



**TRADE POLICY REVIEW**

REPORT BY

NEW ZEALAND

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by New Zealand is attached.

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**Contents**

<b>1 OVERVIEW .....</b>	<b>3</b>
<b>2 KEY DEVELOPMENTS IN ECONOMIC POLICY.....</b>	<b>4</b>
2.1 Current economic priorities .....	4
<b>3 KEY DEVELOPMENTS IN TRADE POLICY .....</b>	<b>7</b>
3.1 Introduction.....	7
3.2 Trade and the Māori Economy .....	10
<b>4 DOMESTIC TARIFF AND TRADE POLICY.....</b>	<b>11</b>
4.1 Agriculture .....	11
4.2 Tariffs.....	12
4.3 Services.....	12
4.4 Digital Trade.....	12
4.5 Taxation policy.....	13
4.6 Investment policy .....	13
4.7 Banking and insurance policy .....	14
4.8 Customs.....	14
4.9 Science and Innovation .....	15
<b>5 MULTILATERAL INITIATIVES .....</b>	<b>15</b>
5.1 World Trade Organization (WTO) .....	15
5.2 Organization of Economic Cooperation and Development (OECD) .....	16
5.3 Trade and Development .....	16
5.4 Inclusive and Sustainable Trade.....	16
<b>6 REGIONAL ACTIVITIES.....</b>	<b>19</b>
6.1 Asia Pacific Economic Cooperation Forum (APEC) .....	19
6.2 East Asia Summit (EAS) .....	20
<b>7 BILATERAL AND REGIONAL TRADE AGREEMENTS .....</b>	<b>20</b>
7.1 New Zealand – Australia Closer Economic Relationship (CER).....	21
7.2 New Zealand-China Free Trade Agreement – Upgrade.....	21
7.3 Trans-Pacific Partnership (TPP) Agreement .....	21
7.4 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).....	21
7.5 New Zealand – Singapore Closer Economic Partnership (CEP) Agreement – Upgrade .....	22
7.6 Pacific Agreement on Closer Economic Relations (PACER) Plus.....	22
7.7 Regional Comprehensive Economic Partnership (RCEP) .....	23
7.8 Digital Economy Partnership Agreement (DEPA).....	23
7.9 New Zealand-United Kingdom Free Trade Agreement (NZ-UK FTA) .....	23
7.10 Bilateral and Regional Trade Agreements under Negotiations .....	24
<b>8 OUTLOOK .....</b>	<b>24</b>

## 1 OVERVIEW

1.1. Aotearoa New Zealand<sup>1</sup> is pleased to submit its sixth Trade Policy Review (TPR) for the scrutiny of fellow World Trade Organization (WTO) Members.

1.2. Trade is an important connector globally for New Zealand, and has long been an important part of New Zealand's economy. This has been reinforced during the global COVID-19 pandemic. Before the pandemic began in early 2020, exports and imports accounted for around 55% of New Zealand's Gross Domestic Product (GDP). This dropped to 44% by June 2021 as two of New Zealand's biggest export earners, tourism and international education, were severely hit by pandemic-related border closures and the sharp drop in international travel. Trade is now leading New Zealand's COVID-19 economic recovery, and remains key to achieving the Government's goals of inclusive economic growth, increased productivity and the zero-carbon economy transition.

1.3. Trade must also deliver for all New Zealanders. The Government's Trade for All agenda is working to ensure trade policy supports sustainable and inclusive economic development and contributes to addressing global and regional issues of concern, so that all New Zealanders benefit from trade. This includes ensuring that Māori benefit from trade, commensurate with the Crown's Te Tiriti o Waitangi/Treaty of Waitangi obligations and its principles.<sup>2</sup> One in every four New Zealanders work in export-related employment. Trade is an important driver of productivity, employment and incomes. Productivity per New Zealand worker is 36% greater if they are in a firm that is exporting. Employment grows 7% to 12% faster when New Zealand firms start exporting. Average monthly earnings for employees of exporting firms were higher than in non-exporting firms across almost all industries, including manufacturing (41% higher), wholesale trade (31%), and mining (108%).<sup>3</sup>

1.4. To realize these benefits, New Zealand businesses — whether medium or micro sized, whether female or Māori-led, — need the opportunity to fairly and freely access, and compete on an equal basis in overseas markets, in order to participate in trade. As a small economy distant from major markets, New Zealand relies on the WTO-governed rules-based multilateral trading system. The WTO rules helped protect and facilitate trade flows and kept supply chains open as the pandemic unfolded. It is the vehicle through which new trade rules are developed and it secures and promotes the benefits of trade. It is the independent arbitrator of trade disputes. Progress at the WTO underpins not only global economic stability, but environmental sustainability and the COVID-19 recovery. It is critical to New Zealand's economic health and well-being.

1.5. Maximizing the contribution of trade to the New Zealand economy is a priority. As the New Zealand Government transitions the economy from volume to value through building on existing strengths and international connections, it leverages market opportunities through new and upgraded Free Trade Agreements (FTAs). FTAs cover 69% of New Zealand's goods exports and 63% of imports. New Zealand's FTAs use WTO rules as foundations and build on these to address investment rules, digital trade, inclusive trade, the participation of women and Māori in trade, climate change, and sustainability. New Zealand's open plurilateral instruments are designed as pathfinders to multilateral outcomes.

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<sup>1</sup> Hereinafter referred to as New Zealand, *Aotearoa* is one of the names that the indigenous Māori use to refer to New Zealand. The popular translation, "long white cloud", refers to the cloud formations that helped guide the early navigators from Polynesia to this land.

<sup>2</sup> By way of summary of a complex matter, Māori are the indigenous people of Aotearoa-New Zealand. In 1840 the Treaty of Waitangi/Te Tiriti o Waitangi agreement was signed between the British Crown and a large number of Māori chiefs. It is a founding document of New Zealand that establishes and guides the relationship between the Crown (embodied by Government) and Māori, conferring rights and obligations on each Treaty partner. It has three Articles: Article One – the Government gained the right to govern (*kawanatanga*); Article Two – the Crown promised that Māori will have the right to make decisions over their lands, resources and valued possessions (*taonga*) which they wish to retain (*tino rangatiratanga*); and Article Three – the Crown promised that its obligations to New Zealand citizens are owed equally to Māori. These obligations include ensuring the Crown is a better Treaty partner, engaging effectively with Māori on a range of issues, and building true and practical partnerships with Māori which protect and bring benefits to Māori and all New Zealanders.

<sup>3</sup> Verevis, Cribbens, Mellor and Brunt (2022). 'All for Trade and Trade for All: Inclusive and Productive Characteristics of New Zealand Goods Exporting Firms'. Available at [www.mfat.govt.nz](http://www.mfat.govt.nz).

1.6. New Zealand's successful hosting of APEC 2021 once again united the region behind trade as the engine for inclusive and sustainable regional growth and a shared COVID-19 recovery, and in support of an effective, reinvigorated WTO. At a time of massive global disruption, APEC economies agreed on the need to stabilize the WTO and secure meaningful outcomes at the (now postponed) 12<sup>th</sup> Ministerial Conference.

## 2 KEY DEVELOPMENTS IN ECONOMIC POLICY

### 2.1 Current economic priorities

2.1. New Zealand's economy is recovering strongly and more quickly than expected from the COVID-19 pandemic, the biggest economic contraction since the Great Depression. The Government's economic priorities have been to:

- Continue keeping New Zealanders safe from COVID-19;
- Accelerate the recovery and rebuild from the impacts of COVID-19; and
- Lay the foundations for the future; including addressing key issues such as climate change and transitioning to a low carbon economy, housing affordability and child wellbeing.

2.2. The New Zealand Government's health-led approach to COVID-19 coupled with economic and fiscal support have shielded the economy from the worst impacts: on almost every indicator the New Zealand economy has performed better than forecast. Annual average real GDP growth of 4.9% is forecast to June 2023, easing to 2.2% in 2024.<sup>4</sup> At December 2021, Government accounts showed a forecast deficit of NZD 20.8 billion for the 2021/22 fiscal year, with net debt forecast to peak at 40% of GDP in 2023.<sup>5</sup>

2.3. The Government initially adopted an elimination approach to COVID-19, closing New Zealand's border in March 2020 and implementing public health measures including lockdowns. COVID-19 did not circulate in the population for most of 2020/21, and New Zealand had the lowest number of cases, hospitalizations and deaths in the OECD.<sup>6</sup> A strong rebound from New Zealand's first COVID-19 lockdown in 2020 provided fiscal room to support businesses and households during the late 2021 Delta outbreak. A vaccination programme has achieved 93% of the eligible population fully vaccinated by 19 January 2022.<sup>7</sup> This has allowed the Government to shift its management of COVID-19 to a protection framework system, relying on a highly vaccinated population and vaccine passes for greater freedoms and stability. New Zealand intends to re-open its border in a phased plan from early 2022.

2.4. The Government's NZD 50 billion COVID-19 Response and Recovery Fund (CRRF)<sup>8</sup> has sustained the economy while its wage subsidy scheme supported nearly 1.8 million jobs in 2020/21. The employment rate is now at a record high and the third highest in the OECD, with unemployment at 3.4%. A strong labour market and consumer confidence has driven increased tax revenue. Demand for New Zealand's goods exports is expected to continue as the world economy recovers, and the terms of trade are supported by rising commodity prices. While New Zealand has taken on debt through the COVID-19 pandemic, it has one of the lowest levels of government debt in the world, at 34% of GDP in December 2021.

2.5. The pandemic has created sector-specific challenges, however. The services sector, particularly tourism and international education, is still depressed and businesses are closing. Services exports dropped from 31% of total export trade in 2019, to 18% by September 2021. While large exporters have been able to weather disruption, significant cumulative stresses across the economy from supply chain costs and unreliability, workforce availability, lockdown closures and debt are affecting the viability and resilience of smaller companies.

<sup>4</sup> All economic data is taken from the New Zealand Treasury website, [www.treasury.govt.nz](http://www.treasury.govt.nz).

<sup>5</sup> All dollar amounts used in this report refer to the New Zealand dollar, unless otherwise stated.

<sup>6</sup> [Our World in Data](#), Global Change Data Lab and University of Oxford.

<sup>7</sup> New Zealand Ministry of Health COVID-19 website.

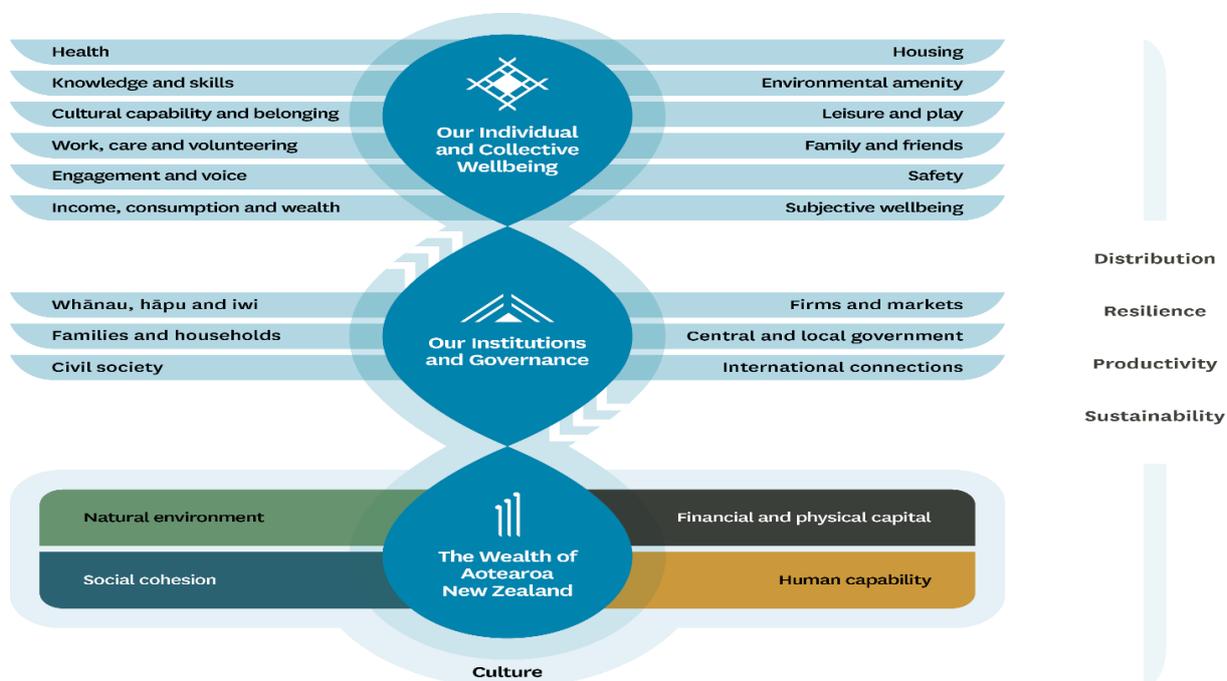
<sup>8</sup> COVID-19 funding allocation and expenditure ([treasury.govt.nz](http://treasury.govt.nz)).

## New Zealand's Living Standards Framework

2.6. The New Zealand Government prioritizes wellbeing outcomes when considering policy interventions, including trade policy. This is supported by The Treasury's Living Standards Framework (LSF), launched in 2018. The LSF goes beyond traditional measures of success, such as GDP, to broader indicators of wellbeing and draws on international work including the OECD's Better Life Index. The LSF is a flexible policy tool including four capitals and 12 wellbeing domains, illustrated in Figure 1.

2.7. Implementation is supported by a LSF Dashboard, providing indicators and analysis to inform long-term and strategic publications, including the Government's Wellbeing Budgets of 2019, 2020 and 2021. The LSF and Dashboard are updated as knowledge and data on wellbeing increases. Recently, the *He Ara Wairoa* framework has been developed by Treasury with Māori experts, to provide an Aotearoa-New Zealand view of human wellbeing and approach to lifting living standards. He Ara Wairoa was applied in Budget 2021. The LSF was refreshed in 2021, and is summarized below:

**Figure 1 Living Standards Framework**



Source: The Treasury, [www.treasury.govt.nz](http://www.treasury.govt.nz). Accessed 25 November 2021.

## The transition to a low carbon economy and the Climate Change Commission

2.8. A key priority for the New Zealand Government is responding to climate change and supporting sustainability and a just transition to a low carbon economy. In 2021 the Government strengthened its global emission reduction target to reduce New Zealand's net greenhouse emissions by 50% by 2030 and committed to phasing out coal. The 2019 Climate Change Response (Zero Carbon) Amendment Act set targets to make New Zealand carbon neutral.

2.9. Businesses and trade will play a fundamental role in the transition to a low carbon economy. The Government has invested NZD 300 million to recapitalize New Zealand Green Investment Finance and became the first country in the world to pass legislation requiring all listed companies and large financial institutions to report on their climate related risks.<sup>9</sup> Other measures have been introduced, including shifting public institutions and businesses to clean energy, requiring Crown Financial Institution investments be carbon neutral by 2050, introducing green bonds, and recycling revenues from the Emissions Trading Scheme to help finance the low carbon transition. New Zealand

<sup>9</sup> [Govt will continue to show climate leadership | Beehive.govt.nz](https://www.beehive.govt.nz/news/govt-will-continue-to-show-climate-leadership).

recently committed to provide NZD 1.3 billion in climate finance for developing countries over 2022-2025, a fourfold increase from its previous commitment.<sup>10</sup> At least 50% of this funding will go to the Pacific.

2.10. The Climate Change Commission was formed in 2019, alongside work to set New Zealand's climate targets, legislated under the 2019 Zero Carbon Amendment Act. The Commission is an autonomous Crown Entity which provides independent, evidence-based advice to the Government to help the transition to a low-emissions and climate-resilient economy. It has provided a climate-lens on COVID-19 related policies and legislation.

### **Infrastructure investment and the New Zealand Infrastructure Commission**

2.11. New Zealand will invest a record NZD 57.3 billion in infrastructure over the next five years. Infrastructure investment was already a core Government priority to improve productivity, support digitalization and accelerate the low carbon economy transition. It now also supports the COVID-19 rebuild and recovery.

2.12. In January 2020, New Zealand announced the New Zealand Upgrade Programme (NZUP). NZUP is a NZD 12 billion investment in roads, rail, schools, and hospitals to modernize New Zealand's infrastructure, prepare for climate change, and help grow the economy.<sup>11</sup> As of June 2021, the total funding expected to be allocated to land transport through NZUP has increased to NZD 8.7 billion. This will fund projects that support growth, improve safety and provide travel choice. The programme also has a focus on carbon reduction and increasing access to housing.

2.13. As part of NZUP, NZD 300 million was allocated for Regional Investment Opportunities (RIO), administered by Kānoa – Regional Economic Development & Investment Unit. RIO funding has been invested in land, sea and air projects which will create jobs, enhance regional economic development opportunities, increase infrastructure resilience and help regional economies thrive.

2.14. In addition to the NZUP investment, two other funds helping to deliver the infrastructure investment are the COVID-19 Response and Recovery Fund (CRRF) and the Provincial Growth Fund (PGF). The CRRF was stood up to support New Zealand's longer term recovery from the impacts of COVID-19. As part of this, Cabinet agreed to a NZD 3 billion tagged contingency to provide investment in infrastructure. An Infrastructure Reference Group (IRG) was established to provide a list of infrastructure projects that were ready (or near ready) for construction and could be deployed as part of an economic stimulus package. The CRRF has allocated NZD 2.5 billion for construction-ready infrastructure projects across community and social assets, climate and flood resilience, business, housing and transport. The PGF received NZD 3 billion to invest in regional economic development. One objective of the PGF was to improve critical infrastructure resilience, in road, rail, ports and wharves. Investment in infrastructure through the PGF equates to NZD 1.1 billion.

2.15. In addition, the Government established the New Zealand Infrastructure Commission in 2019 to improve infrastructure planning, delivery and efficiencies, working with both the public and private sectors.

### **Macroeconomic Policy Settings**

2.16. New Zealand's current macroeconomic framework is based on responsible and transparent fiscal management, a stable and resilient financial system, and an independent central bank (Reserve Bank of New Zealand, RBNZ) to deliver stable prices and maximum sustainable employment. This is supported through effective coordination between monetary and fiscal policy.<sup>12</sup>

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<sup>10</sup> [New Zealand increases climate aid contribution | Beehive.govt.nz](https://www.beehive.govt.nz/news/new-zealand-increases-climate-aid-contribution).

<sup>11</sup> [The New Zealand Upgrade Programme | Beehive.govt.nz](https://www.beehive.govt.nz/news/the-new-zealand-upgrade-programme).

<sup>12</sup> The Reserve Bank of New Zealand Act (1989) is being replaced by the Reserve Bank Act (2021), addressing the Bank's governance and non-prudential functions, including monetary policy and the RBNZ's role as lender of last resort for the financial system. A new Deposit Takers Act, expected to be passed in 2023, will provide prudential regulation by establishing a single standards-based regime for the regulation and supervision of Banks and Non-Bank Deposit Takers.

## Fiscal Policy

2.17. The Government's fiscal strategy is to manage debt prudently and reduce the deficit caused by COVID-19. Even at its peak, New Zealand's net debt forecast as a share of GDP remains lower than the starting point for many international peers. Despite the increase in debt stock, finance costs are forecast to be low, thus providing the fiscal space to respond to future shocks.

## Monetary Policy

2.18. Amendments to the Reserve Bank of New Zealand Act (1989) came into effect in 2019, adding an employment objective to that of price stability, and creating a formal monetary policy committee (MPC). While the Act sets out the MPC's high-level monetary policy objectives, the *Remit* provides the MPC with its specific operational objectives: to keep annual inflation between 1% and 3% over the medium term and to support maximum sustainable employment. The *Remit* also provides required secondary considerations (e.g. seek to avoid unnecessary instability in output, interest rates and the exchange rate) and was amended in 2021 to require the MPC to assess how its decisions affect the Government's objective of house price sustainability.

2.19. Monetary policy provided a significant amount of economic stimulus in response to the COVID-19 pandemic by lowering interest rates through a range of tools. As it became clear in the second half of 2021 that the New Zealand economy was recovering strongly from the initial impacts of the pandemic, the use of additional monetary policy tools was wound back and the Official Cash Rate was raised from a low level.

## Macro-Prudential Policy

2.20. The housing market is an important consideration for the RBNZ's financial stability objective of promoting a sound and efficient financial system, as well as for monetary policy. In May 2020, the RBNZ removed loan-to-value (LVR) restrictions in response to the economic impact of COVID-19. As the pandemic progressed and the economy performed better than expected, a rapid increase in house prices led to concerns about their sustainability and an increase in higher-risk lending.

2.21. In February 2021, the Minister of Finance directed the RBNZ to have regard to the government policy on sustainable house prices in relation to its financial policy. In March 2021, the RBNZ reimposed LVR requirements for owner-occupiers and investors. These were tightened further for investors from 1 May to a maximum of 5% of new lending at LVRs above 60% and for owner-occupiers from 1 November to 10% of new lending at LVRs above 80%. The Minister of Finance has agreed to add debt serviceability restrictions to the set of macroprudential instruments available to the RBNZ. Operationalizing these tools is currently being consulted on and will take place in 2022.

## Industrial Transformation Plans (ITPs)

2.22. The Government introduced Industry Transformation Plans (ITPs) in 2019 to support its economic goal of building a productive, sustainable and inclusive economy. ITPs aim to transform key industries through partnerships between government, industry (businesses and workers) and Māori. Eight ITPs are in progress: agritech, advanced manufacturing, construction, digital technologies, fisheries, food and beverage, forestry and wood processing and tourism. ITPs have 20-30 year visions to lift productivity through scaling up highly productive and internationally competitive clusters in areas where New Zealand has a comparative advantage, and to transform environmental and labour market outcomes.

## 3 KEY DEVELOPMENTS IN TRADE POLICY

### 3.1 Introduction

3.1. Trade continues to play a key role in the New Zealand economy and the Government's plan to lift wellbeing and recover from COVID-19, through intensifying trade growth and product and market diversification. Two-way trade (exports and imports) had reached 54.9% of GDP in 2019, before the impact of COVID-19 reduced this to 44.5% in 2021.

3.2. New Zealand's major trading partners are China (taking 28% of New Zealand's total exports in the year to September 2021, and 32% of its goods), Australia, the United States, Japan, the Republic of Korea, the United Kingdom, and the European Union. New Zealand exports a broad range of goods with a focus on primary industry products. Travel was a significant contributor before COVID-19. New Zealand relies on imports of vehicles, petroleum, electronic goods and raw materials and capital equipment for industry.

### Trade for All

3.3. A key development since 2018 is the Trade for All agenda. Trade for All is an opportunity to update New Zealand's trade policy to ensure that all New Zealanders benefit from trade. Trade for All is now central to the way that New Zealand interacts at the international, regional and domestic level to advance inclusive and sustainable trade.

3.4. Two key components in the development of Trade for All include firstly, the November 2019 report of the independent Trade for All Advisory Board, containing over 50 recommendations on the future of New Zealand's trade policy following significant public consultation throughout New Zealand. The second is the Government's response to the report. The recommendations and responses are aimed at making New Zealand's trade policy forward-looking, responsive, sustainable and inclusive. A significant body of work is under way across government to implement the recommendations.<sup>13</sup>

3.5. Trade for All has modernized public participation in trade policy development and prioritized enhanced engagement with Māori. The Ministry of Foreign Affairs and Trade (MFAT) has expanded its engagement with Te Tiriti/Treaty partner representative groups or entities on trade policy in recent years, including on FTA negotiations. These entities comprise Māori representatives with extensive social, cultural, legal and trade experience. This engagement reflects a shared motivation to partner with Māori to ensure that the Government is meeting its obligations under Te Tiriti o Waitangi/Treaty of Waitangi, and helps to inform the Government's trade policies and priorities.

3.6. In 2021, the Trade for All Ministerial Advisory Group was established by the Minister for Trade and Export Growth, to provide advice on the implementation of the Advisory Board's recommendations, and an ongoing, targeted mechanism for engagement with representatives from business, Māori and civil society on New Zealand's trade policy.

### COVID-19 and Trade

3.7. At the outset of the COVID-19 pandemic, New Zealand acted early to resist moves towards protectionist responses, ensure that trade continued to flow unimpeded and keep critical infrastructure such as air and seaports open. New Zealand co-led the *Joint Ministerial Statement affirming commitment to ensuring supply chain connectivity amidst the COVID-19 situation*<sup>14</sup> signed with Singapore in March 2020, joined later by 10 other countries. New Zealand created the *Initiative on Trade in Essential Goods for Combating the COVID-19 Pandemic*<sup>15</sup> with Singapore in April 2020, removing trade blockages for over 120 essential products including medicines, medical and surgical products. New Zealand also joined the *Joint Ministerial Statement on action plans to facilitate the flow of goods and services as well as the essential movement of people* in May 2020.<sup>16</sup>

3.8. In 2020, New Zealand joined the APEC Ministers Responsible for Trade (MRT) *Declaration on Facilitating the Movement of Essential Goods*<sup>17</sup>, followed in 2021 under New Zealand's APEC leadership by the *APEC MRT Joint Statement* and the *APEC MRT Statement on COVID-19 Vaccine*

<sup>13</sup> [Trade For All Agenda | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](https://mfat.govt.nz/trade-for-all).

<sup>14</sup> [Joint Ministerial Statement affirming commitment to ensuring supply chain connectivity amidst the COVID-19 situation – updated | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](https://mfat.govt.nz/essential-goods).

<sup>15</sup> [Covid-19 response: New Zealand and Singapore launch initiative to ensure free flow of essential goods | Beehive.govt.nz](https://beehive.govt.nz/covid-19-response).

<sup>16</sup> [Joint Ministerial Statement on action plans to facilitate the flow of goods and services as well as the essential movement of people | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](https://mfat.govt.nz/essential-goods).

<sup>17</sup> [Declaration on Facilitating the Movement of Essential Goods by the APEC Ministers Responsible for Trade \(MRT\)](https://mfat.govt.nz/apec-mrt).

Supply Chains.<sup>18</sup> Ministers committed to expedite the flow and transit of all COVID-19 vaccines and related goods, and to reduce the costs of these products including through voluntary reviews of border levies. As a result, in October 2021, New Zealand enacted a tariff concession on COVID-19 vaccine related products, and is in the process of permanently eliminating tariffs on these products.

3.9. At the WTO, New Zealand is a strong supporter of an outcome on Trade and Health that meaningfully responds to the COVID-19 pandemic. New Zealand's former Permanent Representative, Ambassador Dr David Walker, was selected in his personal capacity to be a facilitator responsible for leading WTO members in finding a multilateral and horizontal response to the COVID-19 pandemic. New Zealand remains an active supporter of the 'Walker text' and a strong Trade and Health outcome at a reconvened MC12. New Zealand has also been a consistent supporter of discussions of a temporary waiver of certain intellectual property rights under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. New Zealand supports equitable access to COVID vaccines for all and has been an active supporter of a temporary TRIPS waiver in relation to vaccines.

### Trade Recovery Strategy

3.10. The Trade Recovery Strategy, launched in June 2020, is a comprehensive plan to help New Zealand recover from the impacts of COVID-19 and to seize new opportunities for exports and investment. It has three pillars:

- **Retooling support for exporters** through practical tools and digital services to help businesses respond. For example, stepped up in-market support for businesses unable to travel to market, digital training for Small and Medium Enterprises (SMEs), websites with advice on international freight disruptions and tariffs or restrictions, overseas market insight reports, and digital content for businesses to build e-commerce capability and adapt freight and logistics models;
- **Reinvigorating international trade architecture** to ensure markets remain open for trade. New Zealand supported the WTO and its Multiparty Interim Arbitration Arrangement, continued to negotiate FTAs and to pursue concerted open plurilaterals, while using its APEC 2021 hosting to revitalize regional trade and support recovery;
- **Refreshing key trade relationships** to diversify trade through FTA negotiations as outlined in Section 7, as well as providing greater 'in-market' and 'to-market' support for exporters; and both virtual and in-person political-level diplomacy.

3.11. Activities across all three pillars contribute to building New Zealand's strategic economic resilience, so that the recovery also addresses vulnerabilities highlighted by the pandemic to ensure a stronger position for New Zealand in case of future disruptive events. Trade for All principles are also encompassed to promote a more inclusive and sustainable recovery.

### Concerted Open Plurilateralism

3.12. While multilateral outcomes remain New Zealand's priority, since 2018, New Zealand has deliberately adopted a "concerted open plurilateralism" approach to develop pathways to WTO multilateralism and bolster and revitalize the rules-based system. This involves identifying pathfinder opportunities to work with groups of like-minded economies to develop new ideas and norms in trade policy areas which respond to business needs and global priorities. High quality trade instruments are then developed that build on and support existing WTO rules, and are open to other WTO members to join if they can meet the high standards. These lay a pathway to multilateral outcomes over time. Examples of these, both completed and under negotiation, are found under Sections 5.1 and 7 below.

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<sup>18</sup> [APEC Ministers Responsible for Trade Meeting Joint Statement 2021 - Annex 2: APEC MRT Statement on Services to Support the Movement of Essential Goods.](#)

### 3.2 Trade and the Māori Economy

3.13. The Indigenous Māori economy has been valued at around NZD 70 billion and is an important contributor to New Zealand's trade and economic well-being.<sup>19</sup> Many iwi (tribes), hapū (sub tribes) and whānau (families) are directly involved in, or supported by export industries.<sup>20</sup> Māori people and enterprises hold significant, and growing, assets in farming, forestry and fisheries industries, which have proportionately high numbers of Māori employees. Māori also represent high levels of leadership and ownership in goods exporting firms, largely due to their significant presence in export-focused agriculture, forestry and fishing.<sup>21</sup> Māori are major stakeholders in the tourism sector and are growing their presence in ICT and other high-tech sectors. Creating international business opportunities is a critical driver of Māori economic success and the Government's trade policy.

3.14. Central to Trade for All is that Māori and the Crown, as Te Tiriti o Waitangi/Treaty of Waitangi partners, work closely together to ensure that Te Ao Māori, Tikanga Māori, and Mātauranga Māori<sup>22</sup> are reflected in trade policy development; that a strong Māori economy and its trade and investment potential are supported, and that trade delivers for Māori. In 2019, then Associate Minister for Trade and Export Growth, Nanaia Mahuta (now Foreign Minister), established a programme to ensure trade policy helps Māori succeed internationally and to support Māori trade opportunities: *Aotearoa ki te Ao*.<sup>23</sup> This positions Māori to lead international efforts to expand Indigenous peoples' participation in global trade, including through inclusive trade policies, rules and co-operation with our trade partners.

3.15. New Zealand has advanced Indigenous trade goals in plurilateral inclusive trade initiatives, such as the Inclusive Trade Action Group (ITAG)<sup>24</sup> and the Digital Economy Partnership Agreement (DEPA).<sup>25</sup> The Australia and Aotearoa-New Zealand Indigenous Collaboration Arrangement (2020)<sup>26</sup> promotes cooperation for Indigenous peoples including in trade and the economy. Indigenous economic empowerment was also a focus of New Zealand's APEC 2021 hosting and will continue to be prioritised.

3.16. During its APEC host year, New Zealand proposed and led the negotiations of the Indigenous Peoples Economic and Trade Cooperation Arrangement (IPETCA)<sup>27</sup>, which seeks to deepen Indigenous cooperation and economic empowerment across the Asia-Pacific region and beyond, and which establishes a first-of-its-kind Partnership Council composed of economies and Indigenous representatives to jointly implement the IPETCA. IPETCA will help to unlock cooperation across a range of sectors and areas including responsible business conduct, traditional knowledge, opportunities for Micro, Small and Medium Sized Enterprises (MSMEs), digital trade and e-commerce. Also in 2021, New Zealand launched *Te Aratini – Festival of Indigenous and Tribal Ideas*<sup>28</sup>, with an international flagship event at World Expo 2020 in Dubai. Te Aratini is an Indigenous-led and Government supported movement to promote Indigenous and Tribal Peoples' trade and economic inclusion globally.

3.17. Pursuing ambitious FTAs improves connections to global markets for products and services that are essential to Māori trade success. New Zealand has signed several globally significant trade agreements since 2015 which offer opportunities for Māori businesses to move up the value chain and reflects the special relationship between Māori and the Crown. Ongoing research on enhancing Māori trade opportunities and Māori economy priorities informs FTA negotiations.

<sup>19</sup> Business and Economic Research Limited (BERL) estimates the asset base of the Māori economy was NZD 68.7 billion in 2018, growing by 61% between 2013 and 2018. While pre-COVID, this represents very high growth.

<sup>20</sup> Translates to tribes, subtribes and extended family.

<sup>21</sup> Verevis, Cribbens, Mellor and Brunt (2022). 'All for Trade and Trade for All: Inclusive and Productive Characteristics of New Zealand Goods Exporting Firms'. Available at [www.mfat.govt.nz](http://www.mfat.govt.nz).

<sup>22</sup> Translates respectively to a Māori world view; Māori practices; and a Māori knowledge system.

<sup>23</sup> Translates to 'New Zealand to the World'.

<sup>24</sup> [Inclusive Trade Action Group \(ITAG\) | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](http://mfat.govt.nz).

<sup>25</sup> [DEPA text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](http://mfat.govt.nz).

<sup>26</sup> [Australia and New Zealand Indigenous Arrangement | Beehive.govt.nz](http://Beehive.govt.nz).

<sup>27</sup> [The Indigenous Peoples Economic and Trade Cooperation Arrangement | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](http://mfat.govt.nz).

<sup>28</sup> [Te Aratini | Festival of Indigenous & Tribal Ideas](http://Te Aratini | Festival of Indigenous & Tribal Ideas).

3.18. New Zealand has sought to advance Māori and Indigenous interests in its FTAs. The Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC)<sup>29</sup> includes an Indigenous cooperation chapter. The NZ-UK FTA (currently being negotiated) includes: early tariff elimination on a range of key products important to Māori businesses; cooperation provisions in the Intellectual Property Chapter; Māori perspectives and concepts in the Environment Chapter; a specific Māori trade and economic cooperation chapter; and the Te Tiriti o Waitangi/Treaty of Waitangi exception clause (see next paragraph). Extensive engagement with Māori contributed to these initiatives and outcomes.

3.19. Since 2001, New Zealand's FTAs contain a Te Tiriti o Waitangi/Treaty of Waitangi exception clause which, combined with other provisions, protects the government's ability to adopt policies that fulfil its obligations to Māori, including under the Te Tiriti o Waitangi/Treaty of Waitangi.

## 4 DOMESTIC TARIFF AND TRADE POLICY

### 4.1 Agriculture

4.1. There has been very little change to New Zealand's tariffs on agricultural products since 2015. The average applied MFN tariff under the WTO definition of agriculture was 1.4% in 2020, lower than New Zealand's overall simple average applied MFN tariff. Total support provided to the agriculture sector is the lowest in the OECD, with an average Producer Support Estimate of 0.7% during 2018-20.

4.2. All support provided to agriculture in New Zealand falls under the WTO Agreement *on Agriculture* "green box" classification for measures exempt from the reduction commitment, as it funds agricultural research and innovation, biosecurity controls for pests and diseases, environmental programmes, relief payments, and infrastructural services. A large portion of regulatory and operational costs, including border control, is charged to beneficiaries. New Zealand has an Aggregate Measure of Support commitment level under its *Agreement on Agriculture* bound commitments, but does not use nor plan to use this entitlement.

4.3. The vast majority of New Zealand's agricultural production is exported and no export subsidies are provided for agricultural products. Trade in agricultural products is a critical contributor to New Zealand's economy. New Zealand's interest in clear and effective rules extends to human, plant, and animal health and life protection measures. This is reflected in the maintenance of a robust quarantine system that is fully consistent with the provisions of the WTO sanitary and phytosanitary Agreement. Prior to the importation of a good, New Zealand undertakes a science-based risk analysis commensurate with the risk posed, in accordance with WTO requirements and obligations. New Zealand contributes to trade-related capacity building in developing countries to help them meet biosecurity requirements.

4.4. Reducing agricultural greenhouse gas emissions is critical for climate change mitigation. The Government has committed to reducing biogenic methane by 24-47% below 2017 levels by 2050 (and 10% by 2030), as set out in the Climate Change Response (Zero Carbon) Amendment Act 2019. New Zealand has also joined the COP26 Global Methane Pledge<sup>30</sup> to showcase our commitment to increased ambition on methane emissions (including from agriculture). New Zealand is the first country in the world to price agricultural emissions (from 2025 at the latest) and is working with the primary sector and Māori to establish the best way of doing so through *He Waka Eke Noa – Primary Sector Climate Action Partnership*.

4.5. In July 2020, the Dairy Industry Restructuring Act 2001 (DIRA) was amended to remove regulatory requirements no longer necessary, providing the Fonterra Co-operative with more flexibility to manage some aspects of its operations and increasing clarity on aspects of the regulatory regime for Fonterra and other dairy industry stakeholders. The DIRA promotes the efficient operation of the New Zealand dairy industry.

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<sup>29</sup> [Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation | New Zealand Ministry of Foreign Affairs and Trade \(treaties.mfat.govt.nz\)](#).

<sup>30</sup> [Global Methane Pledge | Climate & Clean Air Coalition \(ccacoalition.org\)](#).

## 4.2 Tariffs

4.6. New Zealand remains committed to removing barriers to the free flow of global trade and continues to have one of the lowest average MFN applied tariff rates at just 1.9% average in 2020. Around 90% of goods enter New Zealand tariff free, including all goods from Least Developed Countries (LDCs).

4.7. One of the outcomes of the Plurilateral *Declaration on Trade in Essential Goods for Combating the COVID-19 Pandemic*<sup>31</sup> was the implementation of tariff concessions in April 2020 to provide duty free entry to the essential products. The decision was made to complete the amendment resulting from HS2022 prior to enacting the permanent elimination of these tariffs and work is underway to complete this in 2022.

4.8. A second round of concession arose from New Zealand's commitment to reduce COVID-19 vaccine-related product costs. The duty-free entry that these additional concessions provided commenced from September 2021 and are being included into the permanent elimination work for 2022.

## 4.3 Services

4.9. Services form a vital and growing component of the New Zealand economy. Travel, education, and transportation are New Zealand's main services exports. All have been severely affected by the COVID-19 pandemic and border closure, each falling by more than 20% in 2020. Services exports reached NZD 27 billion in 2019, comprising 31% of New Zealand's total export trade, dropping to NZD 13.6 billion (18%) in the year ending September 2021.

4.10. The fastest growing services export categories are those involved in the digital economy. Charges for the use of intellectual property have more than doubled since 2015, driven by licence to reproduce and/or distribute computer software, which has grown more than threefold to reach almost NZD 1 billion in 2020. Other computer services under the telecommunications category have followed a similar trajectory.

4.11. Australia, the USA, and China are the top services export destinations, with India also featuring strongly for travel and education. On the imports side, Australia and the United States again feature strongly, with travel and transportation the main categories. Singapore is also a top import partner, particularly for business services.

## 4.4 Digital Trade

4.12. Increased digital economy activity has led to the development of new policies and architecture to support sustainable and ethical growth and innovation in digital technologies and services, ensure access and protections, and pursue free and fair digital trade. The Government is currently developing a Digital Strategy for Aotearoa<sup>32</sup> which will set out goals, priorities and activities for the next 2 to 5 years, and longer-term results to 2031 and beyond. The Strategy's discussion document, like current work programmes, is grouped around three themes:

- Trust, including cyber security, privacy, protection, extremist content online;
- Inclusion, for example equitable coverage, capability and access; and
- Growth, including the Digital Tech industry transformation plan (see Section 2), export and innovation capability support including for SMEs, an ICT sector skills pipeline, and trade and international agreements.

New Zealand is advancing the *Digital Economy Partnership Agreement* (DEPA, Section 7 below), an APEC workstream on innovation and digitization, and has joined WTO initiatives such as the Joint Statement Initiative on E-Commerce negotiations (Section 5 below).

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<sup>31</sup> [Covid-19 response: New Zealand and Singapore launch initiative to ensure free flow of essential goods | Beehive.govt.nz.](#)

<sup>32</sup> [Towards a Digital Strategy for Aotearoa | aotearoa.digital.govt.nz.](#)

4.13. The growth in digital trade has also raised new challenges and concerns, including for Māori, regarding the impact of international trade rules on traditional resources, practices and knowledge. Some of these issues were discussed in the 2021 New Zealand Waitangi Tribunal report on the Comprehensive and Progressive Trans-Pacific Partnership Agreement and its e-commerce chapter (Wai 2522).<sup>33</sup> The Government is still considering its response to the Waitangi Tribunal's findings.

#### 4.5 Taxation policy

4.14. The primary purpose of taxation in New Zealand is to raise revenue to finance government spending. New Zealand has relatively broad bases for goods and services tax (GST), company tax, and income tax with the exception of a general capital gains tax. This allows substantial amounts of revenue to be collected at rates which are low by OECD standards. This broad-base low-rate framework ensures that taxes bias decisions as little as possible, which in turn promotes economic efficiency and growth. New Zealand has had this framework and reasonably stable tax policies since the mid-1980s. Tax system consistency and predictability is important to the private sector.

4.15. Since the last report, the Government has been implementing recommendations from the G20/OECD's Base Erosion and Profit Shifting (BEPS) project. New Zealand was a signatory in 2017 to the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS* (the MLI)<sup>34</sup>, which strengthens double tax agreements to prevent certain BEPS activities. The MLI came into force for New Zealand from 1 October 2018.<sup>35</sup> New Zealand enacted a domestic reform package in 2018 to address other BEPS concerns.<sup>36</sup> New Zealand has also adopted a number of tax responses to the economic situation caused by COVID-19. These included temporary measures to provide stimulus to the economy and permanent measures such as the reintroduction of building depreciation.

4.16. New Zealand's tax system is easy for taxpayers to comply with. New Zealand ranked ninth among OECD countries in a 2020 World Bank and PricewaterhouseCoopers study on the ease of paying taxes. In a 2021 Deloitte survey, 95% of respondents stated that New Zealand's tax system is consistent and 91% stated it was predictable.

#### 4.6 Investment policy

4.17. New Zealand maintains an open framework for foreign direct investment (FDI), recognizing its contribution to the economy. Total FDI stock in New Zealand was NZD 130.9 billion in March 2021 while New Zealand's FDI stock abroad was NZD 29.5 billion. New Zealand's largest FDI sources are Australia, Hong Kong, China, the United States and Singapore. Regulations governing foreign investment are liberal by international standards, and targeted regulations apply in only a few areas of critical interest. There are no sectors from which FDI is fully excluded. Investment flows vary from year to year, reflecting changes in a small number of relatively large individual investments.

4.18. New Zealand's Overseas Investment Act has had two major reforms since 2015. In 2017 and 2018, new restrictions were placed on overseas persons buying existing residential homes, existing restrictions on purchasing farmland were strengthened, and the regime for forestry investment was streamlined and rationalized by requiring consent for acquisitions of forestry registration rights and certain other profits-à-prendre.<sup>37</sup> The second reform took place in two stages. In 2020, the Overseas Investment (Urgent Measures) Amendment Act 2020 mitigated the economic effects of COVID-19. The Overseas Investment Amendment Act 2021 encourages investment by simplifying the 2005 Act and reducing the screening of low-risk transactions. The reforms also ensured there are checks and balances to protect New Zealand's economy, communities and national security.

4.19. As a result, the number of transactions requiring consent have been significantly reduced. The consent process has been streamlined, administrative burdens are alleviated and decision-

<sup>33</sup> [The Report on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(2021\)](#).

<sup>34</sup> [Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS - OECD](#).

<sup>35</sup> Double Tax Agreements (Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting) Order 2018.

<sup>36</sup> Taxation (Neutralising Base Erosion and Profit Shifting) Act 2018.

<sup>37</sup> Profits-à-prendre are a right to take from another person's land something that is part of the soil or is on the soil and is the property of the landowner.

making for remaining transactions is timelier. The reforms also introduced changes to manage investments of higher risk and sensitivity to New Zealand, helping to maintain public support and trust in international trade and investment. The new National Security and Public Order notification regime allows proactive assessment of investment in high-risk sectors and industries, as well as temporary emergency notification powers.

4.20. Since 2018, New Zealand has opposed the inclusion of investor-state dispute settlement (ISDS) provisions in future FTAs. This includes the application of ISDS to New Zealand in plurilateral agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). There is no current application of ISDS in RCEP. In CPTPP, New Zealand sought side-letters excluding compulsory ISDS between New Zealand and its negotiating partners. ISDS provisions in trade agreements negotiated before 2018 can still apply. New Zealand is developing a domestic 'ISDS protocol' in consultation with Māori, to guide the Government's domestic preparation in the event an ISDS case were ever brought against New Zealand in which the Te Tiriti o Waitangi/Treaty of Waitangi exception might be relied upon. The protocol will contain procedure and practices that the New Zealand Government would put in place where the Te Tiriti o Waitangi/Treaty of Waitangi exception in our FTAs might be part of New Zealand's defence.

#### 4.7 Banking and insurance policy

4.21. The Reserve Bank's new bank capital adequacy requirements took effect on 1 October 2021. Banks' required capital will increase to 18% for the four Domestically Systemically Important Banks, and to 16% for the remaining banks. The changes are being phased in, ending in 2028.

4.22. The review of the Insurance (Prudential Supervision) Act 2010 commenced in 2020, with consultations continuing into 2022. An exposure draft of the new legislation is expected in 2023, taking effect in late 2023 or early 2024. A review of insurer solvency standards also began in 2020. An interim solvency standard will take effect on 1 January 2023, followed by the final solvency standard after the implementation of the new Insurance Prudential Supervision Act.

4.23. The Financial Market Infrastructures Act (FMI Act) was enacted in May 2021 and replaces a light-handed opt-in regime in Parts 5B and 5C of the Reserve Bank of New Zealand Act 1989. The FMI Act includes a full suite of regulatory powers consistent with the IMF's 2016 Financial Sector Assessment Program recommendations, bringing New Zealand in line with international best practice. Work is underway to operationalize the Act, with implementation targeted for early 2023.

#### 4.8 Customs

4.24. The New Zealand Customs Service (NZCS) operates a Trade Single Window as part of the Joint Border Management System. It includes an electronic channel for the cargo and excise industries to submit information and receive responses from border agencies. NZCS's primary legislation was amended in the *Customs and Excise Act 2018*. Certain importers can now declare provisional values for goods at the time of importation and NZCS can rule on appropriate valuation methods. Legislation introduced an internal review process so customers can easily appeal decisions. Customers can also apply to store business records outside New Zealand, including in the cloud.

4.25. As 2021 Chair of the APEC Sub-Committee on Customs Procedures, the NZCS led the development of a toolkit of trade facilitation measures based on COVID-19 lessons learned, for use in future trade disruptions, and the development of non-exhaustive best practice guidelines promoting paperless trade. These will help APEC economies update customs procedures and legislative frameworks so that all traders, especially MSMEs, can clear goods electronically. NZCS also developed the *Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods*.<sup>38</sup>

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<sup>38</sup> [Customs drives work on COVID-19 vaccine delivery for APEC economies | New Zealand Customs Service \(customs.govt.nz\)](https://www.customs.govt.nz/customs-drives-work-on-covid-19-vaccine-delivery-for-apec-economies).

## 4.9 Science and Innovation

4.26. The Government launched the *Te Ara Paerangi-Future Pathways* programme in October 2021 to begin an open conversation on positioning New Zealand's public research system for the future. The Programme seeks to build a modern research system that is adaptable, resilient to changes, and connected – internally to industry and users of research, and internationally. It is seeking input, including on how to determine and operationalize national research priorities, support Māori aspirations, and reform funding and institutional structures to better enable connectivity within the research system. The Government is expected to make high level decisions on the programme's direction in mid-2022. Further consultation will follow.

## 5 MULTILATERAL INITIATIVES

### 5.1 World Trade Organization (WTO)

5.1. As the international community recovers from the COVID-19 pandemic, New Zealand supports a strong and resilient WTO, at the centre of the multilateral rules-based system, more than ever. The WTO remains New Zealand's top trade priority, unchanged since New Zealand became a founding member in 1995. Open markets and respect for trade rules are crucial for trade to flow smoothly, predictably and freely.

5.2. The postponement of MC12 in November 2021 was disappointing, but given the global health situation, it was the right decision. New Zealand's immediate priorities heading towards a rescheduled MC12 include a meaningful trade response to the global pandemic, demonstrating the WTO's global relevance and ability to contribute to the recovery. New Zealand seeks conclusion of disciplines on environmentally harmful fisheries subsidies as soon as possible, and a new negotiating framework to reduce trade- and production-distorting subsidies in the agriculture sector. New Zealand also hopes MC12 will provide political support to the ongoing need for WTO reform.

5.3. The WTO's ability to act as an independent arbitrator in trade disputes and enforce rules is highly valued by New Zealand. New Zealand has continued to pursue its systemic interests in WTO disciplines in recent times, notably as Principal Complainant in the *Indonesia-Import Licensing Regimes* dispute<sup>39</sup> (the DSB Panel ruled in New Zealand's favour in 2016 followed by the Appellate Body in 2017) and as Third Party in 21 other WTO Disputes since 2015.

5.4. New Zealand has participated in the development of the Multi-Party Interim Arrangement for dispute settlement (MPIA) and the Roadmap for reform of the Appellate Body to repair and revitalize the WTO's dispute settlement function. New Zealand is committed to working together with WTO Members to find a permanent solution. New Zealander Dr. Penelope Ridings has been appointed as an arbitrator to the MPIA. New Zealand has also made a large contribution through the many New Zealand panellists appointed to WTO dispute settlements. Ensuring the WTO can continue to settle disputes and enforce rules is critical to the global trading system and global economic stability.

5.5. New Zealand has contributed ambassador-level Chairs to the WTO's Committee on Agriculture in Special Session and its Sub-Committee on Cotton; the Dispute Settlement Body; and the General Council. In addition, David Walker, New Zealand's former WTO Ambassador, acted in a personal capacity as the independent Facilitator of the WTO Appellate Body process and the WTO multilateral response to the pandemic.

5.6. The WTO's Trade Facilitation Agreement entered into force for New Zealand in 2017. New Zealand has also implemented the December 2015 Nairobi Decision on Export Competition and Co-sponsored the 2021 Joint Statement on Agricultural Export Prohibitions or Restrictions relating to the World Food Programme. New Zealand was one of 67 WTO Members that announced conclusion of Services Domestic Regulation negotiations on 2 December 2021.

5.7. New Zealand supports progress towards new multilateral outcomes at the WTO through plurilateral *Joint Statement Initiatives* (JSIs). New Zealand is an active participant in the Joint Statement Initiatives on Electronic Commerce, Investment Facilitation for Development, and the

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<sup>39</sup> *Indonesia – Importation of Horticultural Products, Animals and Animal Products*, DS477.

Informal Work Programme for MSMEs, and trade and gender. New Zealand sees a valuable role for the WTO at the intersection of trade and climate change and is leading the Fossil Fuel Subsidy Reform initiative to establish a pathway for discussions and development of options to address fossil fuel subsidies at the WTO.

## **5.2 Organization of Economic Cooperation and Development (OECD)**

5.8. New Zealand actively supports trade work at the OECD, including through participating in relevant Committees and Working Parties, such as those on trade, fisheries and agriculture and its long-standing chairing of the Joint Working Party on Trade and Environment. The OECD's high-quality analytical and policy-focused work on trade has been valuable in complementing the work of the WTO and in promoting the benefits of a strong multilateral trading system. New Zealand particularly supports the OECD's work to promote the benefits of trade liberalization, highlight the costs of protectionism, and promote policy coherence for development.

## **5.3 Trade and Development**

5.9. New Zealand's trade policy supports leveraging trade to advance implementation of the Sustainable Development Goals. New Zealand believes WTO rules contribute to trade-led growth and development and solutions for international challenges, such as food security and climate change. New Zealand also supports the need for targeted and proportional flexibilities and effective technical assistance to help developing Members, in particular LDCs, to implement these rules and participate in global trade.

5.10. Overall, New Zealand has donated approximately NZD 2.6 million to various WTO trust funds over the past 20 years including financial contributions to promote LDC participation at MC11 and MC12 and NZD 38,000 for LDC participation in fisheries subsidies negotiations. New Zealand was one of the first countries to offer unilateral duty-free quota-free access for all LDCs in 2001, and continues to do so. New Zealand also provides reduced tariffs for a number of developing Members under the Generalised System of Preferences. Since 2015, New Zealand has provided preferential treatment for services suppliers from LDCs, and implemented the LDCs preferential rules of origin template.

5.11. New Zealand is a firm advocate of small island developing states and LDCs participating in, and benefiting from, international and intra-regional trade. Development and economic cooperation provisions in the Pacific Agreement on Closer Economic Relations (PACER) Plus<sup>40</sup>, the CPTPP and AANZFTA support this goal. Since 2010, the AANZFTA Economic Cooperation Support Programme, co-funded by New Zealand (with Australia), has supported over 12,000 people through its trade enabling projects. New Zealand has provided NZD 4 million in development assistance to Pacific Island PACER Plus signatories to support their domestic ratification processes, and NZD 7 million to the new PACER Plus secretariat in Samoa, to strengthen Pacific members' trade capability.

5.12. New Zealand provided NZD 501.5 million in Aid for Trade (AFT), supporting economic infrastructure and capacity building (approximately 70% in the Pacific) between 2018-2021. To support PACER Plus implementation, and meet New Zealand's commitment to spend 20% total Official Development Assistance on AFT initiatives in the Pacific, New Zealand is developing an AFT Strategy to strengthen focus, collaboration and coordination in AFT design and delivery. New Zealand has participated in the WTO's AFT Global monitoring, evaluation and review exercises in 2015, 2017, 2019 and 2022

## **5.4 Inclusive and Sustainable Trade**

### **Inclusive Trade Action Group (ITAG)**

5.13. New Zealand is engaging in multilateral and plurilateral initiatives to promote inclusive and sustainable trade. In 2018, New Zealand joined with Canada and Chile to establish the ITAG, welcoming Mexico in 2021. ITAG's work programme aims to make trade policy more inclusive and ensure trade benefits are more broadly shared. In some ways it is a natural extension of New Zealand's domestically focused Trade for All agenda. ITAG members have held workshops,

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<sup>40</sup> [PACER Plus text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](https://mfat.govt.nz/pacer-plus-text-and-resources/).

meetings and webinars to develop understanding and share experiences around Indigenous trade, women's economic empowerment, agriculture and the sustainable development goals, and SME development. ITAG Ministers signed the group's first instrument, the Global Trade and Gender Arrangement (GTAGA)<sup>41</sup>, in 2020. Mexico subsequently joined in 2021. The GTAGA aims to increase the engagement of women in trade as part of overall efforts to promote women's economic empowerment.

### **Trade and Environment, Climate Change and Sustainability**

5.14. Making New Zealand's trade policy more sustainable is a key focus of Trade for All. The Trade for All Advisory Board recommended updating New Zealand's trade and environment principles, which guide New Zealand's FTA engagement in this area. The Government accepted the recommendation and a refresh is underway.

5.15. Internationally, New Zealand is a long-standing advocate of mutually supportive trade and environment outcomes across the multilateral, regional and bilateral agendas. New Zealand is a leading proponent of phasing out and eliminating environmentally harmful subsidies, including the reform of agricultural, fisheries and fossil fuel subsidies. New Zealand seeks a WTO Agreement establishing meaningful fisheries subsidies disciplines as soon as possible. New Zealand does not provide any subsidies that would incentivize greater fishing effort or capacity in its commercial fisheries and imposes levies (NZD 30 million in 2020/21) on owners of commercial fishing rights to recover a significant portion of the costs of managing fisheries sustainably.

5.16. New Zealand has led Joint Ministerial Statements on Fossil Fuel Subsidy Reform (FFSR) at the WTO's MC11 and in advance of MC12. The 2021 FFSR *Joint Ministerial Statement*<sup>42</sup> seeks to elaborate concrete options to advance FFSR at the WTO before MC13, and was cosponsored by 45 WTO Members. New Zealand is the founding member and Chair of the Friends of FFSR, a group of 10 countries seeking meaningful FFSR action across international fora. Through this group New Zealand led the launch of the FFSR Communiqué at the 2015 Paris Climate Summit and a further statement on its 5<sup>th</sup> anniversary in 2020. The group engages in ongoing advocacy and awareness raising efforts to encourage reform, including through side events in Geneva.

5.17. Transparency is an important element of subsidy reform. New Zealand has undergone two voluntary peer reviews of its fossil fuel support measures using the APEC (2015) and OECD (2018) mechanisms. These found that New Zealand does not have any fossil fuel subsidies that encourage wasteful consumption, however the OECD review found that New Zealand had nine remaining indirect support measures that could support fossil fuels. Three of these measures are now terminated and the Government committed in 2019 to evaluate the remaining indirect support measures and not introduce any new fossil fuel subsidies. Its evaluation was completed in 2021 and found that New Zealand does not have any support measures that could directly or indirectly support the wasteful consumption of fossil fuels. New Zealand has the third highest share of renewable energy generation in the OECD and is working towards 100% renewable energy generation by 2030. Prices for energy products and services are set freely by the market. New Zealand is a member of the Powering Past Coal Initiative and became an associate member of the Beyond Oil and Gas Alliance (BOGA) in 2021.

5.18. New Zealand is an active participant in the WTO Committee on Trade and Environment Committee and related groupings at the WTO, including Friends of Advancing Sustainable Trade (FAST) and the Trade and Environmental Sustainability Structured Dialogue (TESSD). Until its suspension in 2016, New Zealand was an active participant in negotiations for the Environmental Goods Agreement at the WTO.

5.19. New Zealand used its APEC 2021 host year to drive regional trade and environment outcomes to support its multilateral ambitions. New Zealand led APEC to achieve consensus on work towards operationalizing a voluntary standstill on inefficient fossil fuel subsidies from the end of 2022;

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<sup>41</sup> [Inclusive Trade Action Group \(ITAG\) | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

<sup>42</sup> [New Zealand relaunches campaign to deliver Joint Ministerial Statement on Fossil Fuel Subsidy Reform \(FFSR\) at WTO MC12 | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

reinvigorating APEC's work on environmental goods; and agreeing the first ever multilateral reference list of environmental and environmentally related services.

5.20. In regional agreements, CPTPP raised the standard for trade and environment policy settings. It includes new fisheries subsidy disciplines, obligations on the illegal take and trade in wildlife, and subjects the environment chapter to Dispute Settlement chapter provisions. Bilaterally, New Zealand is working with partners to develop comprehensive trade and sustainable development chapters. The New Zealand-China FTA Upgrade added a chapter on environment and trade that includes enforcement of environmental laws, non-derogation and non-discrimination commitments, as well as a consultation mechanism. A trade and environment chapter, including fossil fuel subsidy reform, prohibition on fishing subsidies that lead to overfishing and overcapacity and a comprehensive environmental goods list, is included in the NZ-UK FTA. A trade and sustainable development chapter is expected in the NZ-EU FTA.

5.21. New Zealand is leading the first-of-its-kind Agreement on Climate Change, Trade and Sustainability (ACCTS) trade initiative in a group of six likeminded countries. It seeks to liberalize trade in environmental goods and services, develop binding disciplines to eliminate harmful fossil fuel subsidies, and develop best-practice guidance for voluntary eco-labelling schemes. ACCTS is an open plurilateral initiative, that aims for multilateral outcomes over time and, once concluded, will be open to WTO Members that meet the established standard.

### Trade and Labour

5.22. Since 2015 New Zealand has developed and improved its legislative settings to address migrant exploitation, forced labour, trafficking in persons and modern slavery, as well as becoming party to a number of international treaties.<sup>43</sup> Regulations prohibit the import of goods made with prison labour. Under the Government's *Plan of Action against Forced Labour, People Trafficking and Slavery*, launched in 2021<sup>44</sup>, legislation to combat exploitation in New Zealand's global supply chains is being explored. Public consultation on options for addressing modern slavery in supply chains is expected to begin in 2022.

5.23. New Zealand seeks trade and labour provisions as part of its FTA negotiations. Since 2015, Labour Chapters have been included in the CPTPP (a new standard reaching across multiple FTA partners) and the NZ-UK FTA, plus provisions in the PACER Plus agreement. New Zealand's approach to trade and labour has been guided by high-level principles in the 2001 Cabinet-agreed Framework for Trade and Labour. This Framework will also be examined and refreshed with public engagement to improve its relevance to modern labour markets, as recommended by Trade for All Advisory Board.

### Women's Economic Participation

5.24. The Global Trade and Gender Arrangement (GTAGA)<sup>45</sup> is New Zealand's first trade arrangement specifically on gender. It is a ground-breaking arrangement to increase women's participation in trade and contribute to gender equality and women's economic empowerment. Participants commit to address barriers faced by women participating in trade, with a focus on cooperation, promoting the arrangement, and seeking new participation. GTAGA also includes a commitment to voluntarily report on "respective experiences relating to policies and programmes to encourage women's full and equal participation ..." in WTO Trade Policy Reviews. New Zealand is pleased to report on this in paragraphs 5.25-5.31 below.

5.25. Internationally, the COVID-19 pandemic has disproportionately impacted women and girls, through greater health and safety risks, extra unpaid care work, increased gender-based violence, and economic disparity and insecurity. As part of the New Zealand Government's COVID-19

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<sup>43</sup> This includes the ILO's Forced Labour Convention, 1930 (No. 29). In December 2019, New Zealand ratified the Protocol of 2014 to the Forced Labour Convention, 1930 and this entered into force in December 2020. In 2021 New Zealand joined the United States, the United Kingdom and Canada in an ILO Statement on forced and compulsory labour.

<sup>44</sup> [Plan of action against forced labour, people trafficking and slavery | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](#).

<sup>45</sup> [Inclusive Trade Action Group \(ITAG\) | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

response, funding was made available in 2020 and 2021 for community organizations which support women and girls, to help alleviate immediate needs. New Zealand is actively working to address both the short and long-term economic and social disadvantages women face, particularly in the recovery from COVID-19.

5.26. In 2018, New Zealand committed to a three-year programme of work to reduce the gender pay gap in the Public Service, and it now stands at its lowest point since 2000. At 9.1%, the current national gender pay gap also equals the lowest gap recorded. Research into exporting firms in New Zealand has found that women are under-represented in goods exporting firms (40% of employees), and as low as 33% in manufacturing, wholesale trade, agriculture, forestry, and fisheries exporting firms. Larger gender wage gaps in exporting firms compared to non-exporting firms were also found, while 82% of goods exporting firms have a male majority in leadership team.<sup>46</sup> These new findings will be valuable in informing future initiatives to improve women's participation and pay in trade and export-focused firms.

5.27. New Zealand passed world leading equal pay legislation with the Equal Pay Amendment Act 2020, which includes a process for individual employees and unions to raise a pay equity claim directly with an employer for work, which may be subject to systemic sex-based discrimination. New Zealand has also made flexible work the default across the public service, allowing employees to more easily balance commitments and participate in the workforce. All of these changes contribute to creating an enabling environment for women's cross-sector economic participation.

5.28. A 2018 government target to achieve 50% women's representation on public sector boards and committees was achieved early in 2020. 53% of public service senior leadership roles are held by women. In the private sector, increasing numbers of Māori women in particular are leading businesses throughout New Zealand.

5.29. More progress is required, however, including to address gender-based violence, and the poorer relative outcomes of Māori and Pacific Women. Women as a workforce are currently under-employed, unemployed or under-utilized at a higher rate than men. One in three employed women work part-time, and of those part-time working women, one in five is under-employed. Barriers to fully utilizing women's skills include the need for flexible work, part-time work, and managing childcare demands.

5.30. Development is underway on a Women's Employment Action Plan to address cross-cutting issues that affect women's ability to fully participate in the labour market and achieve economic resilience. Barriers and challenges related to women's employment can be compounded by existing inequalities relating to ethnicity, age, sex, gender, sexual orientation, religion, and disability. For this reason, those who typically experience poorer labour market outcomes will be central to actions to improve gender equality at work. The final Plan will be publicly released in 2022.

5.31. New Zealand actively supports regional and global initiatives. In APEC, New Zealand is committed to implementing the *La Serena Roadmap for Women and Inclusive Growth (2019–2030)*<sup>47</sup> and as APEC 2021 host, led the first year of monitoring and reporting on the Roadmap Implementation Plan agreed in 2020. In the WTO, New Zealand signed the *2017 Buenos Aires Joint Declaration on Trade and Women's Economic Empowerment* to remove barriers and promote women's participation in trade and the economy, and is an active member of the WTO Informal Group on Trade and Gender. New Zealand has pursued specific chapters on Trade and Gender supporting women's economic empowerment in its FTAs. This was achieved in the NZ-UK FTA, and a Trade and Gender outcome is expected in the New Zealand-EU and Pacific Alliance FTAs.

## 6 REGIONAL ACTIVITIES

### 6.1 Asia Pacific Economic Cooperation Forum (APEC)

6.1. As a founding economy of APEC, New Zealand has played an active role in making APEC the preeminent trade and economic forum in the Asia-Pacific. In 2021, New Zealand as host of APEC led

<sup>46</sup> Verevis, Cribbens, Mellor and Brunt (2022). 'All for Trade and Trade for All: Inclusive and Productive Characteristics of New Zealand Goods Exporting Firms'. Available at [www.mfat.govt.nz](http://www.mfat.govt.nz).

<sup>47</sup> [The La Serena Roadmap for Women and Inclusive Growth \(2019-2030\) | 2019 APEC Ministerial Documents | APEC](#).

the region during the COVID-19 health and economic crisis. Consistent with New Zealand's host year theme of *'Join, Work, Grow. Together. Haumi ē, Hui ē, Tāiki ē'*, all APEC economies took tangible steps to collectively respond to the health and economic impacts of COVID-19, and build the foundation for more sustainable, inclusive and innovative economic growth and recovery.

6.2. Throughout 2021, New Zealand helped to build consensus among the APEC economies to deliver concrete and meaningful results such as:

- agreeing to help speed up the flow of vaccines and related goods across borders and reduced their costs;
- increasing use of digital processes at the border to cut down on paperwork;
- supporting the rules-based multilateral trading system with the WTO at its core;
- establishing a voluntary standstill on fossil fuel subsidies;
- agreeing a reference list of environmental and environmentally related services;
- reinvigorating APEC's work on trade in environmental goods; and
- working on unlocking the economic potential of the region's 270 million Indigenous Peoples.

These priorities were informed by New Zealand and APEC's focus on extensive engagement with stakeholders such as the APEC Business Advisory Council (ABAC).

6.3. As a result, at the APEC Economic Leaders' Meeting in November 2021, the Aotearoa Plan of Action (APA)<sup>48</sup> was agreed. It sets APEC's agenda for the next 20 years, and gives life to APEC's Putrajaya Vision 2040, which was agreed in 2020 during Malaysia's host year. The APA represents a major addition to the APEC architecture. Together, the APEC *Putrajaya Vision 2040* and the APA replace the 1994 *Bogor Goals* and 1995 *Osaka Action Agenda* respectively. The APA sets out ambitious objectives across a holistic trade and economic agenda, both regionally and domestically. Trade and investment, such as APEC's support for the WTO, remains an important focus. New Zealand has also expanded APEC's agenda into other drivers of growth to ensure APEC remains responsive and relevant, such as innovation and digitization, inclusion, and sustainability, including climate action.

## 6.2 East Asia Summit (EAS)

6.4. New Zealand is a member of the East Asia Summit (EAS) and is a strong supporter of trade and economic integration in the EAS region. New Zealand is a regular participant in the EAS Economic Ministers' Meetings, and continues to be a leader in developing cooperation on trade policy best practice in the Indo-Pacific region. The Regional Comprehensive Economic Partnership (RCEP) negotiations were launched (2012) and concluded (2020) on the margins of the EAS.

## 7 BILATERAL AND REGIONAL TRADE AGREEMENTS

7.1. Complementing New Zealand's core commitment to the WTO and global trade integration, New Zealand pursues comprehensive and high-quality FTAs at the bilateral, regional and plurilateral levels. These build on WTO rules to promote ambition and future multilateral liberalization. FTAs also help achieve the government's economic growth and diversification goals, by providing new opportunities and reducing costs and barriers for businesses and exporters.

7.2. New Zealand has ratified 15 high quality, comprehensive FTAs. In June 2021, these agreements covered 69% of New Zealand's exports and 63% of its imports. These figures increase to 82% of exports and 86% of imports when including FTAs under negotiation or not yet in force. Since 2015, New Zealand has ratified five new agreements and one upgraded agreement, concluded

<sup>48</sup> [Aotearoa Plan of Action \(apec.org\)](https://www.apec.org/press-releases/2021/11/20211115-aotearoa-plan-of-action).

one further agreement upgrade which will enter into force in April 2022, and reached one agreement in principle.

### **7.1 New Zealand – Australia Closer Economic Relationship (CER)**

7.3. The 1983 Closer Economic Relationship (CER) Agreement<sup>49</sup> is the most comprehensive and effective free trade agreement in the world, supporting the creation of a seamless trans-Tasman economic environment, the Single Economic Market (SEM). Key SEM achievements since 2015 include:

- Australia-NZ Science, Research and Innovation Cooperation Agreement (2017) and ratification;
- activation of domestic and trans-Tasman e-invoicing (2019);
- agreement on a road map for the mutual recognition of digital identity (2020); and
- legislation updating the Trans-Tasman Retirement Savings Portability Arrangement (2021).

### **7.2 New Zealand-China Free Trade Agreement – Upgrade**

7.4. New Zealand's 2008 FTA with China has been a success for both countries. China is now New Zealand's largest trading partner, with two-way trade tripling from NZD 9 billion to over NZD 32 billion. In 2016, New Zealand and China agreed to launch negotiations to upgrade and modernize the FTA, amending it to improve existing commitments and add new areas. Negotiations covered TBT, customs procedures, cooperation and trade facilitation; Rules of origin; Services; Competition policy; E-commerce; Agricultural cooperation; Environment; and Government procurement. The Upgrade was signed in January 2021 and will enter into force on 7 April 2022, resulting in an expansion of provisions improving market access and new chapters on competition policy, e-commerce, government procurement and environment and trade.

### **7.3 Trans-Pacific Partnership (TPP) Agreement**

7.5. The Trans-Pacific Partnership (TPP) Agreement is a free trade agreement to liberalize trade and investment between 12 Pacific-rim countries: New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, the United States and Viet Nam. The TPP was signed in 2016 and New Zealand, which is the depository for the TPP, ratified it in 2017. The TPP requires ratification by four other signatories including the US, however the US notified that it did not intend to become a party in 2017. The remaining members affirmed the TPP's economic and strategic importance and went on to negotiate the CPTPP.

### **7.4 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**

7.6. *The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Agreement*<sup>50</sup> between 11 Asia-Pacific region countries, was signed in March 2018 and ratified in October 2018.<sup>51</sup> New Zealand is the depository for the CPTPP. CPTPP economies account for 13.3% of world GDP, worth USD 10.6 trillion. Annually, they take 25% of New Zealand's goods exports (NZD 15.5 billion) and services exports (NZD 3.8 billion)<sup>52</sup> and provide 65% of foreign direct investment (March 2021). The CPTPP includes three of New Zealand's top 10 trading partners, and four countries with which New Zealand has never had a free trade agreement (Japan, Canada, Mexico and Peru) which receive NZD 4.9 billion of New Zealand's goods and services exports. The CPTPP is estimated to save New Zealand NZD 222 million in tariffs annually.

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<sup>49</sup> [NZ-Australia Closer Economic Relations \(CER\) | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

<sup>50</sup> [Comprehensive and Progressive Agreement for Trans-Pacific Partnership text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

<sup>51</sup> New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Viet Nam.

<sup>52</sup> Year to September 2021.

7.7. The CPTPP includes many of the elements negotiated in the TPP. TPP obligations that have been suspended under the CPTPP are set out in Article 2 of CPTPP and the associated Annex to CPTPP. New Zealand has also drafted side letters with select CPTPP members, specifically:

- treaty status a side letter between New Zealand and Australia, which provides that the ISDS and trade remedies provisions will not apply between New Zealand and Australia;
- treaty status a side letter between New Zealand and Peru, which provides that the ISDS provisions will not apply between New Zealand and Peru; and
- treaty status side letters that New Zealand agreed with Viet Nam, Brunei Darussalam, and Malaysia, which require the explicit consent of the responding Party before an ISDS dispute can proceed beyond consultations or alternative dispute resolution.

7.8. The CPTPP is called progressive because it goes beyond reducing costs for businesses, by including commitments to safeguard high labour and environmental standards. Membership is open to other countries willing to meet its high standards. The United Kingdom requested to accede to the Agreement in February 2021, China and Chinese Taipei requested to accede to the Agreement in September 2021 and Ecuador requested to accede to the Agreement in December 2021.

### **7.5 New Zealand – Singapore Closer Economic Partnership (CEP) Agreement – Upgrade**

7.9. Since New Zealand's Closer Economic Partnership (CEP) Agreement with Singapore<sup>53</sup> entered into force in 2001, Singapore has become New Zealand's largest trading partner in South East Asia, with NZD 5.7 billion of two-way trade and NZD 5.6 billion of two-way direct investment.<sup>54</sup> In 2019, New Zealand and Singapore completed CEP Upgrade negotiations to modernize the CEP and serve as a benchmark and template for other negotiations. The CEP Upgrade entered into force in 2020 and improves services market access, modernizes goods trade rules and non-tariff barrier frameworks, updates competition and consumer protection, improves investment and includes new regulatory cooperation and e-commerce commitments.

### **7.6 Pacific Agreement on Closer Economic Relations (PACER) Plus**

7.10. The Pacific Agreement on Closer Economic Relations (PACER) Plus<sup>55</sup> is a unique trade and development agreement between 11 Pacific Island Forum (PIF) members: New Zealand, Australia, Cook Islands, Kiribati, Nauru, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu. Signed in 2017, the agreement entered into force in December 2020. A Labour Mobility Arrangement, signed alongside PACER Plus, promotes regional labour mobility. Around 30% of Pacific signatories' exports are to New Zealand and Australia. New Zealand is an important source of tourism for the region, worth NZD 633 million in 2020 and NZD 800 million in 2019. Trade between New Zealand and the PIF Members, excluding Australia, was worth NZD 3.1 billion in the year to June 2020.

7.11. New Zealand's Pacific neighbours face unique economic development challenges including small size and difficulties achieving economies of scale, exacerbated by the COVID-19 pandemic which has severely affected tourism, trade and labour mobility. PACER Plus will raise living standards, create jobs and increase exports in Pacific Island countries, while also lowering barriers and providing greater certainty for New Zealand businesses and investors. New Zealand and Australia are providing AUD 25.5 million over five years to support Pacific Island members adjust to PACER Plus and its opportunities including through the establishment of a dedicated Implementation Unit based in Samoa.

7.12. Under PACER Plus, New Zealand agreed to set a target of spending 20% of total Official Development Assistance (ODA) on aid for trade activities in the Pacific. Based on MFAT's ODA allocation for the next triennium (2021/22-2023/24), New Zealand's commitment equates to approximately NZD 510 million for aid for trade activities in the Pacific over the next three years. Aid for Trade projects include the rollout of new customs software for six of the smaller Pacific Island

<sup>53</sup> [CEP text | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

<sup>54</sup> Year to December 2019.

<sup>55</sup> [PACER Plus text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

Countries, supporting the establishment of robust biosecurity export and import systems, and building a regional and bilateral approach to qualifications recognition.

### 7.7 Regional Comprehensive Economic Partnership (RCEP)

7.13. The *Regional Comprehensive Economic Partnership (RCEP)*<sup>56</sup> was signed by 15 economies in the Indo-Pacific region in 2020.<sup>57</sup> The agreement entered into force on 1 January 2022, including for New Zealand, becoming the biggest free trade agreement in the world. RCEP is projected to add NZD 186 billion to the world economy and increase New Zealand's GDP by around NZD 2 billion. RCEP deepens New Zealand's trade and economic connections in the region, an important element of New Zealand's Trade Recovery Strategy. It is a significant milestone in the Indo-Pacific region's economic integration.

7.14. RCEP will create a single set of rules across the region for specific areas of trade. There are market access gains for New Zealand beyond existing arrangements with RCEP partners. RCEP includes seven of New Zealand's top 10 trading partners, who together account for almost a third of the world's population and global GDP, take over half of New Zealand's exports (61% of goods, 45% of services) and provide 61% of New Zealand's foreign direct investment. India participated in the negotiations, but has not signed RCEP. Should India choose to take up the fast-track accession process to join RCEP given its status as an original negotiating party, this would be New Zealand's first FTA with India and bring further commercial and strategic benefit to New Zealand's participation in RCEP.

### 7.8 Digital Economy Partnership Agreement (DEPA)

7.15. The *Digital Economy Partnership Agreement (DEPA)*<sup>58</sup> was signed by New Zealand, Chile and Singapore in 2020, entering into force for New Zealand and Singapore in January 2021, and Chile in November 2021. DEPA has established new rules and practices to support and facilitate digital trade, and promote discussion on issues like digital inclusion, inclusive trade and support for small and medium enterprises (SMEs) in the digital economy. DEPA covers broad areas, from e-invoicing to artificial intelligence, and will continue to evolve as new digital opportunities and issues emerge. It is designed to complement WTO negotiations on e-commerce and builds on digital economy work underway within APEC, the OECD and elsewhere. The DEPA is open to accessions provided the Agreement's high standards can be met: the DEPA Parties agreed in 2021 to commence accession negotiations with the Republic of Korea, while China has also recently requested accession.

### 7.9 New Zealand-United Kingdom Free Trade Agreement (NZ-UK FTA)

7.16. In October 2021, New Zealand and the United Kingdom reached Agreement in Principle on the key elements of a new high quality, comprehensive and progressive FTA. After finalization of the text and domestic approval, the NZ-UK FTA is expected to be signed in early 2022. The NZ-UK FTA supports diversification of New Zealand's trading relationships under the Trade Recovery Strategy, and is an early example of FTA negotiations that respond to the Trade for All recommendations. For the first time, dedicated chapters on Māori economic and trade interests, trade and gender equality and consumer protection have been included.

7.17. The agreement is New Zealand's first bilateral trade deal to include specific commitments on climate change and will also contain provisions eliminating environmentally harmful subsidies. This includes commitments to take steps to eliminate harmful fossil fuel subsidies, and to prohibit fisheries subsidies which lead to overfishing. The environment chapter will also prioritize the elimination of tariffs on at least 268 environmentally beneficial products – the largest environment goods list ever agreed in an FTA. For the first time 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.<sup>59</sup>

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<sup>56</sup> [RCEP text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

<sup>57</sup> Ten ASEAN members (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam), plus five regional partners with which ASEAN has FTAs (Australia, China, Japan, New Zealand and the Republic of Korea).

<sup>58</sup> [DEPA text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).

<sup>59</sup> Translates respectively to guardianship and genealogy/ancestry.

7.18. The United Kingdom is a crucial market for some key New Zealand exports, as well as being a significant source of, and destination for, New Zealand investment. New Zealand exports could rise by up to 40% at full implementation, an estimated increase in New Zealand GDP of NZD 970 million. Market access outcomes are among the very best New Zealand has secured in any trade deal, eliminating all tariffs on New Zealand exports including over 97% the day the FTA comes into force. High quality services and investment provisions will provide greater certainty for services exporters and investors. Visa access will be facilitated for specific categories of New Zealand business persons travelling and working in the United Kingdom, and the Agreement will include provisions aiming to facilitate the recognition of professional qualifications and registration between New Zealand and the United Kingdom.

7.19. Secure and predictable conditions for investment will support the growth of two-way investment between both countries. The Agreement will also help to address non-tariff barriers to trade. This includes addressing technical trade barriers for wine, our largest export to the United Kingdom (approximately NZD 469 million of New Zealand wine is exported to the United Kingdom each year). Streamlined customs procedures and digital trade facilitation provisions will promote connectivity between New Zealand and the United Kingdom.

### **7.10 Bilateral and Regional Trade Agreements under Negotiations**

7.20. New Zealand has a number of negotiations underway, in line with its trade diversification goal. New Zealand is working with the European Union to bring FTA negotiations to a successful conclusion and deliver a *high-quality, comprehensive agreement to foster even greater economic connection with the European Union's 27 member states. The European Union is already New Zealand's fourth largest trading partner with two-way goods and services trade of NZD 16.5 billion. It is expected that the FTA will deliver significant outcomes in the goods, services and investment sectors, and include ambitious outcomes on social and environmental priorities.* New Zealand and its AANZFTA partners are engaged in Upgrade Negotiations to ensure AANZFTA's relevance to changing business and trade practices and to improve exporter access. New Zealand is negotiating a free trade agreement with the Pacific Alliance that will improve economic links with the Latin American regional group of Chile, Colombia, Mexico and Peru. New Zealand is breaking new ground in negotiations on an Agreement on Climate Change, Trade and Sustainability (ACCTS) with six partners. New Zealand substantively concluded FTA negotiations with the Gulf Cooperation Council (GCC) in 2009. However, the agreement never entered into force. New Zealand is in discussion with the GCC on next steps.<sup>60</sup>

## **8 OUTLOOK**

8.1. A global trade recovery is predicted and New Zealand is optimistic that this will be the case for New Zealand as well. Trade is necessary to get through the COVID-19 pandemic and build a stronger and more resilient future, benefitting wellbeing in developed and developing countries alike. To that end, New Zealand will continue its efforts to improve the conditions for expanded trade and investment with key markets, strengthen the institutions and rules governing international trade and investment, forge relationships with new partners, and work to ensure full implementation of WTO commitments by members. New Zealand will remain an active participant in WTO negotiations, seeking ambitious outcomes to address shared challenges, including health, environmental sustainability and climate change, and inclusive development and growth. As demonstrated by our APEC 2021 host year, New Zealand will work collaboratively with others to achieve this, and will promote innovative approaches to progress new issues and inclusive outcomes. While New Zealand pursues its trade policy multilaterally, regionally, and bilaterally, its membership of the WTO remains a lynch-pin.

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<sup>60</sup> Bilateral FTA negotiations with India and RTA negotiations for the Trans-Pacific Partnership (TPP) and a New Zealand-Russian Federation-Belarus-Kazakhstan agreement are currently suspended.