

New Zealand–United Kingdom Free Trade Agreement Negotiations

Report on Round Two: 19 October – 2 November 2020

The second round of the New Zealand-United Kingdom (UK) Free Trade Agreement negotiations were held from 19 October to 2 November. Chief Negotiators opened discussions by reaffirming their commitment to an ambitious, comprehensive, future-focused FTA that supports sustainable and inclusive trade. Objectives for the round were also discussed, which included progressing proposals exchanged since August and starting to agree on text where there is common ground.

Negotiators met virtually across 19 issue-specific working groups, with over 50 working sessions taking place over the two week period. Almost all groups based their discussions on papers exchanged since Round One, which consisted of:

- 35 proposals for issues to be included in the FTA (chapter texts). Both Parties have reserved their right to revise their texts in the future and to present new proposals as stakeholder consultations continue.
- 25 non-papers providing background information on these texts, or foreshadowing future proposals.

Discussions built on the positive start made in Round One and saw an increase in momentum, with the majority of working groups beginning text-based negotiations. The high level of commonality and shared ambition previously identified were still clearly evident during this second round, and the working groups were able to make positive progress in a number of areas. A summary of the working group discussions is included below.

During the Round, Chief Negotiators spoke to New Zealand and UK businesses in a joint webinar. They provided an update on the first week, highlighting the significant alignment between our two countries in agreeing an ambitious FTA. The Chief Negotiators gave an overview of progress made since Round One and provided more detail on key areas of shared interest, including in relation to SMEs and digital trade. In the last segment of the joint webinar, Chief Negotiators answered a combination of pre-submitted and live questions from participants on issues including: agricultural market access, investor-state dispute settlement, professional business services, how the FTA might address labelling requirements, clean growth, intellectual property, and how the FTA would support creative industries.

What happens next?

The third round of negotiations will be held virtually in late January (currently scheduled to begin on 26 January). Before the round, there will be three key steps:

- Further meetings between negotiators will take place, mostly in December.
- A range of additional proposals will be shared for discussion at Round Three.

- Initial goods market access offers will be exchanged.

Prior to Round Three, we will continue to conduct stakeholder consultations and public meetings to help inform New Zealand's approach to the negotiations. To continue to develop our understanding of Māori interests in this negotiation, we will increase our engagement with Māori leaders, participate in upcoming regional Hui, and reach out through targeted regional networks. We are also in the final stages of procuring independent research on Māori interests.

Where can I find out more?

New Zealand's high level objectives for the UK FTA are available [here](#). Further information, including the Round One Summary Report can be found [here](#). Further detail on New Zealand's approach to the FTA, as well as information on the non-papers New Zealand has shared in the negotiation so far, will be published before Christmas.

For notifications and invitations to public meetings and webinars on the New Zealand-UK FTA, Trade for All and our other trade agreements under negotiation, where you'll be able to ask questions and share your views with us, please sign up at either FTAOutreach@mfat.govt.nz (for all our free trade agreement updates) or UKFTA@mfat.govt.nz (for UK FTA specific events).

Working group progress in brief

The **Trade in Goods** group agreed that initial offers should be exchanged in advance of Round Three, once internal processes relating to preparation of market access offers have been completed. Both sides also shared views on their expectations for initial offers, with New Zealand reinforcing that it expects the FTA to remove all tariffs on New Zealand exports to the UK within a commercially meaningful period. Respective chapter text proposals were also discussed. Some text elements were either agreed in full or agreed in-principle. Other areas of text will be subject to further discussion at Round Three.

The **Customs Procedures and Trade Facilitation** working group discussed texts exchanged by both Parties. There was a high degree of alignment in policy intent in most areas. Where there were differences, the working group engaged in constructive discussions to understand the approach of the other Party, in order to explore ways to move forward. The working group has agreed to move to a consolidated text for Round Three.

The **Rules of Origin** working group discussed all the articles in texts tabled by both Parties, and did not identify any significant differences in policy intent across the chapter at this stage. A way forward was identified for each issue in the chapter and it was agreed that 'product specific rule' schedules would be exchanged prior to Round Three.

Each party shared their text on **Sanitary and Phytosanitary measures** and held an exploratory discussion over two sessions. Areas of convergence, underpinned by common values and regulatory approach, were identified. It is expected that several elements of the chapter will be agreed at the next round. Informative discussions on topics such as the New Zealand-UK Sanitary Agreement and the potential inclusion of animal welfare text provided for a better understanding of each Party's position.

The **Trade Remedies** working group discussed draft text tabled by New Zealand, and began a discussion of potential WTO-plus provisions based on papers tabled by both countries. Discussions covered provisions that reaffirm WTO rights and obligations, promote transparency and best practice, and support industry by providing access to trade remedies when a case has been made.

The working group on **Technical Barriers to Trade** made positive progress, with in principle agreement on the provisions covering the definitions, objectives, scope, cooperation, international standards, and contact points. Both Parties expressed an interest in including an article on equivalence of technical regulations. Interest in potential sectoral annexes was also identified (including distilled spirits, among others). The working group agreed to progress towards a single consolidated text prior to Round Three.

The **Services** working group considered a wide range of issues, including on domestic regulation and temporary entry. New Zealand outlined a high level of ambition to achieve meaningful and early outcomes for recognition of professional qualifications, licences, experience or registration. The working group also further discussed the UK's interest in financial services and telecommunications, and noted the UK's intention to propose sectoral annexes (maritime and express delivery) prior to Round Three.

The **Digital** working group engaged in substantive policy discussions and considered non-papers on e-invoicing, paperless trading, e-contracts and e-authentication. The group will undertake intersessional work to exchange information on domestic policy approaches in areas expected to be covered by a digital trade chapter.

New Zealand and the UK exchanged views on the underlying policy objectives for the **Investment** chapter. The working group considered text tabled by both Parties, including the definitions of the chapter, scope, market access for investors, and commitments to afford some level of protection to investments made in each others' markets. During the webinar with stakeholders, New Zealand explained why it would not agree to investor-state dispute settlement provisions in the FTA.

There was a positive discussion on the **Small and Medium Enterprises** (SMEs) chapter, which underlined that New Zealand and the UK share the objective of supporting SMEs to participate in trade and access the opportunities the FTA will create. The strong alignment of objectives resulted in early agreement on parts of SME chapter text. Both sides will also continue work on identifying SME-friendly provisions across the FTA, and agreed to a shared initial focus on four areas: customs, digital trade, services and government procurement (this will be expanded over time).

New Zealand's proposed text on **Good Regulatory Practice and Regulatory Cooperation** generated a constructive discussion. This confirmed a high degree of alignment between the New Zealand and the UK on good regulatory practice principles and on the importance of regulatory cooperation.

Both sides share the objective of agreeing an ambitious and comprehensive **Competition** chapter and discussions on our respective proposed texts underscored the high degree of alignment between us on competition principles. Early agreement on parts of the chapter text was achieved, as well as the importance of incorporating effective consumer protection provisions in the FTA. New Zealand outlined its interest in exploring innovative approaches to consumer protection, which both sides agreed to continue discussing at the next round. The UK presented text on State Owned Enterprises and explained its rationale for the proposed provisions.

The **Government Procurement** working group exchanged information on the respective government procurement systems and how WTO procurement rules could be improved and modernised. While initial market access offers will not be exchanged until after January, both sides will share perspectives at Round Three on existing government procurement commitments between the Parties and expectations for improved market access under the FTA.

The **Intellectual Property** chapter discussions focused on the general and cooperation provisions, trademarks and industrial designs, with text exchanged on each of these areas. New Zealand also presented on its trademarks and designs regimes.

On **Anti-corruption**, the UK provided further context to the provisions that it seeks to include in this chapter. New Zealand is continuing to engage on this issue.

A productive session on **Trade and Labour** discussed initial New Zealand proposals for the content of the chapter, covering definitions, objectives, right to regulate, labour protection and trade and labour, decent work, responsible business conduct, modern slavery, labour cooperation, and public participation.

New Zealand presented proposed text for the **Environment** chapter including articles on definitions, context and propose, right to regulate, enforcement of environmental laws, trade and climate change, marine fisheries, sustainable agriculture and trade and forests. The UK provided general comment on these proposals and intends to provide further information on its approach before Round Three. New Zealand will also share further proposals ahead of the next round.

In the **Indigenous** working group, New Zealand explained further the significance of the Treaty of Waitangi to this agreement and Māori interests in trading with the UK. The working group discussed the Parties' expectations that the agreement deliver benefits across our economies and societies, with New Zealand highlighting the importance of ensuring these benefits extend to Māori. New Zealand outlined the engagement process with Māori which is currently underway to identify proposals for the FTA and which will continue throughout the negotiations.

New Zealand presented proposed text for a **Trade and Gender** chapter which included articles and commitments on objectives, international instruments, services, responsible business conduct, discrimination in the workplace, transparency and cooperation mechanisms. The UK intends to formally respond to New Zealand's text proposals for further discussion at Round Three.

The **Development** working group considered how the agreement could promote trade and development outcomes. The UK was interested to learn more about New Zealand's role in providing development assistance to the Pacific.

There was a constructive discussion about **Legal and Institutional** provisions, including in-depth discussion of the General Exceptions chapter. New Zealand provided further explanation of and context to the Treaty of Waitangi and Creative Arts exceptions which it will be seeking. There was a detailed discussion about **dispute settlement** processes that would apply in the event of a dispute under the FTA.