movement of Persons

The Agreement will include a chapter on the movement of business persons. This contains general provisions to facilitate visa processing and access for specific categories of New Zealand business persons travelling and working in the UK.

The categories that will be covered are:

- intra-corporate transferees – an executive, manager or specialist transferred by their companies to perform specific roles;
- installers and servicers – business persons providing these services as part of a contract to supply equipment;
- independent professionals – a self-employed business person with advanced technical or professional skills, providing services under contract in certain professional services sectors;
- business visitors - in relation to a list of specific activities and for activities related to establishment.
- contractual service suppliers – business persons providing services under contract in certain designated services sectors, subject to certain safeguards.

This chapter will also include commitments that will enable partners and dependents of business persons transferred by their companies to be eligible for visa access and enable 'graduate trainees' employed by companies in the UK or New Zealand to more readily transfer to expand their experience and develop their professional skills.

Trade and Environment

This Agreement will include the most far reaching free trade agreement commitments New Zealand has ever negotiated on trade and the environment. It will include provisions addressing subsidies which are not only environmentally harmful but also trade distorting, including commitments to prohibit subsidies for fishing overfished stocks and to take steps to eliminate harmful fossil fuel subsidies. The agreement also includes an article on sustainable agriculture.

The environment chapter will also prioritise the elimination of tariffs on a minimum of 268 environmentally beneficial products – the largest environment goods list ever agreed in an FTA. For the first time ever in an environment chapter, both sides will also acknowledge the perspective of Māori on the environment and will include Māori concepts such as kaitiakitanga and whakapapa.

Trade and Labour

Robust provisions on trade and labour are important to both sides. These will include affirmation of each country's obligations under relevant International Labour Organisation (ILO) Conventions and agreement to the important principle that labour standards must not be undermined to secure trade advantage.

New elements in the labour chapter include a focus on workplace equality, such as in support of non-discrimination in work and women's equality in the workplace; as well as steps to address the issue of modern slavery.

Both the environment and labour chapters will be enforceable through the Agreement's dispute settlement provisions.

Indigenous Chapter

The Agreement will incorporate a dedicated indigenous chapter. The aim of this chapter is to create a platform for future cooperation on issues of importance to Māori, and to recognise the special significance of this Agreement for Māori, given the British Crown's status as one of the original signatories to Te Tiriti o Waitangi/the Treaty of Waitangi.

Trade and Gender Equality

This is the first bilateral FTA New Zealand has concluded that will contain a stand-alone chapter on trade and gender equality. It is a recognition of the importance both sides attach to highlighting the contribution trade and investment can make to advancing women's economic empowerment and improving gender equality.

This chapter will reaffirm the commitments on both sides to the implementation and promotion of relevant international agreements fostering women's economic advancement, and includes cooperation arrangements to promote utilisation of the benefits of the FTA by women. It will also promote cooperation in data analysis and monitoring of the gender-based effects of trade.

Small and Medium Sized Enterprises

There will be a dedicated chapter on Small and Medium Sized Enterprises (SMEs) in the Agreement. This chapter was one of the first to be finalised, reflecting the interest and commitment both sides have in maximising the opportunities for businesses of all sizes to benefit from the Agreement.

An important focus of the SME Chapter will be facilitating ease of access to information for SMEs and cooperation between government agencies in promoting uptake of the Agreement by SMEs.

In addition, the interests and concerns of small business were taken into account across the Agreement and are reflected particularly in SME-friendly provisions in the Goods, Services, Customs, Government Procurement and Digital Trade Chapters.

Competition Policy

The Agreement will include a chapter promoting the maintenance and enforcement of each side's laws to promote competition and address anti-competitive activities. This is consistent with both countries' commitment to the importance of fostering a predictable, fair and effective competition environment for business. It will include outcomes in support of procedural fairness, transparency and consultation, as

well as provisions for cooperation between relevant UK and New Zealand authorities in pursuit of these objectives.

State Owned Enterprises and Designated Monopolies

With the objective of ensuring a level playing field between enterprises owned or controlled by the state and private companies, the Agreement will include a chapter covering the activities of state-owned enterprises and designated monopolies. The chapter will establish disciplines similar to those agreed by CPTPP Members, requiring state owned enterprises to conduct their activities in a non-discriminatory manner and to apply commercial considerations in doing so. The two sides have also agreed to specific rules concerning the provision of non-commercial assistance to their state-owned enterprises, as well as to more general transparency obligations.

Consumer Protection

This Agreement will include a dedicated chapter covering consumer protection. This is a first in an FTA for either side, and recognises the need to maintain policies and practices to protect consumers from fraudulent and misleading actions, both in the physical and the online environment. It also addresses the need for cooperation between countries to provide for and enable effective access to redress for consumers in each other's jurisdictions.

Good Regulatory Practice, Regulatory Cooperation and Transparency

The chapter on good regulatory practice and regulatory cooperation will recognise the value both sides place on promoting these practices. It will include commitments to core good regulatory practice processes, such as regulatory impact assessments. It will also focus on the role of regulatory cooperation in facilitating trade and investment, with contact points to facilitate communication on, and the coordination of, regulatory cooperation activities between the Parties.

A separate chapter on transparency will set standards and norms for the publication of laws affecting trade (including public consultation), for review and appeal of administrative decrees, and in respect of administrative proceedings. It will also provide for government information to be made available online and in an open and accessible format.

Trade and Development

The Agreement will contain a dedicated chapter on trade and development – the first in a bilateral FTA for either side. It will recognise the contribution that an open, rules-based trade and investment environment can make to sustainable, resilient and inclusive development in developing countries. It will provide for cooperation between the UK and New Zealand in sharing information on trade and development issues, working together where practicable in multilateral and regional bodies, and exchanging best practice experience in monitoring the impacts of trade agreements on developing countries, particularly least developed countries and small island developing states.

Anti-corruption

The Agreement will contain a high-ambition chapter on anti-corruption, building on the UK and New Zealand's joint cooperation on anti-corruption issues in other multilateral fora. This chapter will include measures to combat corruption and their enforcement, whistle-blowing, integrity among public officials, and the participation of the private sector and civil society.