



BRIEFING FOR INCOMING

# Minister for Trade and Export Growth

NOVEMBER 2020



**NEW ZEALAND**  
**FOREIGN AFFAIRS & TRADE**  
Manatū Aorere

**Cover photos (*top to bottom*):**

- Nukunonu wharf, Tokelau. Credit: Taupulega o Nukunonu
- A traditional welcome to Port Vila, Vanuatu as part of the Pacific Mission 2019. Credit: MFAT
- The preferred design of the Scott Base redevelopment. Credit: Jasmax – Hugh Broughton Architects
- Visit to a farming community in Lombok as part of the Indonesia Innovative Farm Systems and Capability for Agribusiness activity. Credit: MFAT
- Cargo ships. Credit: Chris Williams
- Opening of the new embassy in Stockholm. Credit: MFAT

# Contents

How this brief is organised	1
<b>Part one – Role of the Minister</b> .....	<b>3</b>
Your role	5
The Government’s priorities on trade	7
Crown entities and other appointments	8
International engagement	10
Domestic engagement	12
How the Ministry supports you	15
<b>Part two – New Zealand’s foreign and trade policy</b> .....	<b>17</b>
Strategic foreign policy overview	179
Overview of New Zealand’s trade interests and trade policy	28
Te Ōhanga Māori / the Māori Economy	41
<b>Part three – Significant near-term policy decisions</b> .....	<b>43</b>
Issues for immediate decision	45
Cabinet and Parliamentary business	47
Priority issues for Ministerial engagement	48
<b>Part four – The Ministry of Foreign Affairs and Trade</b> .....	<b>61</b>
A snapshot of MFAT	63
Purpose, strategic framework and priorities	64
Functions and footprint	69
Ministry Leaders and Heads of Mission	71
Consular services and emergency responses	75
New Zealand connections	77
Budget	79
<b>Appendices</b> .....	<b>61</b>
Appendix 1: The impacts on trade of COVID-19	85
Appendix 2: NZ Inc offshore footprint	91

UNCLASSIFIED

UNCLASSIFIED

## How this brief is organised

---

This brief is organised into four parts:

- **Part One – The role of the Minister for Trade and Export Growth**  
Provides a brief summary of your role and the responsibilities and processes that come with it, as well as information on how the Ministry of Foreign Affairs and Trade supports you in your role;
- **Part Two – New Zealand’s foreign and trade policy**  
Provides strategic foreign and trade policy overviews and outlines New Zealand’s trade policy priorities as currently agreed;
- **Part Three – Significant near-term policy issues**  
Provides a brief overview of issues that will require early ministerial awareness and/or your decisions; and
- **Part Four – The Ministry of Foreign Affairs and Trade**  
Provides some contextual information about the Ministry.



## Part one

---

# Role of the Minister for Trade and Export Growth



## Your role

---

As Minister for Trade and Export Growth, you help to grow New Zealanders' incomes, job opportunities and living standards. International economic connections make a vital contribution to productivity growth and will be important in driving New Zealand's economic recovery from COVID-19. You contribute through development and implementation of New Zealand's trade policy, in which the Ministry of Foreign Affairs and Trade supports you, as well as through your responsibility for the international business development role of New Zealand Trade and Enterprise (NZTE).

The key components of your trade policy role are:

1. Setting the strategic direction of New Zealand's policy framework and priorities;
2. Pursuing New Zealand's objectives through ministerial diplomacy offshore (and 'virtually' in the COVID-19 environment), including direct negotiation where necessary; and
3. Coordination with other economic portfolios within Government. Close coordination with the Minister of Foreign Affairs supports outcomes across both portfolios.

You have primary responsibility for international trade negotiations through the World Trade Organization (WTO) and bilateral and regional free trade agreements (FTAs). You secure Cabinet mandates for trade negotiations. A large number of agencies are responsible for implementing the outcomes of negotiations and, consequently, multiple portfolios have an interest in these mandates.

You are the lead Minister on addressing market access issues facing New Zealand exporters, and often need to work with other Ministers to determine and implement action. You also have responsibility for New Zealand's contributions to important international trade and economic policy fora, notably the Organization for Economic Co-operation and Development (OECD), the Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS) economic stream.

You play a critical role in influencing outcomes for New Zealand through the relationships you develop with counterpart ministers and leaders of international organisations — for example, addressing impasses in negotiations, resolving bilateral trade issues, and securing decisions in multilateral and regional forums that improve trade rules or the trading environment for New Zealanders.

A number of other government agencies also engage internationally in the trade and economic space, including on international taxation, air transport, primary industries, immigration, tourism policy, international education, climate change, and international science engagement. Where sensitive or complex issues arise, both the Minister of Foreign Affairs and the Minister for Trade and Export Growth are engaged, along with relevant portfolio ministers, to ensure alignment and policy coherence across New Zealand's international interests.

New Zealand's trade policies need to be supportive of broader domestic economic policy, and coherent with the Government's overall objective of achieving a productive, inclusive and sustainable/low emissions economy. Similarly, a wide range of domestic policy-making

can affect New Zealand's international trade obligations and opportunities, with flow on effects for businesses in export markets. The Minister for Trade and Export Growth therefore has an interest in a range of domestic policy areas.

You will engage with a wide range of domestic stakeholders to promote transparency and understanding of the issues impacting on the Government's trade objectives, and to hear the perspectives of those with an interest.

We will look forward to discussing with you how you would like us to support the Minister of State for Trade and Export Growth and your Parliamentary Under-Secretary.

## The Government's priorities on trade

---

The Ministry contributes directly to the Government's two overarching priorities:

- To drive our economic recovery from COVID-19; and
- To continue our health response to keep New Zealanders safe from the virus.

The Ministry will support implementation of these priorities through our work to help build a confident, internationally-connected nation. This will contribute to New Zealand being a sought-after exporter of premium goods and services; a destination for high quality investment (and for high-value tourists when travel resumes); and a principled actor able to help shape the fair global trade rules and norms that New Zealand depends on.

The Ministry will support an export-led economic recovery and longer term economic resilience by pursuing the Government's intention to secure high quality trade agreements which improve access to a diversified range of high value markets, and ensuring New Zealand exporters have the tools and knowledge they need to navigate the challenging COVID-19 trade landscape.

In line with the Government's focus on promoting multilateral approaches to resolving international issues, we will also continue work to sustain the multilateral trading system which provides certainty for our exporters.

The Ministry is supporting New Zealand's international connectivity by negotiating safe travel zones to facilitate international travel with selected partners, when it is safe to do so, and supporting work to ensure New Zealand has the infrastructure it needs to access essential COVID-19 related goods and to get New Zealand exports to market.

We note also the following areas signalled as priorities for the Government's pursuit of a trade policy that promotes multilateralism and delivers for all New Zealanders:

- Chairing APEC 2021 in a manner appropriate for a COVID-19 world, and that showcases the best of New Zealand;
- Expanding trade opportunities for New Zealand, including through negotiating trade deals with the EU and the UK, the Digital Economy Partnership Agreement and the Agreement on Climate Change, Trade and Sustainability;
- Including indigenous collaboration agreements in New Zealand trade policy in a way that creates indigenous to indigenous trade opportunities;
- Promoting strong environmental and labour standards through New Zealand's trade policy agenda; and
- Continuing to work in the Pacific as a priority area.

We look forward to discussing your policy objectives with you, both to ensure we understand your priorities, and that the Ministry is well positioned to advance and implement them.

## Crown entities and other appointments

---

This section provides an overview of bodies and appointments for which you are responsible.

### **New Zealand Trade and Enterprise**

You are responsible for NZTE, a Crown entity, and you appoint its Board. The Ministry monitors the performance of NZTE in conjunction with the Ministry of Business, Innovation and Employment, the lead monitoring agency. The Chief Executives of both departments act as special advisors to the Board.

Current membership:

- Andrew Ferrier (Chair) (term ends 30/6/2021)
- Charles Finny (term was due to end 30/6/2020 but he remains on the Board due to COVID-19 and until a new appointment is made)
- Jennifer Kerr (term ends 30/09/2021)
- Wayne Norrie (Deputy Chair) (term ends 16/12/2021)
- Charlotte Walshe (term ends 16/12/2021)
- Traci Houpapa (term ends 16/12/2021)

### **Trade for All Advisory Board**

The Trade for All Advisory Board, established in 2018, brought together New Zealanders with a wide range of views, knowledge and experience to identify, discuss and report on key issues as they related to the Trade for All Agenda. The Board reported in November 2019 and formally ceased to exist thereafter.

In July 2020, your predecessor sought to re-establish the Board as the Trade for All Ministerial Advisory Group (TFAMAG). The TFAMAG would operate as a mechanism to assist in charting a course for New Zealand trade policy in a post-COVID-19 era. Officials are working through how this appointment process would work in practice and look forward to discussing your preferences with you. Given the existing Board Chair (David Pine) has moved to a new role, it is proposed that you coordinate the group given it is intended to operate as a ministerial advisory group on the implementation of the Trade for All Advisory Board recommendations and on broader trade policy issues. No current Members have signalled to date they do not want to continue.

Board members are:

Catherine Beard	Executive Director, ExportNZ and ManufacturingNZ
Mai Chen	Managing Partner, Chen Palmer
Ken Clark	Chief Medical Officer, MidCentral DHB
Barry Coates	CEO, Mindful Money
Vic Crone	CEO, Callaghan Innovation
Sam Huggard	Strategic Researcher, E Tū,
Lain Jager	Self-employed
Malcolm Johns	CE, Christchurch International Airport
Amokura Kawharu	President, Law Commission

Katie Milne	Former President, NZ Federated Farmers
Raf Manji	Former Councillor, Christchurch City Council
Hone McGregor	Self-employed
Molly Harriss Olson	CEO, Fairtrade Australia New Zealand
Josie Pagani	Director, Council for International Development
Caren Rangi	Principal Consultant, Ei Mua
Gary Taylor	Chairman & Executive Director, EDS
Simon Tucker	Director, Global Stakeholder Affairs, Fonterra
Craig Tuhoro	Managing Director, Global Metal Solutions
Pania Tyson – Nathan	CE, NZ Māori Tourism
Leeann Watson	CEO, Canterbury Employers Chamber of Commerce
Michael Whitehead	Principal at Tap In Ventures

### **Special Agricultural Trade Envoy**

The position of Special Agricultural Trade Envoy (SATE) has previously been appointed jointly by the Minister for Trade and Export Growth and the Minister of Agriculture. The role acts as an international spokesperson for the New Zealand agriculture sector, sharing New Zealand's agriculture and environmental stewardship story and engaging with agriculture industry counterparts in export markets to promote open markets for agricultural products, advocate for agricultural trade policy reform, and build support for the negotiation and implementation of our free trade agreements. The SATE also acts as an interface between the New Zealand Government and industry, communicating to the New Zealand agriculture sector and the general public developments in the global trading environment for agricultural exports and the challenges and opportunities which they represent for New Zealand.

Mel Poulton is the current SATE. Her 18-month contract ends on 30 June 2021. In early 2021, officials will seek Ministers' guidance about the role and whether or not to offer Ms Poulton an extension of her contract.

### **ICSID Appointments**

The International Centre for Settlement of Investment Disputes (ICSID) Panel of Arbitrators list is used to select chairs of investor-state dispute settlement arbitral tribunals where the parties to the arbitration cannot agree. The terms of two of New Zealand's four nominees to the Panel of Arbitrators have now lapsed and one of those nominees is not seeking reappointment. In late 2019, the Ministry sought expressions of interest for applicants to fill the vacancy. The appointment process was delayed due to COVID-19, but the Ministry intends to seek your advice on the preferred candidate. The next step will be to convey your preference to the Minister of Justice who, given the significance of investor state dispute settlement to your portfolio, will consider your preferences before seeking approval for the nomination from the Cabinet Appointments and Honours Committee.

## International engagement

---

COVID-19 has had, and continues to have, a fundamental and comprehensive impact on the way New Zealand conducts its diplomatic engagement. Without the ability to travel for face-to-face engagements, the business of diplomacy has undergone significant change. Much traditional diplomatic activity has halted completely or been severely curtailed. Many activities have transitioned to virtual platforms but with varying degrees of success. Making progress in multilateral settings is difficult, given reduced opportunities for informal discussions and other opportunities to progress outcomes.

It is getting harder for New Zealand's voice to be heard in this environment and our influence will diminish over time. The biggest risk for New Zealand's international influence is a scenario where a critical mass of countries resume physical meetings, including at trade minister level, but New Zealand's border restrictions remain. Over time, it may prove necessary for you to travel abroad for certain international meetings, even while our strict border measures remain in place.

The Ministry has a comprehensive work programme to adapt the way we do business in a COVID-19 environment to mitigate the risks as much as we can. Until such time as normal travel resumes, we will need to champion the use of video-conferences and rely heavily on our post network to transact business. To support this change, the Ministry is investing in new technology and capabilities to deal with the current environment and for our longer-term benefit as a small distant nation.

In order to ensure New Zealand's voice is heard in the world, we need to be proactive and creative in generating opportunities to engage with partners. Ministerial leadership is critical to this effort. We recommend that you seek to make early contact with key international counterparts through virtual means to establish the strong relationships that you will need to transact New Zealand's trade policy objectives.

At the point when regular international travel again becomes a realistic option for ministerial engagement, the Ministry would welcome the opportunity to discuss with you potential priorities for your travel and for incoming ministerial visits with a trade and economic focus.

### Proposed participation in international events for Minister for Trade and Export Growth, November 2020–March 2021

The table overleaf outlines events, in chronological order, that we recommend you attend in the period to March 2021. **At this stage, all events will be virtual.** Further information will follow on each event closer to the date.

EVENT	DATES
<p>The European Union-New Zealand Free Trade Agreement negotiations (<b>EU-NZ FTA</b>) will require immediate and ongoing Ministerial engagement (including virtual engagement). A new EU Trade Commissioner has been recently appointed; Valdis Dombrovskis. It will be important to build a relationship with Commissioner Dombrovskis. There is also a need to continue active engagement with Trade Minister counterparts in EU Member States. This political engagement is critical to building the relationships necessary to conclude an FTA with the EU.</p>	TBC
<p>The first and second rounds of the <b>NZ-UK FTA negotiation</b> took place in July and October 2020. While in most areas the rounds were exploratory, both sides have expressed an interest in achieving ambitious outcomes across most areas of the agreement, particularly in sustainable development and climate change. It is still too early in the negotiations to need direct Ministerial intervention on specific issues but we would recommend that where possible high level bilateral contact be used to reinforce the ambition both countries have for the agreement and to emphasise New Zealand's hope that this translates through to a high quality agreement with text reflecting our mutual stated desire for a high ambition outcome.</p>	TBC
<p><b>APEC Ministerial Meeting</b></p> <p>The APEC Ministerial Meeting takes place ahead of the APEC Economic Leaders Meeting scheduled for 21 November. It will be run as a virtual plenary, involving a mixture of trade and foreign affairs ministers from 21 APEC economies. The Minister for Trade and Export Growth and the Minister of Foreign Affairs will likely both be invited to participate for the full plenary. The Minister/s will have an opportunity to signal the theme and priorities for New Zealand's APEC host year.</p>	17 November (0100 NZT)
<p>Canada will host a virtual Ministerial Meeting of the <b>Ottawa Group on WTO Reform</b> on 23 November. This represents a useful opportunity to press for further progress on items agreed by Ministers in the COVID-19 Joint Statement (June 2020), in particular on items related to transparency, trade in medical supplies, and agriculture.</p>	23 November
<p>The Regional Comprehensive Economic Partnership (RCEP) FTA is due to be signed in the margins of the <b>East Asia Summit</b> in mid-November, probably by RCEP trade ministers and observed by Leaders. This will be a virtual meeting, with RCEP trade ministers signing the agreement, observed by leaders.</p>	15 November (1630 – 1800 NZT)
<p><b>PACER Plus Trade Ministers</b> will meet to take a decision on the host country for the PACER Plus Implementation Unit. A date for this meeting has not yet been set but will likely take place soon after entry into force of PACER Plus on 13 December 2020. The meeting will provide an early opportunity for ministers to set expectations and provide political direction for implementation of PACER Plus. Pacific ministers will be particularly focused on development and economic cooperation issues as well as labour mobility issues.</p>	December (TBC)
<p>The <b>New Zealand-Turkey Joint Economic Commission (JEC)</b> is our only formal Ministerial-level mechanism (outside of Gallipoli engagement) with Turkey, and our foremost bilateral mechanism to discuss wider strategic trade issues and to address barriers to the current bilateral trade relationship. The NZ-Turkey JEC has been overdue since 2014, despite New Zealand's best efforts. In October 2020, Turkey proposed holding the JEC virtually in early 2021.</p>	Early 2021 (TBC)

## Domestic engagement

---

The Ministry has sought in recent years to intensify and improve its engagement with domestic partners and stakeholders on trade policy issues. This effort reflects a range of factors, including the implementation of the Trade for All Agenda as well as increased recognition of the importance of trade for New Zealand and the consequent reliance on a sustained domestic social licence for continuing our trade policy efforts. It also reflects ongoing work with claimants in the Waitangi Tribunal (Wai 2522) relating to the engagement practices undertaken by the Ministry with respect to the TPP and CPTPP negotiations.

The Ministry's domestic partners and stakeholders on trade policy are wide ranging and include established business sector groups, Māori, academics, civil society groups and the New Zealand public more generally. Domestic engagement is conducted through a variety of fora, with an increasing role for virtual engagement tools. The Ministry's experience through COVID-19 is that our reach to domestic stakeholders is much greater via online channels, though there will always be events where in person representation is preferable, not least engagement with Māori.

The Ministry stands ready to provide advice on engagement with any other individual industry and civil society stakeholders, possible outreach events open to a public audience, and the formation of any new advisory structures required.

### Engagement with Māori

Engagement with Māori on trade policy issues is a priority focus for the Ministry.

The recently established **Te Taumata** is a unique and innovative model for engagement with Māori that provides a dedicated platform for deeper discussion of trade policy issues. It is assisting the Ministry to better understand and connect with Māori/iwi on trade policy issues.

The establishment of Te Taumata in late 2019 was driven by a growing concern from many Māori about the increasing volatility and uncertainty for Māori exporters in the global marketplace; the fast moving nature and pace of change; the number of negotiations currently under way that are of interest to Māori; and the need for the Ministry to lift engagement with Māori on trade matters in a way that reflects Treaty of Waitangi principles. Te Taumata is strictly independent of Government and accountable to Māori.

Te Taumata has been successful in establishing a regular dialogue with Māori on trade policy issues and promotes deeper relationships where trust and confidence can be built. The Ministry meets with Te Taumata on a quarterly basis (though during the COVID-19 lockdown periods, the frequency of engagement was weekly or fortnightly). The Ministry recommends early engagement with this group.

The Ministry has always viewed the Te Taumata engagement model as complementing (rather than superseding) other Māori trade policy engagement activities. Other engagement channels with Māori on trade policy include through the Federation of Māori Authorities, the Pou Tahua of the National Iwi Chairs Forum (NICF), Waitangi Tribunal

claimants and others. The Ministry also engages with Māori business forums in key areas such as the primary productive sector, for example, fisheries, forestry and agriculture.

## The Ministry's Auckland Office

The Ministry's Auckland Office builds domestic connections for the Ministry with Auckland partners (Māori) and stakeholders (including business, academia, civil society and local government) in order to advance the Ministry's strategic objectives. The Office ensures Auckland stakeholder insights are reflected in policy development. The Auckland Office is co-located with NZTE and works in close partnership with that agency

The Office's outreach also supports the Trade Recovery Strategy and the Economic Diplomacy programme through dissemination of market intelligence, assisting Auckland stakeholders with international connections and resolving trade issues. The Office plays an important role in advancing relationships for the Ministry with mana whenua and Māori business in Tāmaki Makaurau. It also plays a role in contributing to efforts to lift trade participation of women and SMEs.

Auckland Office facilities are set up well for Ministerial meetings with both domestic stakeholders and foreign visitors.

### **Auckland Trade and Economic Policy School**

On 4-5 December, the University of Auckland – in partnership with the Ministry – is running the second Auckland Trade and Economic Policy School (ATEPS). The Minister for Trade and Export Growth gave a keynote address at last year's conference (September 2019). The conference will involve around 100 policymakers, business and community leaders, academics and others. The theme is inclusivity, diversity and sustainability in trade. Several international speakers are likely to participate virtually. Speaking at this conference would be an opportunity for you to outline the Government's trade policy agenda.

## New Zealand Trade and Enterprise

An early meeting between yourself and NZTE Board Chair Andrew Ferrier, and Chief Executive Peter Chrisp, would be valuable. You will have received separate briefing from NZTE.

## Government to Government Know-How

Government to Government Know-How (G2G) is a joint venture funded by the Ministry, NZTE and MBIE, which operates out of NZTE. G2G sells New Zealand's globally recognised state-sector expertise to other governments, helping improve their state-sector performance. G2G commercialises New Zealand's expertise in areas such as the Ease of Doing Business, Transparency and Reform, Agri-Business, Sustainable Food Systems (Food Safety, Food Supply), Environment, Education and E-government.

Since its inception in 2014, the programme has generated more than \$50.9 million in revenue across some 89 international contracts. COVID-19 has impacted G2G's operations, leading to a shift from a geographic-led strategy to a product-led strategy focussing on the

areas of Sustainable Food Systems, Education, and Government Effectiveness and Innovation.

## How the Ministry supports you

---

The Ministry engages with you through the following channels, which will be adapted to suit your preferences and schedule:

- A regular (usually monthly) meeting with the Chief Executive,
- A regular (usually weekly) meeting with the Deputy Secretary, Trade and Economic Group and other senior officials,
- Issue-specific written briefings, which provide key points, recommendations and background,
- Diplomatic reporting (known as Formal Messages) from the Ministry's offshore posts,
- Support for your engagements within your portfolio, for example first drafts of speeches, talking points, press releases;
- Support from accompanying senior officials for your virtual engagements and, in due course, during international travel; and
- Regular engagement through the Ministry staff seconded to your office.

Two Ministry staff are currently seconded to your office:

NAME/ROLE	RESPONSIBILITIES
<p><b>Jane Hooker</b> Senior Private Secretary</p>	<ul style="list-style-type: none"> <li>• COVID-19 Trade and Economic issues</li> <li>• The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)</li> <li>• US trade issues</li> <li>• China trade issues</li> <li>• Australia trade issues</li> <li>• The NZ-EU FTA</li> <li>• Brexit</li> <li>• The World Trade Organization (WTO)</li> <li>• The Organisation for Economic Co-operation and Development (OECD)</li> <li>• Asia-Pacific Economic Cooperation (APEC)</li> <li>• The Wai 262 Waitangi Tribunal claim</li> </ul>
<p><b>Karishma Patel</b> Private Secretary</p>	<ul style="list-style-type: none"> <li>• Bilateral trade policy issues (other than China, US, EU, Australia)</li> <li>• The NZ-UK FTA</li> <li>• Other regional FTAs:               <ul style="list-style-type: none"> <li>- The Digital Economy Partnership Agreement (DEPA)</li> <li>- The Agreement on Climate Change, Trade and Sustainability (ACCTS)</li> <li>- The ASEAN, Australia, New Zealand Free Trade Agreement (AANZFTA)</li> <li>- Pacific Alliance</li> <li>- Mercosur</li> </ul> </li> <li>• Domestic engagement and issues (including Trade for All, Climate Change, Forestry, Provincial Growth Fund, and Water Issues)</li> <li>• Regional Forums (including ASEAN and Commonwealth)</li> <li>• The Regional Comprehensive Economic Partnership (RCEP)</li> <li>• Ministerial Correspondence, Official Information Act requests, and written parliamentary questions</li> </ul>



## Part two

---

# New Zealand's foreign and trade policy



## Strategic foreign policy overview

---

Your Ministry acts in the world to build a safer, more prosperous and more sustainable future for New Zealanders. We engage with other countries and non-state actors and seek to influence outcomes that align with New Zealand values and protect enduring national interests in:

- A rules-based international order that supports New Zealand's priorities;
- A security environment that keeps New Zealand people and activities safe;
- International conditions and connections that enable New Zealanders to prosper; and
- Global action on sustainability issues that matter to New Zealand.

### Our operating context

The global outlook is clouded by increased complexity, heightened strategic tension and new levels of disruption, disorder and risk. Many of the assumptions about global and regional affairs that have underpinned our foreign policy for the last 75 years are coming under real and sustained pressure. For example, we can no longer take for granted the virtue of ever-deepening globalisation; the effectiveness of multilateralism and its institutions; the appeal of liberal democracy and economic models; the interest and capacity of great powers to shoulder the burden of global leadership; or a benign Pacific neighbourhood.

Our international operating context is shifting at pace and growing more complex. The post-World War II global order is receding and no new order is yet emerging to replace it. But it is clear that the future will not look like the recent past. And whatever comes next, it is unlikely to align as closely with our interests or reflect our values as fully as that which we had before.

Four trends will most strongly shape our strategic environment over the next decade: 1) global power shifts and strategic competition; 2) a rules-based system under pressure; 3) economic development pushing up against planetary thresholds; and 4) a retreat from openness and liberal democracy.

**Global power shifts and heightened strategic competition** – in particular, the shift in the relative power of US and China – will be more acutely felt. <sup>s6(a)</sup>

Trade and advanced technology are the current frontlines of the US–China strategic competition and escalation remains a key risk to the outlook. All countries are feeling their strategic space squeezed as a result of these shifts <sup>s6(a)</sup>

**The rules-based system is under pressure** and fractures are becoming deeper as more and more states retreat behind “country first” agendas amidst sustained domestic anti-globalisation and populist nationalist sentiment. These conditions erode existing norms and create more space for some states to misuse and undermine the system to frustrate effective action or create mischief.

**Economic development is pushing up against planetary thresholds**, with the costs of unsustainable growth evident in a growing network of global environmental issues. Climate change will present deep challenges in the next decade in terms of both impacts and responses. Climate change poses risks to development, security and health, and magnifies many other risks. As the negative effects of climate change are felt more acutely, international and social tensions related to climate change will intensify and the pace of countries' economic responses to climate change likely to accelerate. Other serious environmental issues include plastic pollution, declining ocean health, deforestation and species loss. Fresh water could become a powerful strategic weapon.

**A global retreat from openness and liberal democracy** is demonstrated by a steady decline in the quality of democracies, even if the number of democratic states remains high. Challenges to the underlying tenets of democracy are coming from within as anti-establishment leaders in notionally liberal states varyingly seek to centralise power, circumvent democratic process, politicise the judiciary and undermine freedom of expression. These trends are reinforced by growing public scepticism of elites, institutions and globalisation.

The COVID-19 pandemic overlays these four trends. **COVID-19 has manifested as an acute disruptor**, adding layers of complexity to all aspects of New Zealand's operating context. COVID-19 has amplified or accelerated the identified trends in ways that exacerbate their negative impact on the global operating context. As the COVID-19 recovery unfolds, we expect the world will be less open, less prosperous, less secure and less free.

## New Zealand's foreign policy priorities

In 2019, the Ministry identified a set of six strategic foreign policy priorities for New Zealand, both in response to these trends and because of their particular significance for New Zealand's wellbeing over the next decade:

- Safeguarding New Zealand's interests in the Pacific;
- Shaping an Indo-Pacific regional order that reflects New Zealand interests;
- Maximising New Zealand's trade value and resilience;
- Investing in global rules and institutions that deliver for New Zealand;
- Tackling increasing risks to New Zealand's security; and
- Playing a credible role in global climate change action.

COVID-19 has not altered these priorities at the headline level, although there will be shifts in focus or emphasis and the Ministry is having to prioritise new areas of work, such as safe travel zones and vaccine diplomacy, whilst also managing an unprecedented consular workload. COVID-19 has also impacted on the interplay of risk and opportunity for New Zealand's international engagement, and altered the allocation of resources in pursuit of revised priorities. Our foreign policy priorities are outlined below, with a COVID-19 lens necessarily applied to most issues.

### **Safeguarding New Zealand's interests in the Pacific**

New Zealand has enduring interests in ensuring that our Pacific neighbours are safe, resilient and prosperous; and in maintaining the key characteristics of our preferred strategic environment. A more contested region with non-traditional external partners increasing their presence in the Pacific has implications for stability and governance norms.

COVID-19 has severely impacted Pacific economies, even as most countries remain COVID-free. The region's economies are heavily reliant on tourism, remittances and labour mobility opportunities. Revenue from these sources has dried up. The increase in poverty and decline in standards of living resulting from a deep and long recession will impact on the region's politics and security, and will have direct consequences for New Zealand. Against this backdrop, strategic competition in the region could accelerate. If the region responds to these challenges by taking on unsustainable commitments, Pacific countries could be exposed to a broader set of risks that affect New Zealand interests.

The region will bear increasingly severe impacts of climate change, including further sea-level rise, more frequent extreme weather events, fresh water shortages and greater pressure on food stocks. Like COVID-19, these climate change impacts will exacerbate existing social, economic and security challenges.

Building on the rapid and decisive action already taken to support Pacific countries to prepare for and respond to COVID-19, New Zealand now faces difficult development funding and policy decisions to ensure the Pacific remains protected from COVID-19, while bolstering economic resilience and contributing to climate change resilience and protecting our strategic interests. Sustaining mature and robust political relationships in the region as best we can will continue to be important for New Zealand, as will efforts with Australia and other partners to preserve the strategic balance in the region.

### **Shaping an Indo-Pacific regional order that reflects New Zealand interests**

New Zealand has a deep stake in the Indo-Pacific region's stability, greater economic integration and evolving norms and systems. To shape those norms and systems to our advantage, we need to be active bilaterally and through regional architecture over the long term. One key driver for deepening our relationship with ASEAN is to help sustain its critical role in bringing countries together and promoting rules and norms that are consistent with our preferences, including as the anchor of key regional architecture, notably the East Asia Summit (EAS).

Key organisations such as the EAS and APEC are under increasing pressure as a result of decreasing willingness by major powers to see their strategic and economic interests intermediated by others. The contest for regional influence is also giving rise to new regional formats, including the various Free and Open Indo-Pacific constructs, China's Belt and Road Initiative and a re-invigorated (US, Australia, India, Japan) Quad. New Zealand's principle-based approach to these fora is shaped by interests in an Indo-Pacific that is open, inclusive and transparent; respects sovereignty, ASEAN centrality, and freedom of navigation and overflight; and promotes adherence to international law and open markets.

While New Zealand's economic interests in the Indo-Pacific can be expected to hold up fairly well, politically there is less room for optimism. COVID-19 has exacerbated existing

major power tensions, accentuated regional competition over cooperation and increased risks to the pre-eminence of the vital regional architecture.

New Zealand's chairing of APEC in 2021 takes on additional geostrategic importance in a COVID-19 environment, including as a platform for us to help focus the region's approach to recovery, to reinforce economic norms aligned with *our* values and *our* interests, and to lead APEC at a time when it is developing an agenda covering the next 20 years of its work. Both chairing APEC and maintaining New Zealand's voice on wider regional issues will test New Zealand's diplomacy without face-to-face meetings.

### **Maximising New Zealand's trade value and resilience**

New Zealand's prosperity is underpinned by strong international connections, which support productivity and enable our export sector to deliver sustainable returns to the country. Trade is a major driver of productivity, employment and incomes in New Zealand: productivity per New Zealand worker is 36 per cent greater for workers in exporting firms compared with non-exporting firms. Inbound foreign direct investment (FDI) is an important component of the export sector's success: given New Zealand's relatively shallow capital base, it enables firms to build the necessary scale and capability.

A number of disruptive forces are bearing down on our trade interests: increased protectionism; consumer shifts away from carbon-intensive commodities and services; increasing interest in carbon border adjustments in response to climate change; and trade tensions between the US and China. Finally, climate change imperatives will require our exporters to adapt – sooner or later – to a low-carbon global economy.

COVID-19 has increased the headwinds we were already facing as nationalism and protectionism become more pervasive and more entrenched, as global demand plummets on the back of serious economic retraction, as businesses look to shorten supply chains, and as border restrictions constrain our significant tourism and education service exports.

The trade recovery strategy the Ministry is pursuing with New Zealand Trade and Enterprise includes more direct support to export businesses from our network of offshore posts, as well as helping businesses prepare to make the transition to a low-carbon economy. The Ministry is also leading negotiation of quarantine-free travel zones with Australia, the Cook Islands and Niue to facilitate the opening up of travel when safe. Over the longer term, it will be important to New Zealand's economic resilience <sup>s6(a)</sup>

that our trade and climate change strategies are aligned.

### **Investing in global rules and institutions that deliver for New Zealand**

New Zealand's wellbeing over the last 75 years has been supported by an international system of institutions, rules, norms and frameworks, which has provided predictability, disciplined power, reflected our values and largely been consistent with our interests. But now there is declining international support for and adherence to many of the rules and norms that benefit us, with fractures deepening in the international system, the principles on which it was built and the institutions that support and sustain it.

At the point when the world needs a coordinated global response more than ever, the international system is under serious pressure and leadership from the major powers is

often selective and frequently absent. As well as complicating many multilateral processes, COVID-19 has caused nations to focus inwards and global goodwill has fallen short as nations have tended to their own. Geopolitical tensions and inherent challenges in the UN's architecture continue to pose grave challenges to international cooperation, including around equitable distribution of any vaccine. Supporting the national vaccine strategy has become a critical part of our foreign policy effort.

As the COVID-19 crisis unfolds, some process may emerge that would help the world to address the health and economic impacts of the pandemic, in a similar way to the establishment of the G20 in response to earlier economic crises. New Zealand would want to be poised and ready to contribute to or support such a process.

More broadly, multilateralism serves our national interests (e.g., trade access/enforcement under WTO rules and the Law of the Sea mandating our Exclusive Economic Zone (EEZ)), and New Zealand's reputation has been enhanced through successful multilateral action. We need to ensure in the current environment that investment of effort will have impact. We will need to make astute choices about where to invest and at what scale. The UN treaty on high seas marine biodiversity is currently the only major multilateral treaty under negotiation at the UN and is a particular priority for New Zealand. Multilateral solutions to protect states' maritime zones in the face of sea level rise is another priority that we are championing on behalf of Pacific partners.

### **Tackling increasing risks to New Zealand's security**

New Zealand's security environment is deteriorating. State sovereignty and agreed norms of state behaviour are being undermined. Growing strategic competition is having a destabilising effect, especially in the Indo-Pacific region. Antarctica is not immune. Trans-border threats directly affecting New Zealand's security include malicious cyber activities, foreign interference, malign use of emerging technology (including in outer space), transnational crime, irregular migration and terrorism. These threats stem from global challenges with increasing domestic manifestations; addressing them will require increasingly deep cooperation between external-facing and internal-facing New Zealand government agencies. Likewise, New Zealand will need to broaden and deepen security cooperation with key partners and continue defending the rules-based order through contributions to global peace, security and disarmament initiatives.

Security threats will rise further and more quickly in the COVID-19 environment as a result of increased instability, greater state weakness and more failed states; greater international refugee flows; reduced capacity in countries to address trans-border security threats; and more space for malign actors to operate given distracted governments. Further demand for security and humanitarian contributions from New Zealand can be expected.

### **Playing a credible role in global climate change action**

A paradigm shift in global action on climate change in the next decade is essential to avert catastrophic outcomes. We have a compelling national interest in continuing to champion faster and more far-reaching global action to reduce emissions because our wellbeing depends on the effectiveness and speed of others' decarbonisation efforts. This interest is amplified by Pacific island countries' pressing need for effective global action, their

expectation of our support for such action, and the flow-on to our wider strategic interests in the Pacific.

Ambitious mitigation action at home can create opportunities to pursue a leadership role in promoting effective international climate action. We also have opportunities to partner with other like-minded countries to help increase action on climate change – for example partnering on new technology and carbon markets.

COVID-19 has seen much global climate change engagement pivot toward enhancing global ambition in the context of “green recovery” aspirations. In this context, the role of trade disciplines, investment, and civil society is assuming a new profile.

New Zealand’s climate change diplomacy is focused on: advocating for COVID-19 recovery consistent with the Paris Agreement; completing negotiation of the implementation guidelines for the Paris Agreement (the “Paris rulebook”); supporting environmental integrity in international carbon markets, and developing ways for New Zealand to access those markets; and implementing the Ministry’s Pacific Climate Change and Development Action plan. The outcome of the US presidential election will also have a major bearing on the effectiveness of the Paris Agreement.

## Advancing our foreign policy priorities

### The COVID-19 challenge

Even before COVID-19 hit, the period ahead was going to be challenging for New Zealand’s international interests. COVID-19 has increased the challenge in both policy and practical terms, including because it continues to limit so seriously our engagement with the world. New Zealand’s wellbeing depends on our international connections: through associated flows of trade, capital, skills, knowledge and ideas; and through our ability to influence decisions taken outside New Zealand that impact on us. Our connections have been drastically reduced by COVID-19 – weekly direct scheduled commercial flights to New Zealand have fallen on average over 90 per cent per week compared to the same time last year.

One of the presenting challenges for the Government therefore will be to determine **how the country can reconnect with the world in a safe and measured way**, ensuring that New Zealand is well-positioned to preserve, protect and rebuild international connections as soon as possible. A scenario where others re-open their borders but New Zealand remains closed could mean we will be absent from the international scene for longer than some others: a significant risk for New Zealand foreign, development and trade policy that will need to be mitigated.

COVID-19 has also posed **challenges for the Ministry’s offshore network**. The pre-COVID business model has been to operate posts with lean staffing from Wellington, premised on the ability to move senior officials across borders to represent New Zealand at major meetings and to surge staff into posts for relief, respite or reinforcement as necessary. COVID-19 has changed all of this. The resilience of our offshore network – critical to supporting New Zealanders abroad, advancing New Zealand interests and leading our trade recovery efforts – has been sorely tested. This is particularly the case for posts with just two officers from Wellington – some 17 of our 59 offshore missions. We

have temporarily closed eight posts during the COVID-19 pandemic. Three are due to reopen. We will have to continue to manage the network dynamically over the coming months – a core task with increased transactional and financial costs.

While our border remains closed, New Zealand will need to sustain our agility in virtual diplomacy and explore other ways to maintain connections and influence. Even as borders re-open, we can anticipate a less open world until a safe and effective vaccine has been widely distributed and a future where pre-COVID-19 trends are accentuated. We will find it more difficult to **maintain profile, achieve cut-through and exert influence** on the issues that matter to us in this crowded, contested, fragmented and disconnected operating environment.

### **Our assets**

That said, we shouldn't lose sight of the fact that, our small size notwithstanding, New Zealand has **international mana and credibility** stemming from our national values and attributes; the practical development, defence and police contributions we make to the international community; and diplomatic successes, such as the Christchurch Call (see Figure 1: New Zealand interests and assets on p. 27).

These assets, which are derived from NZ Inc in its broadest sense, will be even more valuable in the current environment. Prioritising effectively and harnessing the collective NZ Inc capability will be important. An early issue for the incoming Government will be determining on what issues it might choose to leverage the influence that comes from New Zealand's currently increased profile from the country's response to the Christchurch terror attacks and to COVID-19.

### **Our relationships**

A more disrupted and disordered world will also be a lonelier one for New Zealand as global affairs become more transactional and traditional friends are more preoccupied domestically and take a narrower national interest approach globally.

We will need to invest more in and require more from our bilateral relationships. The quality of our bilateral relationships with our **Pacific neighbours** has impacts across New Zealand's international interests. Moreover, domestic and foreign policy considerations are intimately connected when it comes to the Pacific. **Australia** will remain our most important relationship and indispensable partner. <sup>s6(a)</sup>

<sup>s6(a)</sup>  
**The US** will continue to play a vital role in our security and prosperity, <sup>s6(a)</sup>

The value of a core group of major relationships has been reinforced during the COVID-19 crisis.

<sup>s6(a)</sup>  
<sup>s6(a)</sup>

s6(a)

We will also continue to derive benefit from leading and joining **coalitions of interest** with countries with which we share (to varying degrees) a set of common interests and values, including a commitment to multilateralism, free trade, the rule of law and liberal democratic values.

s6(a)

New Zealand's relationship with China is significant, and multi-dimensional, but also enormously asymmetrical.

## Conclusion

The period ahead will present ongoing challenges as we seek to **uphold our interests and our values**. We will need to be clear in our understanding of both, and ensure others know what we stand for to maximise our ability to pursue a consistent, principled and independent foreign policy. Even so, our scope to advance an independent foreign policy may be reduced as the conditions that enable our independence of thought and action – the respect for rules, strategic space to make choices, a wide group of friends that share our views – will likely be wound back in a more inward-facing and transactional global environment.

We will need to be pragmatic and adroit to defend what we must and shape what we can, all the while building New Zealand's resilience so that we can capitalise on the opportunities and manage the risks that a disordered world will present. **Urgency, agency and entrepreneurship** in our foreign policy will be more important than ever in these tumultuous times.

Figure 1: New Zealand's interests and assets

<b>New Zealand's interests and assets</b>	
<p>New Zealand's wellbeing depends on the protection and advancement of a set of enduring interests in the world. Securing these interests involves well focused and executed international action to influence other countries and organisations to our advantage, buttressed by complementary domestic policies and actions.</p> <p>New Zealand's international influence and credibility are functions of our enduring national assets and the ways in which we use these to best advantage in the world. These assets will become even more valuable as we navigate greater uncertainty this decade. Nurturing them through action at home is critical to success internationally.</p>	
<b>New Zealand interests</b>	<b>New Zealand assets</b>
<p>We have essential and enduring interests in:</p> <p><b>A rules-based international order that supports New Zealand priorities:</b></p> <ul style="list-style-type: none"> <li>○ Rules, norms and other international frameworks governing global affairs, which promote stability and predictability; and</li> <li>○ Multilateral institutions that give all countries a voice.</li> </ul> <p><b>A security environment that keeps New Zealand people and activities safe:</b></p> <ul style="list-style-type: none"> <li>○ International security and stability, particularly in the Pacific and Indo-Pacific regions;</li> <li>○ Secure borders (land and maritime);</li> <li>○ Secure domains that New Zealanders use (oceans, airspace, cyberspace); and</li> <li>○ Collective security mechanisms (e.g., the UNSC, NATO).</li> </ul> <p><b>Conditions and connections that enable New Zealanders to prosper:</b></p> <ul style="list-style-type: none"> <li>○ Open trading arrangements and access to markets underpinned by an effective multilateral trading system;</li> <li>○ Secure and open trade routes (maritime and air);</li> <li>○ Sufficient access to international carbon markets;</li> <li>○ Liberal economic norms; and</li> <li>○ Global financial stability.</li> </ul> <p><b>Global action on sustainability issues that matter to New Zealand:</b></p> <ul style="list-style-type: none"> <li>○ Progress towards sustainable development;</li> <li>○ Global collective action to address climate change; and</li> <li>○ Environmental protection of Antarctica and the Southern Ocean.</li> </ul>	<p><b>Our mana and credibility in the international arena are founded on intrinsic New Zealand features:</b></p> <ul style="list-style-type: none"> <li>○ Our strong democratic institutions and values and adherence to the rule of law;</li> <li>○ Our commitment to equality, fairness, inclusivity and accountability;</li> <li>○ Our distinctive bicultural society underpinned by Te Tiriti o Waitangi and the Crown-Māori partnership;</li> <li>○ Our Pacific orientation and Pasifika population;</li> <li>○ Our super-diverse multicultural society and tolerant communities; and</li> <li>○ Our robust and reputable domestic policy settings (open economy, ease of doing business, high transparency and absence of corruption).</li> </ul> <p><b>We earn recognition for the contributions we make to the international community including:</b></p> <ul style="list-style-type: none"> <li>○ Our effective international development and humanitarian assistance programmes;</li> <li>○ A professional and capable New Zealand Defence Force deployed to promote international and regional security;</li> <li>○ New Zealand Police, respected for its modern, community-based policing approach;</li> <li>○ High quality analysis of classified and open source intelligence; and</li> <li>○ Our thought leadership and talent (niche research and innovation strengths).</li> </ul> <p><b>We have enduring assets derived from our geography:</b></p> <ul style="list-style-type: none"> <li>○ Our maritime area (combined Exclusive Economic Zone (EEZ) and continental shelf) is one of the largest in the world;</li> <li>○ We are part of the Indo-Pacific, the fastest growing region in the world;</li> <li>○ We are embedded in the regional architectures of the Pacific and the Indo-Pacific; and</li> <li>○ The landmass of Australia stands between us and the most proximate source of a wide range of security threats.</li> </ul>

# Overview of New Zealand's trade interests and trade policy

---

## Trade and investment connectivity

International connections are critical to New Zealand's economic productivity and wellbeing. Trade is a major driver of productivity, employment and incomes. Productivity per New Zealand worker is 36% greater in an exporting firm than a non-exporting firm. Employment grows 7% to 12% faster when New Zealand firms start exporting. Exporting firms pay higher wages – up to 6% more than non-exporters.

Businesses need to build scale and capability to be able to export, and this is often not achievable with domestic investment alone. New Zealand has a relatively shallow capital base, so our businesses need to be able to access foreign investment. The stock of inbound Foreign Direct Investment (FDI) totalled \$113 billion as at 31 March 2019.

Māori business makes a vital contribution to the New Zealand economy and is heavily reliant on access to overseas markets given predominance in primary produce and tourism sectors. The Māori asset base is believed to be worth around \$50 billion.

New Zealand's productivity, once world leading, has fallen significantly behind our advanced country peers. Our level of connectivity has been a factor in this. International connections are critical to New Zealand's economic productivity and wellbeing. According to the OECD, around half of New Zealand's weak productivity performance in recent decades stems from weak international connections.<sup>1</sup> Despite our open macroeconomic and trade policy settings, the share of trade in the New Zealand economy is low relative to our small advanced economy peers. COVID-19 has further underlined the fragility of our international connectivity. Sustaining our existing connections, and expanding them through our trade linkages will be a continuing challenge.

While New Zealand's exports and imports have increased steadily over the past decade in both value and volume terms, trade as a share of the overall economy has steadily declined – a continuation of a trend since the early 2000s (see Figure 2 on p. 29).

## The Ministry's work to support New Zealand's economic interests

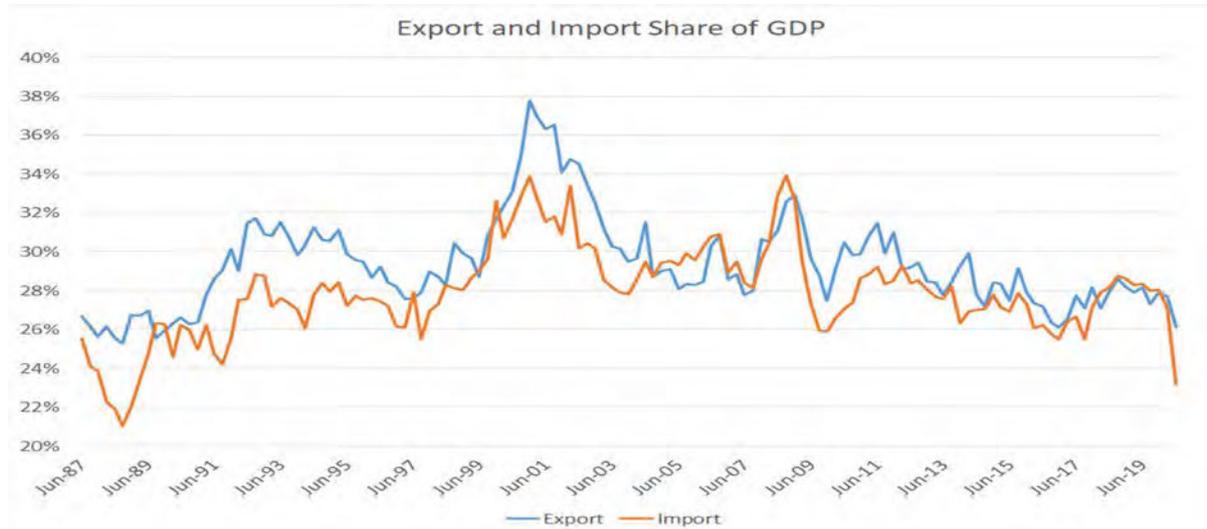
The Ministry helps New Zealand to derive the best possible returns from these international connections, and to be resilient to economic shocks. We do this through a combination of trade policy effort, regional diplomacy and deployment of our global network to support New Zealand exporters, working closely with other agencies. Our trade policy effort focuses on negotiating access to markets for our goods and services and protecting those markets. The rules-based multilateral trading system at the World Trade Organization (WTO) and the free trade agreements (FTAs) that it underpins bring certainty, predictability and enforceability to our trading relationships. For this reason, New Zealand places great importance on fair

---

<sup>1</sup> *OECD Economic Surveys: New Zealand 2017.*

international trade rules that bind big and small countries alike. Increasingly, trade rules are extending beyond traditional commercial interests to contribute to global sustainability goals and to ensure the benefits of trade are more widely shared.

**Figure 2** Export and import share of GDP



Our long-term trade strategy includes support for global 'public goods' including the OECD, which provides independent analysis and the Small Advanced Economy Initiative (SAEI) which helps New Zealand and similar economies share learnings.

### Multilateral Context

The WTO and the wider rules-based global trading system are essential for New Zealand's economic security and prosperity. WTO rules and disciplines covering market access, subsidies, intellectual property and many other areas are legally enforceable. This means that major economic powers can be held to account, including by smaller countries.

WTO members participate in the WTO dispute settlement system by bringing a case as a principal party, by joining as a third party, or by having measures challenged by another member. We have never been challenged by another member. As a principal party, New Zealand has brought eight successful cases in the WTO<sup>2</sup>, the most recent of which was a 2017 case brought jointly with the US against Indonesia challenging a range of non-tariff measures affecting our horticultural and beef exports. New Zealand also participates in cases as a third party.

Specific provisions of the WTO agreements also provide the basis for New Zealand negotiating FTAs.

New Zealand's history of constructive action in the WTO means that our standing with the membership exceeds our economic heft. Our reputation delivers opportunities for

<sup>2</sup> Indonesia — Import Licensing Regimes (2017); Australia — Apples (2010); Canada — Dairy (2003); US — Steel Safeguards (2003); US — Lamb (2001); Hungary — Agricultural Products (1997); EC — Butter (1999); India — Agricultural, Textile and Industrial Products (1998).

leadership, such as our chairmanship of the WTO Doha Round negotiations on Agriculture. The current Chair of the WTO Council, the highest body of the organisation, is New Zealand's Permanent Representative to the WTO, Dr David Walker. In an organisation that sets the global trade rules for the future, it is critical that New Zealand continue to have an active seat at the table.

### **Regional and Bilateral Context**

FTAs serve to deliver economic benefits to New Zealand and to further wider foreign policy objectives through deepening our bilateral and regional relationships.

New Zealand has built up an architecture of **Free Trade Agreements**, centred mainly on the Indo-Pacific region, starting with CER with Australia in 1983. Other notable FTAs include our FTA with China (2008), the ASEAN-Australia New Zealand FTA (AANZFTA) (2010), and those with a range of individual economies (Thailand, Malaysia, Korea and Taiwan). With the entry into force of the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) in December 2018, our FTAs now cover 62%<sup>3</sup> of New Zealand's goods and services exports. These agreements give additional security and duty free access to a diverse range of markets for most of our goods exporters, though with some significant product exceptions notably in CPTPP and our bilateral FTA with Korea, and assured conditions of trade for our services exporters and investors.

Our FTA with the Pacific, PACER-Plus, covers a further 0.9% of our exports and will enter into force on 13 December 2020. Conclusion of the Regional Comprehensive Economic Partnership (RCEP) mega-regional FTA and signature is expected this year, though it has become clear that India will drop out, at least at this stage.

The priorities among New Zealand's current FTA negotiation partners are the EU-27 (which takes about 7% of New Zealand goods and services exports) and the United Kingdom (taking about 4% of exports). If all of New Zealand's current FTA negotiations are successfully concluded and enter into force, New Zealand's FTAs will cover around 76% of our exports of goods and services. Figure 3 on page 31 shows those countries with whom New Zealand has or is negotiating FTAs.

In terms of the **implementation of our FTAs**, more work is needed to encourage the uptake of opportunities by New Zealand exporters, particularly small and medium-sized enterprises (SMEs), including in regional New Zealand. The Ministry and NZTE work closely onshore and in overseas markets to support FTA implementation. The Ministry also aims to maximise benefits from FTAs through negotiations to extend coverage or improve provisions (negotiations have been concluded to upgrade the China FTA though a date for signature remains pending) and by expanding membership (we are in talks with CPTPP Members about opportunities for expanding that agreement).

New Zealand has a **strong stake in the Indo-Pacific region's stability, greater economic integration and its evolving norms and systems**. New Zealand's largest trading partners are in the region. South East Asian countries make up one of the fastest-growing markets in the world. It's a region of growing economic importance to New Zealand.

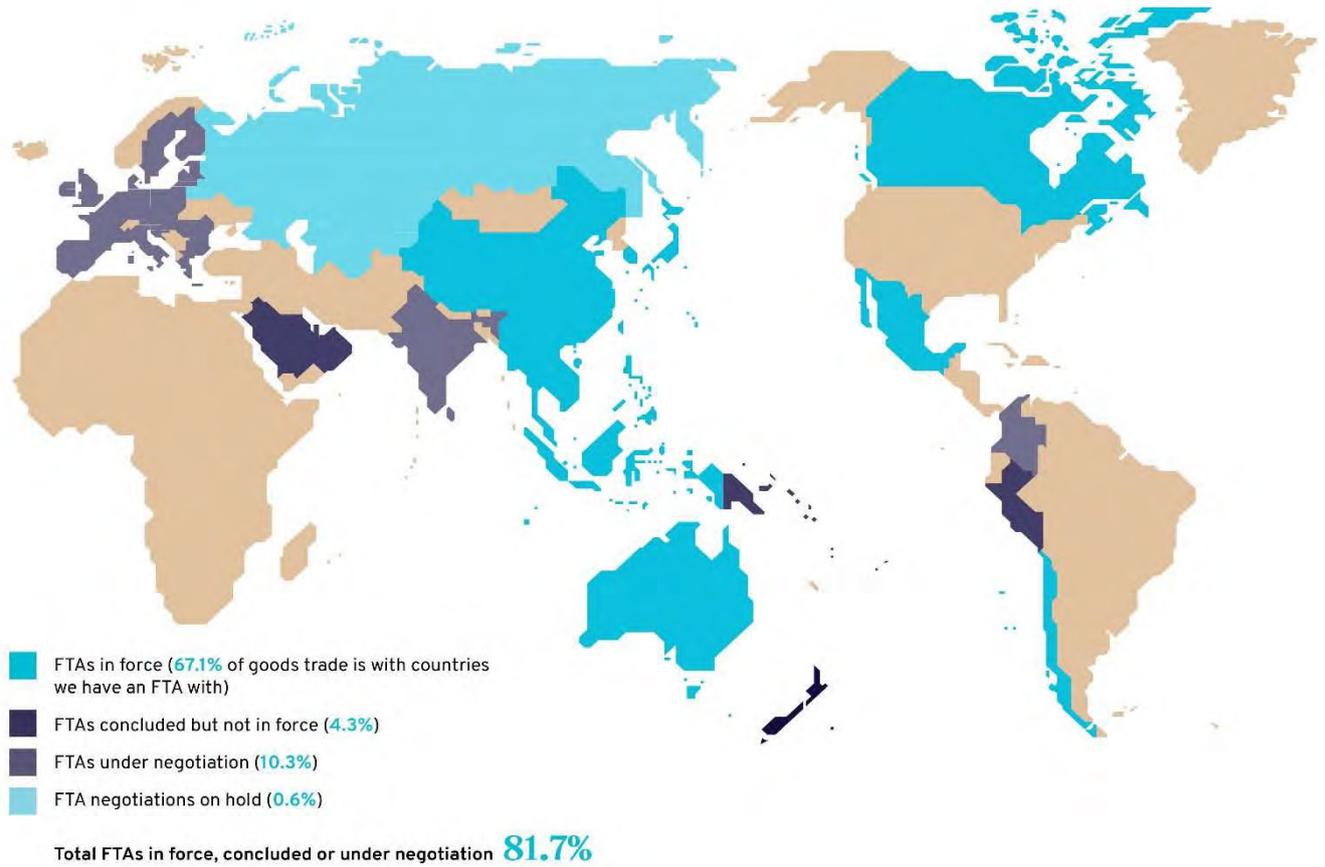
---

<sup>3</sup> Year to June 2020.

Bilateral and regional trade architecture initiatives have been our biggest contribution to the overall regional agenda and have helped set norms and rules that support our global interests and national values. We need to continue to be active over the long term both bilaterally and through the regional architecture, in particular APEC and the East Asia Summit.

**Figure 3:** Map showing New Zealand's FTA partners

Percentage of New Zealand goods exports to economies covered by FTAs in year ending June 2020



New Zealand’s hosting of **APEC 2021** is a key priority for the Ministry. APEC promotes trade and economic growth in the Asia-Pacific region and gives New Zealand an equal voice with some of the world’s biggest economies on how to promote economic development in our region. APEC is an important consensus-based and flexible forum in which to work through solutions to trade policy issues.

**‘Concerted open plurilateralism’**

‘Concerted open plurilateralism’ is an element of our trade strategy that involves identifying ‘pathfinder’ opportunities with groups of like-minded economies that share our ambition to develop new ideas, norms and rules in areas that are important to New Zealand. The purpose of ‘concerted open plurilateral’ agreements is to contribute building blocks to reinvigorate and sustain the multilateral system by creating agreements that others can then join. Examples include the Digital Economy Partnership Agreement (DEPA) with Chile and Singapore, which facilitates business and consumer participation in the digital economy,

and the Agreement on Climate Change, Trade and Sustainability (ACCTS) with Norway, Fiji, Costa Rica and Iceland, which seeks to use trade rules and trade-related measures to contribute to the global efforts to combat climate change.

### Support for exporters

In addition to pursuing New Zealand's trade objectives through multilateral, regional and bilateral negotiations, the Ministry provides a range of services to businesses to help them succeed internationally through its **Economic Diplomacy programme**. We work closely with other agencies, including NZTE, the Ministry for Primary Industries (MPI), the Ministry for the Environment (MfE), the Ministry of Business, Innovation and Employment (MBIE) and Customs. Our network of overseas posts plays a critical role. You will receive a separate briefing from NZTE on the work they are doing to support exporters under the Trade Recovery Strategy.

The Economic Diplomacy programme supports the Ministry's effective engagement with New Zealand exporters. It shapes our engagement in a manner that takes account of exporters' interests and concerns and leverages the capabilities of the Ministry to provide business insights, open doors internationally, and help resolve trade barriers. The Ministry publishes market reports on a range of topics to provide exporters with insights on market developments offshore. As of October, 100 reports have been published.

**Non-tariff barriers (NTBs)**<sup>4</sup> are increasingly problematic as tariffs are reduced. Since 2018, the Ministry has worked alongside agencies to dismantle 47 NTBs that New Zealand exporters faced around the world.

## Headwinds

New Zealand faces an intensely challenging international trade environment.

The trade architecture described above gives us valuable market access certainty, transparency and security. The WTO and the global trading system is, however, under severe strain. The **WTO has been struggling across its three pillars**: negotiation of new rules; monitoring; and dispute settlement. Common themes that contribute to the strain include a range of mainly developing countries that seek to hinder or block progress; widespread agriculture protectionism, particularly by major economies; tensions between developed and developing countries over WTO reform (especially related to Special and Differential Treatment<sup>5</sup>); and the tactical approach by the US to addressing issues with the functioning of the WTO's dispute settlement mechanism that has imperilled the WTO's Appellate Body.

---

<sup>4</sup> Non-tariff barriers to trade are trade barriers that restrict imports or exports of goods or services through mechanisms other than the simple imposition of tariffs.

<sup>5</sup> The WTO agreements contain particular provisions and clauses which give self-declared "developing countries" specific rights and flexibilities –so-called "Special and Differential Treatment" (SDT). The 2001 Doha Declaration states that SDT provisions are an integral part of WTO agreements. It also notes SDT provisions should be reviewed to "strengthen them" and make them "more precise, effective and operational". New Zealand's view is that SDT is appropriate only in response to identified needs, is targeted and proportional, does not create carve-outs for all developing countries, and supports the integration of developing countries into the multilateral trading system.

**Protectionist measures increased markedly** following the Global Financial Crisis in 2008 and many remain in place. Since then, we have seen a number of WTO-inconsistent preferential bilateral trade agreements negotiated. The US-China trade war and COVID-19 have given rise to a raft of new, legally dubious trade restrictive measures. This behaviour fosters disregard for the rules-based multilateral trading system, which is an essential protection for the prosperity of small countries like New Zealand.

The impact of **heightened strategic competition**, most notably between China and the US, will continue to manifest on the trade front in ways that impact on New Zealand's interests. Tariff disputes between the US and China escalated over the course of 2018 and 2019, causing bilateral trade to fall sharply. This trade dispute is undermining the stability of the international trading system that has provided certainty for New Zealand businesses over recent decades. As a small, export-oriented economy, New Zealand depends on a trading system underpinned by rules rather than economic influence.

The **transition to a low carbon global economy** will be disruptive to the New Zealand economy, given the carbon emissions profile of our most important export sectors: agriculture and tourism. Businesses face risks and opportunities from climate change and the transition to a low carbon economy. Risks include: (i) the immediate effects of adverse weather events, seasonal temperature changes, and sea level rise; (ii) more stringent regulation driven by governments, customers and consumers; (iii) litigation by activists and investors; and (iv) technological change that will create opportunities as well as costs – opportunities that competitors might exploit first.

The growth in concern within civil society internationally about impacts of globalisation and uneven distribution of the benefits of trade has been evident in New Zealand as well. During the final stages of the negotiation of the CPTPP, we saw a **fracturing of public support for trade agreements** in New Zealand for the first time.

## The COVID pandemic has intensified pre-existing pressures

Existing pressures on the international system and the network of relationships we rely on to achieve our trade policy objectives have been exacerbated by the pandemic's economic impacts and by measures in response to COVID-19.

We are seeing a **sharp increase in trade distortions**. Most common globally has been the sharp uptick in subsidies, both economy-wide and for specific sectors. This risks locking in significant distortions that will make it harder for New Zealand to compete. We lack the scale to win a subsidy competition. The next most common has been export restrictions, particularly on medical supplies and some food (though many have been repealed or lapsed).

Initial estimates for the second quarter of 2020, when the virus and associated lockdown measures affected a large share of the global population, indicate **a year-on-year drop of around 18.5% in the volume of global merchandise trade** (further detail on the trade impacts of COVID-19 is provided at Annex I). Looking ahead to next year, a slower-than-expected pace of economic recovery would weigh on trade growth. This will affect New Zealand directly and through third countries (e.g. reduced demand for our exports to Australia as that country is affected by slower economic growth in China). The Treasury has

predicted New Zealand's GDP will contract by 3.1% in the June 2020 year with a further contraction of 0.5% in 2021.

New Zealand's export sector has so far performed remarkably well, particularly the primary sector, though international education and tourism services have taken a severe hit from COVID-19 and related response measures. The bigger risk is the future effects of **slowing global demand**, including the risk of a slowdown in China. The spill-overs will be significant for unemployment, productivity levels, wages and a general tightening of the domestic fiscal environment. Most businesses will emerge from the crisis with weaker balance sheets (low cash, high debt), face weaker international demand, will have lost international market share, and some may be susceptible to foreign investors seeking distressed assets.

COVID-19 is likely to **accelerate the trend decline in the share of trade in the economy**. Trade in services has fallen sharply, largely as a result of the impact of border closures on tourism and education. While goods exports have mostly held up, they will face increasing headwinds as global demand weakens, at the same time as limitations on international connectivity will make accessing new markets and customers offshore considerably more difficult. If the trend decline in the export sector continues, with the corresponding increasing importance of the non-tradables sector to the economy, this will drag on New Zealand's aggregate productivity (see Appendix 1 for more detail.)

**Foreign direct investment** (FDI) is also likely to be impacted by the COVID-19 pandemic. Lower interest rates may increase the level of capital searching for investments; however reduced economic activity due to COVID-19 will likely constrain investors' appetite for risk.

**Māori businesses and related industries** have been hit hard by the pandemic. Māori workers, businesses and iwi have relatively high exposure to primary industries and tourism and are likely to be impacted in similar ways to regional economies, with sharp differences in outcomes for those involved in different sectors. Māori have historically fared worse and for a longer period of time in global recessions; this is likely to be the case again. Work is underway to develop a cross-government Māori Economic Resilience Strategy, led by Te Puni Kōkiri with support from the Economic Chief Executives.

## Taking New Zealand's interests forward in a challenging environment

Trade (imports and exports) will be a key enabler of New Zealand's wider economic recovery and long-term resilience. Under the Trade Recovery Strategy agreed by Cabinet in June 2020, we have redirected effort in the Ministry, in conjunction with other NZ Inc agencies, to focus on practical steps to support the trade recovery, ensure New Zealand is still internationally 'connected' and bolster our resilience to future shocks. Current Ministry priorities to meet these objectives are elaborated in the following sections. Figure 4 on page 38 sets out New Zealand's long-term trade strategy.

### Supporting exporters

The Ministry and other agencies have increased support and services to exporters to position New Zealand companies to recover markets quickly and seize new opportunities.

The Ministry's efforts under the Economic Diplomacy Programme (see above) have intensified as we look to more actively support New Zealand exporters and help them remain connected to international markets.

A new unit established in the Ministry's Economic Division is focused exclusively on trade recovery. This unit works directly with business and leverages the Ministry's offshore network to tackle non-tariff barriers. This work supplements the work of our trade negotiators to expand market opportunities for New Zealand exports.

Events, such as our hosting of APEC 2021 (see below) and Expo 2020 (see sidebar) will also provide opportunities to shape our trade environment and to give profile to our export sector.

### **Protecting the international trade architecture**

Work to preserve and refresh as much of the rules-based trading system as possible takes on new urgency as pressures on the international architecture increase. It will be important to continue to support the WTO and to push back against rising protectionism and the likely negative spill-overs to a global recovery.

### **APEC 2021**

New Zealand's hosting of APEC in 2021 is a key priority over the coming year. The impact of COVID-19 on the region's people and economy, coupled with the decision to host an entirely virtual year, makes APEC 2021 an ambitious exercise in digital diplomacy. New Zealand will work with the 20 other APEC economies to lead a collaborative response to the pandemic by sharing experience and testing best practice in COVID-19 response and recovery. The recovery will require new and different ways of thinking and APEC is an important consensus-based and flexible forum in which to work through solutions. Through APEC's work on the COVID recovery, we will reaffirm the value and importance of APEC cooperation to New Zealand and to the broader region, including by promoting sustainable and inclusive trade and economic policy.

### **Increasing opportunities for trade**

A trade policy priority is to expand the number of markets to which New Zealand exporters have preferential access. At time of writing, we are poised to conclude RCEP, opening up new opportunities for exporters to Asia, and are ready to sign the concluded FTA Upgrade with China. PACER Plus is due to enter into force on 13 December, an important achievement in terms of our strategic relationship with the Pacific. The recently signed DEPA

---

### **EXPO 2020**

New Zealand will participate in Expo 2020, which will be held in Dubai, United Arab Emirates from 1 October 2021 to 31 March 2022. Expo 2020 was originally set to take place from October 2020 to March 2021, but has been postponed for a year due to the COVID-19 pandemic. New Zealand's Expo 2020 theme is 'Care for People and Place', and the event will promote New Zealand as a trusted trade and investment partner and as an education and tourist destination. A Leverage Programme with \$5 million ring-fenced funding, as well as wider programme of events, including business, culture and entertainment, supplements New Zealand's participation. NZTE is the project delivery agency, although the multi-year funding for Expo 2020 will come from Vote Foreign Affairs. Additionally, in July 2020, Cabinet approved \$7.78 million from the COVID-19 Response and Recovery Fund to cover the additional costs of New Zealand's participation in the postponed Expo.

---

with Chile and Singapore will help New Zealand exporters and SMEs take advantage of opportunities from digital trade.

In the coming months, our trade agenda will be dominated by critically important negotiations with the EU and with the UK. In addition, we are negotiating with the Pacific Alliance (the Latin American regional group made up of Chile, Colombia, Mexico and Peru); with ASEAN countries to upgrade the Australia New Zealand ASEAN FTA (AANZFTA); and we are a member of the WTO e-commerce negotiations, which seeks to apply disciplines to digital trade and electronic commerce.

### **Strategic trade resilience**

The Government has an important role in continuing to provide diversification options for New Zealand exporters and improving certainty in a wider range of markets. This provides additional commercial opportunities for New Zealand exporters and the chance to guard against over-reliance on too small a set of markets.

The COVID-19 pandemic has also highlighted our dependence on foreign suppliers for a number of critical products. The Ministry is undertaking work on how New Zealand could improve its resilience in this regard in response to a range of scenarios. This work includes looking at mitigating supply chain exposure in critical areas such as essential foods, healthcare, key industrial inputs, energy, ICT and transport services, and complements work under way across other government agencies. We intend to start wider discussion with private sector contacts to inform this work in coming weeks.

This work also touches on many related issues: initiatives by other countries to improve their supply chain resilience; plans to re-shore supply chains or to re-focus them away from certain countries, some of which can quickly tip into protectionism or reflect a geo-strategic or security motivation; and wider issues around the importance of diversification of New Zealand's trading profile (both products and trading partners) in response to concerns we are 'over-exposed' to China; and longer term challenges around resilience to climate change, which is particularly an issue given the challenges of greenhouse gas emissions from the agriculture sector.

### **The trade/climate nexus**

It will be important that our trade policy is aligned with shifts driven by New Zealand's climate change policy. We will need to seize opportunities (for example new agriculture and energy technologies) and mitigate risks as global consumers increasingly seek out sustainable goods and services, and as critical New Zealand export industries transition to a low emissions future. New Zealand can also lead thinking about the future of tourism and food.

We will need to continue to find new ways to apply trade rules and trade-related measures to support global efforts to reduce emissions – such as through innovative instruments like the Agreement on Climate Change Trade and Sustainability (ACCTS) led by New Zealand, and the New Zealand-led campaign on the application of trade disciplines to fossil fuel subsidies in the WTO. This complements New Zealand's strong advocacy in the WTO, APEC, and in our trade agreements for trade in goods and services that benefit the environment to be free of tariffs and other barriers.

We are also monitoring emerging proposals from other countries to use trade restrictions for climate policy purposes, such as interest in Carbon Border Adjustments shown by the EU and others. Such mechanisms seek to incentivise broader uptake of carbon pricing globally, to neutralise competitive disadvantage caused by asymmetrical emissions compliance costs, and to mitigate 'carbon leakage' via the introduction of import duties or inclusion of imports in Emissions Trading Schemes (by requiring exporters to purchase, or importers to surrender, units). As such initiatives evolve, it will be important New Zealand's existing emissions pricing scheme is understood.

In general terms, we will need to find new ways of cooperation that manage the impacts of trade-related climate action taken by our partners, and to ensure we get access to investment and low emissions technologies necessary for our domestic transition which might otherwise be difficult to attract due to the small size of our market.

### **Social licence for trade**

The deliberate and sustained efforts under way since 2017 to renew public confidence in New Zealand's trade policy have led to greater public consensus around trade policy. In order to maintain public support for trade, it will be important to continue to engage New Zealanders in a meaningful and far-reaching conversation on trade policy, and to explore ways in which trade disciplines can contribute to broader social and environmental objectives including trade and gender, trade and climate change and indigenous cooperation on trade. This approach was endorsed by the Trade For All Board in its report to Ministers in November 2019.

Figure 4: New Zealand's long-term trade strategy

<b>The six pillars of New Zealand's long term trade strategy</b>	
1.	Continued <b>support for the WTO</b> and the wider rules-based global trading system, as essential for New Zealand's economic security and prosperity;
2.	Using ' <b>Concerted Open Plurilateralism</b> ' to shore-up and sustain support for the rules based global trading system. This involves working with often small like-minded partners, e.g., on the Digital Economy Partnership Agreement (DEPA) or the Agreement on Climate Change, Trade and Sustainability (ACCTS), which advance our interests in accelerating global climate action and supporting New Zealand's low emissions transition, while offering the opportunity to draw the big economies back to the multilateral system s9(2)(j)
3.	<b>Embedding New Zealand in the emerging economic architecture</b> including through our FTAs in the Indo-Pacific region, our wider FTA agenda, notably with the EU and UK, and expansion of existing FTAs notably CPTPP, and hosting a fully digital APEC in 2021;
4.	<b>Support for global 'public goods'</b> like the OECD which provides independent analysis, the Small Advanced Economy Initiative (SAEI) which helps New Zealand share learnings with similar economies, for the Commonwealth, and the G20 Trade Ministers process (we have sought invitations). Our hosting of APEC in 2021 is an opportunity to lean in on a crucial enabler of regional norms and trade and economic integration;
5.	Implementing a structured and coherent approach to ' <b>Economic Diplomacy</b> ' to support New Zealand business e.g. with regular Market Insights reports to give context for business decision-making, a focus on addressing Non-Tariff Barriers to exports of goods and services, working with NZTE to assist exporters to build a brand around sustainability, and feeding back information from other jurisdictions to help inform domestic policy development. Leveraging the Dubai Expo 2020 (delayed until October 2021) will provide further opportunity to support New Zealand's trade and economic recovery; and
6.	<b>Enhancing public engagement and outreach</b> to sustain and build the domestic social licence for New Zealand's trade policy [including through the implementation of the recommendations of the Trade for All Advisory Board <sup>6</sup> ].

<sup>6</sup> The Trade for All Advisory Board was an independent Board, appointed in November 2018, tasked to deliver the Government with a written report and recommendations on trade policy. The Board's report was delivered in November 2019 and contains 11 key findings and 53 recommendations. The Board's recommendations and the Government's positive response represent an opportunity to update New Zealand's trade policy settings, while ensuring that all New Zealanders have a greater stake in the multilateral trading system upon which we all depend.

## International connections and COVID-19

The matrix below summarises the various flows that connect New Zealand to the wider world and their significance in terms of scale, where possible. The two columns under 'COVID-19 effect' indicate the extent to which each connection is likely to be affected by COVID through (A) border closures and (B) the resulting economic downturn (with '3' representing a significant effect and '0' representing no or very little effect). International connections are critical to New Zealand's economic productivity and wellbeing, even where they are difficult to quantify. Around half of New Zealand's comparatively weak productivity performance in recent decades stems from relatively weak international connections<sup>7</sup>. A more restricted border and dampened global economy in the wake of COVID will thus exacerbate New Zealand's poor productivity performance – at least temporarily – and hinder wellbeing improvements.

Types of international connection	COVID-19 effect (scale of 0-3)		Desc. of Covid-19 impact	Scale
	Border closure	Economic downturn		
○ <b>Trade</b>				
○ <b>Goods</b>	1	2	The economic effects of COVID-19 are likely to reduce global trade overall. Demand for certain products (e.g. pharmaceuticals, food, PPE) may increase however, as may demand for exports from safe suppliers, which could benefit New Zealand. Reduced air-freight availability will also affect trade flows while border restrictions remain in place.	<ul style="list-style-type: none"> <li>Goods account for \$58 billion of New Zealand's exports and \$61 billion of imports.</li> </ul>
○ <b>Services</b>	2	1	Effects will differ from sector to sector depending on whether services must be delivered in-person (e.g. hospitality, tourism) or can be transacted digitally (e.g. online services). Many sectors will also be affected by the longer-term economic downturn and its effects on demand.	<ul style="list-style-type: none"> <li>Services account for \$21 billion of New Zealand's imports and \$25 billion of exports (2019).</li> </ul>
○ <b>Capital</b>				
○ <b>Debt</b>	1	1	Debt flows are likely to reduce due to the economic effects of COVID-19 as investment slows and lenders become more risk averse, especially in affected sectors such as tourism, hospitality, and retail.	<ul style="list-style-type: none"> <li>NZ's overseas debt obligations totalled \$487m in March 2020, while our overseas assets totalled \$305m.</li> </ul>
○ <b>Investment</b>	1	2	Lower interest rates may increase the level of capital searching for investments; however reduced economic activity will likely constrain investors' appetite for taking risks.	<ul style="list-style-type: none"> <li>Inbound foreign direct investment (FDI) totalled \$113 billion as at 31 March 2019.</li> </ul>
○ <b>People</b>				
○ <b>Business</b>	3	1	Restricted borders will severely limit flows of business people in the short term. Some engagement may still be able to be transacted digitally.	<ul style="list-style-type: none"> <li>340,000 business visits and 85,000 conference visits were made to NZ in 2019, while 390,000 outbound business trips were made. Approx. \$1b of expenditure in each direction.</li> </ul>
○ <b>Tourism</b>	3	3	Restricted borders will severely limit tourism travel in the short term while constrained spending and reduced demand is likely to persist over the medium term as the economic effects of COVID-19 take hold. There is also potential for a longer term shift in consumer preferences due to changes in the perceived risk and cost of travelling.	<ul style="list-style-type: none"> <li>2 million holiday/vacation visitors to New Zealand contributed \$17 billion in 2019; New Zealanders made 1.2 million vacation trips in 2017 and spent \$5 billion overseas.</li> </ul>
○ <b>Education</b>	3	1	Students currently unable to enter New Zealand due to border. However, NZ's reputation for managing COVID-19 may support flows over the longer term.	<ul style="list-style-type: none"> <li>Over 100,000 international students in New Zealand worth approx. \$5b in 2019. 105,000 New Zealanders travelled abroad for education in the same period.</li> </ul>
○ <b>Friends and family</b>	3	2	Restricted borders will severely limit travel to visit friends and family. Constrained incomes will likely see this persist over the medium term.	<ul style="list-style-type: none"> <li>1.2 million outbound trips (2017) and 1.1 million inbound trips (2019) made to visit friends and family.</li> </ul>
○ <b>Migrant labour</b> <ul style="list-style-type: none"> <li>▪ Recognised Seasonal Employer (RSE)</li> <li>▪ Working Holiday Scheme</li> <li>▪ Essential skills visa</li> <li>▪ Business/Skilled Work visa</li> </ul>	3	1	Restricted borders in the short term will constrain travel with very few exceptions. Possible that New Zealand will see more or less migrant workers in the medium term depending on how labour market recovers relative to others.	<ul style="list-style-type: none"> <li>13,194 RSE visas approved in 2019</li> <li>65,000 working holiday visas approved in 2019</li> <li>60,000 people in NZ on Essential Skills Visa in Nov '19</li> <li>92,000 on skilled work or business visas in Nov '19<sup>8</sup></li> </ul>

<sup>7</sup> OECD Economic Surveys: New Zealand 2017.

<sup>8</sup> [https://mbienz.shinyapps.io/migration\\_data\\_explorer/#](https://mbienz.shinyapps.io/migration_data_explorer/#)

○ Ideas				
○ Culture/arts	2	1	Restricted borders will reduce tourism flows and touring of the arts (e.g. exhibitions, shows etc.). The effect of COVID-19 on business and household expenditure is also likely to reduce demand for leisure and cultural activities.	<ul style="list-style-type: none"> <li>Personal, cultural and recreational services accounted for \$504m of exports and \$129m of imports in 2019.</li> </ul>
○ Commercial knowledge	2	1	Reduced business travel will slow the flow of ideas and the transfer of knowledge and innovation, particularly for tacit knowledge.	<ul style="list-style-type: none"> <li>Charges for the use of intellectual property accounted for \$815 million of exports and \$1.3 billion of imports in 2019.</li> </ul>
○ Strategic (e.g. academic research)	2	1	Likely to be a small effect due to the reduced travel of specialists, however much can still be transacted digitally and through publications, though as with reduced business travel the tacit knowledge flows will be reduced. Constrained government expenditure may also limit spending on R&D.	<ul style="list-style-type: none"> <li>50% of New Zealand's academic publications have an international co-author.</li> </ul>
○ Political support				
○ Defence	1	0	Border closures and health risks will likely reduce military interaction over the medium-term (e.g. scaled back RIMPAC in 2020).	
○ Govt. recognition	0	0	Government-to-government recognition is unlikely to be affected by COVID-19, though possibility for heightened instability in sensitive regions where mismanagement (real or perceived) may challenge government legitimacy (e.g. Mali, Lebanon, Syria) and require review of NZ positions.	
○ The Environment				
○ GHG emissions embodied in imports and exports	1	1	Likely to be affected only in so much as international trade is reduced or increased in specific sectors.	<ul style="list-style-type: none"> <li>Embodied emissions in exports (EEE) represent 62% of New Zealand's total GHG emissions. Embodied emissions in imports (EEI) represent 49% of New Zealand's consumption-based GHG emissions.<sup>9</sup></li> </ul>
○ Physical flows (e.g. cross-border pollution, GHG emissions)	1	2	Reduced travel and economic activity are likely to temporarily reduce pollution and GHG emissions. Conditional stimulus packages might secure longer term reductions (e.g. in the airline industry).	

<sup>9</sup> <https://link.springer.com/article/10.1007/s11367-019-01673-z>

## Te Ōhanga Māori / the Māori Economy

---

Māori business makes a vital contribution to the New Zealand economy. Prior to COVID-19, Māori organisations were growing faster than the rest of the economy and predominantly reinvesting in New Zealand. The Māori asset base is believed to be worth around \$50 billion with a significant proportion tied to the primary sector (e.g., 40% of the fishing quota, up to 40% of forestry, 30% of lamb production, 30% of sheep and beef production, 10% of dairy production and 17% of kiwifruit production).

The Māori export economy has seen an increased diversification into areas such as property investment, retail services, geothermal energy, digital, education services and tourism. Māori export businesses continue to face some of the highest international trade barriers overall, however, due to their concentration in primary industries.

Māori businesses using traditionally owned resources work differently to non-Māori businesses. They have a strong focus on inter-generational stakeholders and serve goals that go beyond profit maximisation, for example, environment, culture and the wellbeing of people and communities.

### Aotearoa ki te Ao

The previous Government approved a programme of work designed to support Māori Trade Opportunities: Aotearoa ki te Ao. This programme was led by the Associate Minister for Trade and Export Growth. Four strategic pillars, or “Pou”, were designed to better ensure that trade policy and trade promotion work help Māori to succeed internationally:

Pou 1: Grow Māori Exporter Opportunity and Success

Pou 2: Protect and support Mātauranga Māori/Traditional Knowledge Values

Pou 3: Strengthen Indigenous International Connections

Pou 4: Promote Indigenous Trade Missions and Exchange Opportunities.

Initiatives that are intended to foster indigenous links have been successfully concluded. The Australia and Aotearoa-New Zealand Indigenous Collaboration Arrangement (signed in February 2020) promotes indigenous people’s agency, culture, economy and wellbeing and provides a structure for trans-Tasman engagement between senior officials, indigenous leaders and Ministers. It is intended that the Arrangement act as a platform for wider engagement, including with Canada. New Zealand is also commencing separate discussions with Canada and Chile on efforts to promote indigenous-to-indigenous trade through the Inclusive Trade Action Group (ITAG).

### Impact of COVID-19 on the Māori economy

The need to address the impact of COVID-19 on Māori business was a specific focus of the previous Government’s Trade Recovery Strategy, and included a programme of consultation and engagement in the roll-out of that strategy. Implementation of the strategy was

designed to take full account of the interests of Māori business, having regard to the significant impact that COVID-19 has had on the Māori economy.

Māori **tourism** businesses and related industries have been hit hard by the pandemic. Ngai Tahu Tourism put its 14 businesses into hibernation and laid off 300 staff while big Māori-owned tourism attractions in Rotorua shut their doors and laid off around 160 workers. Māori tourism operators have described the impact of COVID-19 on the sector as being “like a really long tangi.” Māori are heavily invested in the **forestry sector** - i.e., 10% of exotic forests and 12% of indigenous forests. The forestry sector has been heavily impacted by COVID-19. Nationwide, up to 1500 forestry workers have lost their jobs and around 75% of these workers are Māori. The pre-COVID competition in the Chinese market from a deluge of cheap spruce logs from Europe had exacerbated the sector’s exporting challenge. **Crayfish exporters** began to feel the impact of COVID-19 at their busiest time of the year and well before New Zealand went into lockdown. The shut-down of the Chinese market affected the sale of an estimated 400 tonnes of lobster, leaving fishermen out of pocket.

## Part three

---

### Significant near-term policy decisions



## Issues for immediate decision

This section canvases the issues on which you are likely to need to make decisions before the end of 2020.

<p><b>World Trade Organization Director-General appointment</b></p> <p>Former Director-General of the WTO, Roberto Azevedo, stepped down on 31 August 2020, a year earlier than expected. New Zealand's Permanent Representative to the WTO, Ambassador David Walker, operating in a personal capacity, and in his role as WTO General Council Chair, has facilitated an expedited appointment process for selecting a new Director-General which is intended to secure the consensus agreement of the WTO Membership by November 2020. By 28 October this process had identified the candidate most likely to attract consensus, Nigerian Finance Minister Dr Nkozi Okonjo-Iweala. However, the United States is <b>s9(2)(g)(i)</b> calling instead for the other remaining candidate, Korean Trade Minister, Yoo Myung-Hee, to be appointed. The General Council will next meet on 9 November to determine whether the membership is in a position to announce consensus.</p>
<p><b>Appointment of the next OECD Secretary-General</b></p> <p>OECD Members are in the process of selecting a new Secretary-General to replace Mexico's Angé Gurría, whose third and final term ends on 31 May 2021. Nominations closed on 1 November. There are 10 candidates, from Australia, Canada, Czech Republic, Denmark, Estonia, Greece, Poland, Sweden, Switzerland and US White House Deputy Chief of Staff and dual US/New Zealand citizen Chris Liddell. OECD Ambassadors in Paris will conduct interviews with each candidate from 16 November to 11 December. There will then be a period of confidential consultations with Ambassadors to narrow the field and select the next Secretary-General by March 2021. The appointment is by consensus. We will seek direction from the Prime Minister, you and the Minister for Foreign Affairs, as appropriate. The Minister of Finance also has an interest in this appointment.</p>
<p><b>Extension of the International Air Freight Capability Scheme</b></p> <p>Delegated Ministers (the Minister of Transport and the Associate Minister of Finance) have agreed to an extension of the government's international airfreight capacity scheme (IAFC) from the end of November 2020 to the end of March 2021, with a review in February next year about New Zealand's future airfreight requirements thereafter.</p>
<p><b>US presidential election</b></p> <p>The US presidential election will have implications for New Zealand, regardless of the outcome. Whether the next administration is Republican or Democrat, strengthening our bilateral trade and economic relationship will remain a priority. Officials will provide detailed advice with options for New Zealand's engagement with the next administration following the US presidential election on 3 November (4 November New Zealand time). The inauguration of the next administration will take place on 20 January 2021.</p>
<p><b>New Zealand's hosting of APEC 2021</b></p> <p>The Minister of Foreign Affairs and Minister for Trade and Export Growth will need to submit a paper to Cabinet on a range of issues concerned with New Zealand hosting APEC in 2021. These issues include the APEC 2021 theme and host priorities, the calendar of Ministerial and other meetings, and responding to Cabinet's request on options for international profiling and domestic (including Māori) engagement. Advice on all these issues will be developed to take account of the fact that all APEC meetings in 2021 will occur on a virtual platform. Beyond this, the key challenge for New Zealand as APEC host in 2021 will be to generate an APEC consensus on how the Asia-Pacific region should respond to the economic challenges brought on by COVID-19. It is proposed that this paper be considered by Cabinet in November in time to be announced prior to the December APEC Informal Senior Officials Meeting, which is the first meeting New Zealand will host.</p>

### **APEC 2020 engagement**

Malaysia has adapted its APEC hosting year to respond to the physical challenges posed by COVID-19, delivering a pared-down series of meetings and events via virtual platforms. For the remainder of the year, we are hoping to see APEC focus, under Malaysia's stewardship, on continued support for economic recovery and maintaining open trade in the wake of COVID-19. A further priority is to agree a refreshed guiding mandate (the 'Post-2020 Vision') for APEC's work for the next twenty years, due to the expiry of the Bogor Goals of achieving free and open trade and investment in the region by 2020. Malaysia intends to host a virtual APEC Leaders' Week 16 to 21 November. This event will include the meeting of Foreign and Trade ministers at 0100hrs on Tuesday 17 November (NZT) as well as the Leaders' meeting at 0100hrs on Saturday 21 November (NZT), which the Prime Minister will attend. These meetings provide an early opportunity to engage bilaterally with a number of important counterparts and to socialise the intentions and themes of our host year, which will officially commence from the second week of December.

### **Side letters to carve out CPTPP investor-State dispute settlement**

When concluding the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), Cabinet provided a mandate that negotiators should "seek to make investor-state dispute settlement (ISDS) voluntary for New Zealand through a series of reciprocal bilateral side agreements where possible". Side letters to this effect were concluded with Australia, Brunei, Malaysia, Peru and Viet Nam.

## Cabinet and Parliamentary business

---

This table identifies issues that the Ministry recommends be considered by Cabinet Committees over coming months. Scheduling of Cabinet papers is at your discretion, and will be coordinated between the Ministry and your office.

### APEC 2021

To seek a decision on the theme and host priorities for APEC 2021; the calendar of Ministerial and other meetings; and any additional investments that might be necessary.

### Trade for All

The implementation of the previous Government's Trade for All agenda requires officials to report back to the relevant Cabinet committee before the end of 2020. This was mandated by Cabinet in March 2020.

### Trade for All Ministerial Advisory Group

To seek approval to establish a Trade for All Ministerial Advisory Group (an initiative of your predecessor), based upon the membership of the original Trade for All Advisory Board. It is proposed that this Group both assist with, and advise upon, implementation of the recommendations of the Trade for All Advisory Board, as well as providing broader perspectives on trade policy development.

## Priority issues for ministerial engagement

---

This section canvasses issues which are likely to engage you in your first six months.

### COVID-19 Trade Recovery Strategy

Implementation of a comprehensive COVID-19 Trade Recovery Strategy (TRS) is underway. The Strategy is designed as an overarching immediate-term response to the challenges posed by COVID-19 that recalibrates New Zealand's trade policy. The aim is to position New Zealand to recover as quickly as possible from the impacts of the pandemic, through a trade-led economic recovery. The Strategy consists of four pillars:

- Supporting exporters, including through a substantial budget allocation to NZTE and renewed focus on economic diplomacy through our offshore network;
- Reinvigorating the international trade architecture that New Zealand depends upon by protecting multilateral institutions like the WTO, as well as growing our network of FTAs and new "open plurilateral" initiatives;
- Refreshing key trade relationships to give exporters a wider range of options in selecting markets, and enable them to build resilience in their export profiles; and
- Ensuring New Zealand's strategic economic resilience against future scenarios of global or regional trade disruption.

The TRS will continue to evolve as COVID-19 conditions continue to change and in response to the needs of exporters.

### Trade for All Implementation

The Trade for All agenda, established in 2017, culminated in the presentation of an independent report from the Trade for All Advisory Board in November 2019. The report itself was informed by substantial public consultation (including specific consultation with Māori) and contains a set of 11 key findings and 53 recommendations for Government. A response to the recommendations identified actions that can be taken in the short, medium and longer term. Implementation of that Trade for All programme of work was publicly announced in July 2020 and is currently under way, though through an updated COVID-19 lens. There is a strong relationship between the implementation of the Trade Recovery Strategy and the Board's recommendations.

Ongoing response to the Board's recommendations will require further work to develop the design, implementation, resourcing and potential legislative requirements. The response to the Board's report requires that you report back to Cabinet before the end of 2020 outlining the progress and outcomes on recommendations designated for immediate and short term implementation by MFAT and other relevant government departments. This will be an important stocktake of work under way on both Trade for All and the Trade Recovery Strategy.

The Ministry will prepare a brief for you on Trade for All implementation prior to preparing a paper for Cabinet's consideration before the end of 2020.

## World Trade Organization issues

### **World Trade Organization Multiparty Interim Arrangement**

The US continues to block the appointment of new members to the WTO Appellate Body over concerns with its functioning. As a result the Appellate Body has not been able to hear WTO appeals since December 2019 – a minimum of three Appellate Body members are needed to hear an appeal but only two currently remain (out of a total of seven).

While remaining committed to resolving the impasse and restoring a fully-functioning Appellate Body as a priority, in the first half of 2020 New Zealand alongside a group of other WTO Members agreed an interim solution to this challenge, called the Multi-Party Interim Appeal Arbitration Arrangement (MPIA). Under the MPIA, instead of appealing a panel's first-instance report to the non-functioning Appellate Body, participating Members that are in a dispute agree to enter into a legally-binding arbitration procedure in order to access a second tier of review. New Zealand successfully nominated Dr Penny Ridings for the group of 10 arbitrators established under the arrangement. The high calibre of arbitrators nominated (and selected) is a positive signal for the MPIA and the quality of decisions we can expect. The MPIA currently includes 23 WTO Members – including Australia, China and the EU – and covers over 50 percent of New Zealand's exports. Consistent with New Zealand's support for 'open plurilateralism', it remains open to any WTO Member wishing to join in the future.

While the MPIA is an interim solution and currently involves only a subset of WTO Members, it may be required for some time and thereby presents an opportunity to respond to criticisms raised regarding the functioning of the Appellate Body – particularly on issues like timeliness of decision making and reports addressing only issues necessary to resolve the dispute at hand. Much will depend on the first few decisions issued, which we hope will demonstrate the value of a two-stage dispute settlement system that is efficient, legally robust, and driven by parties' needs.

### **Reform of Fisheries Subsidies**

WTO members are currently negotiating to prohibit harmful fisheries subsidies. Negotiations were launched in 2001 as part of the WTO Doha Development Round. The negotiation on fisheries subsidies has an end-2020<sup>10</sup> deadline for conclusion and we expect this will involve you directly in the negotiations. As the only current multilateral negotiation in the WTO likely to be concluded this year, and at a point where the institution is under significant pressure and challenge, the credibility of the WTO as a negotiating forum is at risk should members fail to deliver an outcome on fisheries subsidies. This context, coupled with the known detrimental environmental, development and trade impacts of fisheries subsidies, makes securing multilateral rules that build on those in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) New Zealand's top negotiating priority at the WTO this year. With less than two months of negotiation left, there are risks to both the timeframe and the overall ambition of the eventual outcome. In June this year, the Chair of the negotiation released a long-awaited consolidated Chair's text to the Membership. Despite some Members having significant issues with the text, a

---

<sup>10</sup> After missing the end 2019 deadline set by Leaders through United Nations Sustainable Development Goal Target 14.6, and reaffirmed by Trade Ministers at the eleventh WTO Ministerial Conference.

majority of Members have committed to moving forward on the basis of this consolidation. Following the European summer break, negotiations have relaunched, with WTO Members in almost continual negotiating mode between September and December. New Zealand is amongst those encouraging the Chair to hold a General Council meeting in December with a view to reaching a deal.

### **Investor-State Dispute Settlement Protocol**

Since 2018, the Ministry has engaged with Māori stakeholders and other government agencies to develop an ISDS Protocol, which would ensure expert advice on the Treaty of Waitangi was part of the government's defence of an ISDS arbitration claim. The development of the Protocol was in response to the Waitangi Tribunal's report on the Trans-Pacific Partnership Agreement (WAI2522). The Treaty of Waitangi exception permits the government to implement domestic policies in relation to Māori, including in fulfilment of the Crown's obligations under the Treaty, without being obliged to offer equivalent treatment to foreign investors of FTA partners. Finalisation of the Protocol was delayed due to the impacts of COVID-19. The Ministry will engage with you to confirm the finalisation and publication of the Protocol before the end of 2020.

### **Overseas Investment Act Emergency Powers**

In June 2020 the Parliament passed the Overseas Investment (Urgent Measures) Amendment Act to respond to risks to New Zealand arising from the COVID-19 pandemic and its economic aftermath. The Act introduced a temporary emergency notification regime that requires investors to notify the Government of all foreign investment transactions that would result in more than 25 per cent foreign ownership of New Zealand firms. If transactions are assessed as contrary to the national interest they can be made subject to conditions or prohibited. These new emergency powers are required to be reviewed every 90 days to determine whether they continue to be justified. MFAT has worked closely with Treasury (the lead policy agency) on Overseas Investment Act reform and decision making, providing advice on consistency of decisions with WTO and free trade agreement investment obligations and impacts on international relations.

## Trade negotiations

### **New Zealand—United Kingdom Free Trade Agreement**

FTA negotiations with the UK were formally launched on 17 June 2020.

As a G7 economy with GDP of \$2.7 trillion, the UK is the world's sixth largest economy<sup>11</sup> and New Zealand's sixth largest trading partner (two way trade was worth nearly NZ\$6 billion in 2019). There is a high degree of complementarity in our goods trade, with New Zealand's major exports to the UK including meat, wine, fruit, some machinery, honey and wool; and our main imports vehicles and parts, machinery, equipment, and pharmaceuticals. We also have a substantial bilateral services trade and the UK remains

---

<sup>11</sup> As at 18 March 2020. <https://www.investopedia.com/insights/worlds-top-economies/>.

New Zealand's fifth largest source of foreign investment, and a major destination for New Zealand offshore investment.

The first round of FTA negotiations in July made a solid start, with considerable alignment in a number of goods-related areas, such as customs procedures, rules of origin, sanitary and phytosanitary and technical barriers to trade issues; as well as on the importance of extending the benefits of FTAs more broadly, including through digital trade, SMEs and sustainable and inclusive trade. The second round took place 19-30 October and saw exchanges of draft text in the bulk of the working groups. Consultation and information sharing with Māori, other stakeholders and the public is already under way and will ramp up as negotiating positions are developed.

In the next few months, UK attention is expected to focus on its on-going negotiations with the EU and the US. The UK also launched FTA negotiations with Australia in June.

### **New Zealand—European Union Free Trade Agreement**

The EU-NZ FTA is a major negotiation for New Zealand. The EU is our third-largest trading partner with two-way trade reaching around \$23.93 billion in 2019 (\$18 billion excluding the UK). This negotiation is also an important component of New Zealand's economic recovery from COVID-19. At a time when New Zealand needs to increase value-added trade, an EU-NZ FTA would provide New Zealand exporters access to a high value market of half a billion people and help us diversify and broaden our trade architecture connectivity. Accordingly, New Zealand is seeking comprehensive and commercially meaningful market access outcomes from the EU, in addition to strong provisions on trade and sustainable development, including climate change.

There have been eight rounds of negotiations since the launch in June 2018, the latest a virtual round in mid-June 2020. Overall, good progress has been made in less-contentious areas of the negotiations, with two chapters substantively concluded (Transparency and Customs). However, as expected, agricultural market access remains a difficult issue for the EU. The EU made a revised market access offer at the beginning of Round 8 that covered all New Zealand agricultural products.<sup>12</sup> Unfortunately, the offer does not provide New Zealand the level of market access that would be necessary for conclusion of the FTA negotiation.

In addition to government procurement, the key offensive interests for the EU relate to intellectual property (IP) including geographical indications (GIs). Two specific consultation processes have been completed to inform New Zealand's negotiating position on GIs.<sup>13</sup> We continue to make clear to the EU that any outcome on GIs is linked to achieving a satisfactory overall outcome in the agreement for New Zealand, particularly in relation to goods market access. The EU is also focused on the extension of IP rights, including patent and data protection rights for pharmaceuticals, agricultural chemicals and veterinary medicines which are also subject to the overall outcome of the agreement.

---

<sup>12</sup> The EU's initial offer excluded most dairy, sheep meat and beef products.

<sup>13</sup> The first consultation ran from 19 December 2018 to 19 March 2019, the second from 5 December 2019 to 24 April 2020.

Your predecessor and then Commissioner Hogan agreed that the negotiating teams would reconvene after the New Zealand General Election. This round has since been confirmed for the last week of November 2020.

### **New Zealand-China FTA Upgrade**

Negotiations to upgrade New Zealand's 2008 FTA with China concluded in October 2019 and were announced by Prime Minister Ardern and China's Premier Li Keqiang at that time. The Upgrade Protocol will modernise the FTA through refreshed customs procedures and other trade facilitation measures, new goods and services market access commitments, and new chapters in areas like e-commerce and trade and environment. In May 2020, Cabinet approval was obtained for New Zealand to sign the FTA Upgrade Protocol and for the National Interest Analysis (NIA) to be publically released at the time of signature. This Cabinet mandate remains apposite, unless you prefer to seek a refreshed mandate. New Zealand has continued to engage with China at both working and Ministerial levels about our desire to sign the FTA Upgrade as soon as possible, and recent signals from China have been positive regarding the prospect of agreeing a signature date after the New Zealand election.

### **The Digital Economy Partnership Agreement**

The Digital Economy Partnership Agreement (DEPA) is a signed plurilateral agreement between New Zealand, Singapore, and Chile. Officials are coordinating with Singapore and Chile to bring the agreement into force as soon as possible. The Ministry is working with domestic agencies and commercial stakeholders to establish implementation priorities. The Agreement covers all aspects of the digital economy that might support trade in the digital era, from business and trade facilitation through to elements that support trust in the digital environment like cybersecurity and digital inclusion. The DEPA reinforces the global rules-based trading system, forming part of New Zealand's COVID-19 response and wider trade policy; and supports New Zealand's transition to a low emissions future in response to climate change. The DEPA is also a practical example of 'concerted open plurilateralism' and it's a 'living agreement' designed to expand in membership and scope to adapt to the ever-changing digital landscape. s6(b)(i)

[REDACTED] Others, including Australia, the EU and the US have followed negotiations closely given their own digital trade interests.

### **Expansion of the Comprehensive and progressive Agreement for Trans-Pacific partnership (CPTPP)**

CPTPP entered into force on 30 December 2018, ushering in preferential access for New Zealand into Japan, Canada and Mexico for the first time, as well as covering Australia, Singapore and Viet Nam where we had existing agreements. Other signatories — Chile, Peru, Brunei and Malaysia — are still working towards completing their domestic processes to ratify CPTPP. They will come on board 60 days after they notify New Zealand as Depository of the Agreement that they have done so. The Agreement has the potential to deliver an estimated \$222 million of tariff savings annually once fully in force, with \$104 million of those savings obtained from exports to the six countries that have already ratified. At the first CPTPP Commission meeting held in Tokyo in January 2019, Trade Ministers agreed accession procedures to enable other economies to join the Agreement now that it is in force. Multiple economies have publicly expressed an interest in CPTPP —

with the UK, Thailand and Korea most active in this space. While none have yet formally sought to join the Agreement, it is plausible that if and when one aspirant submits an accession bid, this would trigger others to do so in tandem. With that in mind, New Zealand may find itself in multi-party accession negotiations in the medium term.

### **Pacific Agreement on Closer Economic Relations–Plus: next steps**

New Zealand and Australia’s FTA with the Pacific (PACER Plus) will enter into force on 13 December 2020. PACER Plus is a trade and developed focused agreement with twin strategic objectives of contributing to our enduring interest of ensuring a stable, prosperous and resilient Pacific by building the capacity and capability of the Pacific countries while also embedding New Zealand at the heart of evolving regional trade architecture.

Under this FTA, we have committed to establish a small secretariat to support the implementation of the Agreement particularly as it relates to the delivery of development and economic cooperation. This secretariat, known as the Implementation Unit, will be established in one of the Pacific countries that is a Party to PACER Plus. Samoa, Solomon Islands, Tonga, and Vanuatu expressed an interest in hosting the unit. PACER Plus Senior Officials have agreed to recommend to Ministers that Samoa host the Implementation Unit. The Ministry will provide you with advice on the recommendation and approval of Samoa as host country. Trade Ministers will need to meet to approve this outcome. A date for this meeting has not yet been set but there is a desire by PACER Plus countries to hold this in December following entry into force. This meeting will provide an early opportunity for ministers to set expectations and provide political direction for implementation of PACER Plus. Pacific ministers will be particularly focused on development and economic cooperation as well as labour mobility issues.

### **New Zealand–Pacific Alliance Free Trade Agreement**

The Pacific Alliance is a Latin American trading bloc established between Chile, Peru, Colombia and Mexico in 2011. New Zealand is currently in negotiations with the Alliance to become an Associate State, as are Australia, Canada and Singapore. Negotiators last met with the Alliance for Round 8, held in Peru in November 2019. Good progress was made with six chapters being closed and the path to concluding becoming apparent though New Zealand faces a significant problem on dairy with Colombia. A ninth round was scheduled for 2020, but this was postponed due to COVID-19 and internal differences between the Alliance members.

New Zealand is not pressing for early action in respect of the negotiation – allowing Alliance members space to respond to COVID-19 and resolve internal differences. We anticipate the annual Presidential Summit which Chile, as pro-tempore President, will host in December 2020 will be an appropriate point at which to take stock.

### **AANZFTA upgrade**

The upgrade of New Zealand and Australia’s FTA with ASEAN, known as AANZFTA, was delayed as a result of COVID19. Like our other recent trade negotiations, the upgrade will be conducted virtually initially, with some areas commencing in 2020 and the remaining areas in 2021. The initial negotiating mandate may need to be supplemented, subject to

discussions in the early negotiating rounds particularly in relation to any new areas that may have arisen as a result of COVID19.

### **New Zealand-South Korea FTA Upgrade**

The Korea New Zealand Free Trade Agreement entered into force on 20 December 2015, significantly increasing market access for New Zealand exports. There is, however, room for improvement in this Agreement as a result of the market access negotiations under RCEP. s6(b)(i)

### **Australia/New Zealand–Mercosur: potential free trade agreement**

The Southern Common Market, commonly known as 'Mercosur', is a customs union and trading bloc between Argentina, Brazil, Paraguay and Uruguay. Mercosur has a population of 268 million and a combined GDP of almost US\$2.4 trillion. Closer engagement with Mercosur has been a key part of New Zealand's efforts to strengthen its relationship with Latin America for many years. We have engaged with Mercosur through an ongoing trade dialogue (including alongside Australia) and have expressed our interest in working towards a future FTA.

Mercosur has been clear that political support for an FTA remains challenging (due to agricultural sensitivities). The most recent New Zealand-Mercosur dialogue meeting took place in November 2018. Scheduling difficulties, including due to elections, and competing priorities in Mercosur's negotiating and internal reform agenda precluded a meeting from taking place in 2019. In early 2020 New Zealand and Australian officials discussed reviving a joint trade dialogue approach with Mercosur though no further engagement has been possible during 2020 due to COVID-19.

### **India Trade Strategy**

New Zealand has been negotiating a FTA with India through two avenues: initially through a bilateral FTA negotiation that was launched in 2010 and proceeded through 10 rounds until 2015; and from 2012 through the Regional Comprehensive Economic Partnership (RCEP). The more productive discussions occurred through RCEP, but India has recently announced it is not ready to sign RCEP. Nevertheless we are working with other RCEP members on an arrangement that could be signed by the 15 RCEP signatories and India to facilitate India's future accession to the RCEP Agreement when India is ready and in the meantime allow it to participate in RCEP's institutional arrangements as an 'observer'.

In February 2020 a joint Ministerial visit to India by the then Deputy Prime Minister and Minister of Trade and Export Growth, together with a business delegation, generated interest and enthusiasm for a shared government-industry plan for deepening trade and economic cooperation with India.

### **GCC FTA**

Negotiations on a free trade agreement between New Zealand and the Gulf Cooperation Council (GCC) were concluded in October 2009, but legal verification – a prerequisite to signature and ratification – has not been completed. The six countries of the GCC (Bahrain, Kuwait, Oman, Saudi Arabia and the United Arab Emirates) are collectively New Zealand's

7th largest trade partner<sup>14</sup>, and are crucial to our global diversification and trade recovery strategies. In late 2019, New Zealand received notification from the GCC Secretariat welcoming the resumption of free trade agreement negotiations. The GCC Secretariat is currently awaiting feedback from member states before it can present a consolidated position to New Zealand. While we await further progress, we are working with the GCC and its member states to improve conditions for New Zealand exporters through other avenues and initiatives.

## Bilateral trade issues

### **Brexit**

New Zealand's two main trade and economic objectives in the Brexit context have been: to preserve maximum stability and continuity in our trade conditions with both the UK and the EU through the Brexit process; and to position New Zealand as an early bilateral FTA partner with the UK.

On the first of these objectives, work has been completed on a regulatory continuity programme involving bilateral roll-over with the UK of the existing agreements and arrangements with the EU that currently underpin our trade with the UK. There has also been considerable cross agency work to raise awareness among business and address practical aspects arising from Brexit (e.g. documentation and certification requirements), particularly against the possibility that the EU and the UK do not reach a deal on their future trade arrangements before the end of the transition period on 31 December this year.

Resolution of the market access concerns caused by current EU/UK proposals to reduce their WTO tariff rate quotas for products of particular export interest to New Zealand remains the most intractable of the Brexit trade issues. New Zealand continues to work strenuously in Geneva (in the WTO Article XXVIII processes initiated by both the EU and the UK and in WTO committees with other concerned WTO members), and bilaterally, to urge the EU/UK to work with us to either re-think their current proposals or find ways to address the adverse consequences of these proposals. Despite these sustained efforts, there remains a real risk that the EU/UK will opt to 'run down the clock' and move to unilaterally implement their proposed reduced quotas, forcing a show-down with other WTO members to either retaliate or challenge their actions through dispute settlement.

### **US: Steel and aluminium tariffs**

In March 2018, President Trump announced tariffs of 25% on steel and 10% on aluminium, based on Section 232 of the US Trade Expansion Act of 1962 (i.e. on grounds of national security). New Zealand has repeatedly sought a bilateral exemption to the tariffs through Ministerial engagement both formally and directly with US counterparts. Prime Minister Ardern also raised the issue in her bilateral meeting with President Trump in September 2019. New Zealand exports of steel and aluminium to the US are currently valued at around \$60 million and \$40 million per year respectively, and through Australian ownership are effectively an extension of Australian industry (Australia received a bilateral exemption

---

<sup>14</sup> Exports to the GCC in the year to June 2020 were \$2.3 billion and two way trade was \$5.2 billion.

from the tariffs). We have been unwilling to accept initial US suggestions of export quotas on New Zealand steel or aluminium, which would act as a form of voluntary export restraint (i.e. a breach of WTO rules). A number of countries (China, the EU, Norway, Russia, Turkey, Switzerland and India) have brought cases before the WTO challenging the legality of the US tariffs. New Zealand joined these cases as a third party in light of the systemic importance of the matters involved. We presented both written and oral submissions focusing on the proper interpretation of the national security exception under the General Agreement on Tariffs and Trade (GATT), which the US is relying on here. The panel decisions are yet to be released.

### **US: Fisheries market access and Sea Shepherd legal action**

In July, the Ministers of Fisheries and of Foreign Affairs approved New Zealand's formal intervention as a party to Sea Shepherd's court case against the US Government over protections for the endangered Maui dolphin. The purpose of Sea Shepherd's complaint is to compel the US National Oceanic and Atmospheric Administration (NOAA) to declare that New Zealand's Threat Management Plan for Maui dolphins is not equivalent to the level of protection required under the US Marine Mammal Protection Act. MPI has commissioned a Washington, D.C. based law firm (Trade Pacific Law) to represent New Zealand in the case. Key dates for court actions around the comparability of New Zealand and US protection measures are expected soon. The Ministry may need to consider the trade law implications of any outcome adverse to New Zealand's interests.

### **Canada: Dairy**

Canada's complex tariff rate quotas (TRQ) allocation and administration system, which favours existing producers and distributors over new entrants and requires quota applicants to be active year round, effectively excludes New Zealand dairy exports from the Canadian dairy market. We remain concerned therefore that Canada's CPTPP dairy TRQs remain underfilled or at zero, to the detriment of New Zealand dairy exporters. Canada's review of its TRQ system is currently on hold due to COVID-19, but the proposed long-term TRQ policies suggest we are unlikely to be satisfied with the outcome. We also have significant concerns with Canada's domestic milk subsidies and their effect on Canadian exports of skim milk powder, which are estimated to negatively impact New Zealand's international dairy export earnings by between \$59 million and \$108 million annually. As a result of the United States-Mexico-Canada Agreement (USMCA) entering into force, Canada has moved to eliminate these subsidies within specified timeframes, but new subsidies have been brought in to replace them.

### **Australia - New Zealand Closer Economic Relations: Mānuka honey and horticultural biosecurity screening**

New Zealand's Mānuka honey producers object to use of the term 'Manuka honey' by Australian producers, and are currently seeking certification trade mark (CTM) protections over the term in a number of overseas jurisdictions. The government approved a \$1.7m loan from the Provincial Growth Fund (PGF) to the Mānuka Charitable Trust (MCT) to contribute to the costs of pursuing these protections. Australian Ministers have voiced concerns over the funding, suggested it may adversely affect the interests of Australian producers. They have sought further advice on New Zealand's rationale for providing this support.

The ending of Australia's Off-shore Pre-Shipment Inspection (OPI) scheme, and a consequent shift to horticultural commodities requiring inspection on arrival in Australia has increased the number of non-actionable pest interceptions being detected in shipments that require action at the Australian border. The New Zealand horticultural sector is concerned that the time now taken for produce to be inspected at the border, along with increased findings of possible pests and a resulting increased need for fumigation is leading to a reduction in produce shelf life and a risk of failures to meet contracted quality and delivery times. MPI continues to work with the Department of Agriculture, Water and the Environment to develop workable solutions.

### **Trans-Tasman Single Economic Market: Key to COVID-19 economic recovery**

For almost 40 years, New Zealand and Australia have pursued one of the world's most ambitious economic integration projects. Building on the success of our free trade agreement "Closer Economic Relations" (CER), the Single Economic Market (SEM) agenda delivers additional tangible outcomes for both sides' businesses and citizens. The SEM agenda is more useful to New Zealand than ever in our economic recovery from COVID-19. It is both an umbrella agenda encompassing existing work on seamless travel and science cooperation under which key COVID-19 priorities such as the trans-Tasman travel zone and vaccine diplomacy now fit, and also a proven platform recognised as strategically important by Australia, through which we can engage Australia to ensure they keep New Zealand interests in mind. This is reflected in the focus of both Prime Ministers on SEM deliverables in their annual meeting at the start of each year.

Before COVID-19, 75% of New Zealand exporting businesses generated income from Australia, covering over 7,600 firms (of which 92% are SMEs). For SMEs in both countries, the first exporting step they usually make is across the Tasman. In the COVID-19 world, challenges in other markets have led more New Zealand businesses to look more closely to Australia for recovery opportunities. Another top priority SEM agenda workstream for New Zealand is our cooperation on digital business enablers, also a key element in our COVID-19 recovery while in-person travel remains difficult. The circular economy and indigenous business collaboration are important areas too and ripe for progression in 2021. We also continue to programme work on a SME mediation mechanism.

### **Indonesia trade issues**

In 2015, New Zealand and Indonesian Foreign Ministers agreed to a bilateral trade target of \$4 billion by 2024. However, Indonesia is a challenging market, one which requires long-term commitment by New Zealand companies, and is not the first choice for smaller companies looking to enter the Asian marketplace. Tariffs and unpredictable non-tariff barriers continue to discourage New Zealand businesses. In 2017, New Zealand (with the US) successfully challenged a number of Indonesian non-tariff barriers at the WTO. While Indonesia has brought the majority of these measures into compliance, some areas of non-compliance remain. We continue to press for full implementation of the WTO findings. New Zealand horticultural exports, in particular, are currently vulnerable to arbitrary non-tariff barriers.

### **Thailand trade issues**

Thailand is our 9th largest two-way trading partner and a key trade hub in mainland South East Asia. We have two free trade agreements with Thailand – the bilateral Thailand- New

Zealand Closer Economic Partnership (TNZCEP) which entered into force in 2005, and ASEAN Australia New Zealand Free Trade Agreement, which entered into force in 2010. Under the TNZCEP, Thailand committed to reduce its tariffs for onions from New Zealand to zero from 1 January 2020 onwards. In August, Thailand implemented the commitment to reduce the tariff to zero. However, it also introduced new requirements which limit the purposes for which New Zealand onions can be imported, in order to provide continued protection to their industry. We are also concerned that Thailand may implement similar measures to protect domestic industry after special agricultural safeguards are required to be removed from 1 January 2021. These safeguards have the effect of restricting the volume of dairy and beef exports we can sell to Thailand. The planned removal of these restrictions, particularly for dairy, is of significant commercial value to New Zealand and a key outcome from the TNZCEP negotiation for New Zealand. We have made it clear to Thailand our expectation that it comply with all of its CEP legal commitments – including the removal of the special agricultural safeguards in January 2021. This has been formally raised at Ministerial level. Officials continue to engage with Thailand to have the restrictions on onions removed.

### **China: Zespri strategy to address illegal plantings of G3 kiwifruit**

In 2012, material for Zespri's G3 (SunGold) kiwifruit was transferred illegally to parties in China and has since been rapidly propagated and distributed. Zespri estimates there are now about 4000 hectares of unauthorised G3 plantings in China (by contrast, New Zealand has 7500 hectares of G3). The Ministry and MPI have been working with Zespri to understand how best the Government might support its strategy, particularly through our posts in China.

## Trade and climate change issues

### **The Agreement on Climate Change, Trade and Sustainability**

The Agreement on Climate Change, Trade and Sustainability (ACCTS) is another open plurilateral agreement initiated by New Zealand and launched by the Prime Minister last year at UNGA. Negotiations are underway between New Zealand, Costa Rica, Fiji, Iceland, Norway and Switzerland. ACCTS is intended to demonstrate in practical terms how trade rules can be used to support climate and broader sustainable development objectives while generating momentum towards eventual multilateral outcomes. ACCTS will cover the following key areas: the removal of tariffs on environmental goods; the establishment of new and binding commitments for environmental services; the establishment of disciplines to eliminate harmful fossil fuel subsidies; and the development of guidelines to inform voluntary eco-labelling programmes. The first round of negotiations was held in June and the second round of meetings was held in September. Once negotiations conclude, the objective is for ACCTS as an 'open plurilateral' to be available for other WTO members to join if they are able to meet the obligations.

### **Carbon Border Tax**

The ACCTS negotiations take place against the backdrop of increasing global attention on the trade and climate policy nexus. For New Zealand, the initial effort has been directed toward removing existing barriers on trade in products that have sustainability benefits and creating rules to limit subsidies that incentivise behaviour we ought to be discouraging (i.e. environmentally harmful subsidies reform). In the EU, the increased trade and climate

focus has taken the form of a proposal on a Carbon Border Adjustment (CBA) mechanism. The CBA seeks to neutralise competitive disadvantage caused by asymmetrical emissions compliance costs, and to mitigate 'carbon leakage', via the introduction of import duties or inclusion of imports in Emissions Trading Schemes (by requiring exporters to purchase, or importers to surrender, units). US Democratic Party candidate Joe Biden has stated his Administration would also look to implement a CBA, should he win the November election.

There are a range of technical, legal and political complexities associated with a CBA. From a climate perspective, proponents of a CBA view it as a tool for accelerating carbon pricing, increasing standardisation and transparency of carbon pricing regimes, and demonstration of commitment to the Paris Agreement by some major emitters. However, the imposition of tariffs or trade sanctions on climate grounds also poses significant risk – particularly if these actions are taken unilaterally and there isn't a shared view on the criteria. CBAs are also likely to disproportionately impact developing countries which are less likely to have emissions pricing instruments in place. Moreover, they risk provoking retaliatory tariff action which would be damaging on both trade and climate grounds.

In New Zealand's case, the issue of distance from markets may become problematic (e.g. as promulgated in the 'food miles' fallacy) . New Zealand officials have been closely following developments on the EU CBA proposal, with a focus on how design and implementation of the CBA will avoid unintended outcomes or disguised protectionism. New Zealand's priority interests will be in a mechanism that has been extensively consulted with international partners (including New Zealand), is scientifically robust, administratively feasible, fully consistent with WTO rules, and which accounts for our existing effective carbon pricing system. New Zealand's interests – from both trade and climate policy perspectives – would best be served by supporting a plurilateral or multilateral approach to this issue.

## Other trade issues

### **Digital Services Tax**

Many countries want to see the international tax framework updated to reflect the fact that multinational digital companies can conduct significant business but not be liable for income tax in countries where they do not have a physical presence. The OECD has been leading the global effort to find a solution to this issue. This is the preferred solution for many countries and is an area IRD has been engaged in. Any consideration to progress a unilateral DST in New Zealand will need to take into account potential trade implications, as well as prospects for a plurilateral solution through the OECD. We also intend to work closely with a range of other small advanced economies in the OECD context to ensure the views of smaller players are reflected in any plurilateral outcome.

### **New Zealand Country of Origin Labelling**

New Zealand is currently in the process of enacting country of origin labelling (COOL) rules. The Consumers' Right to Know (Country of Origin) Act was passed in 2018. The regulations that sit under the Act, and set out the labelling requirements for applicable foods, have been developed and will be enacted by no later than June 2021. s9(2)(g)(i)

s9(2)(g)(i)

A large black rectangular redaction box covers the majority of the page content, starting below the 's9(2)(g)(i)' text and extending across the width of the page.

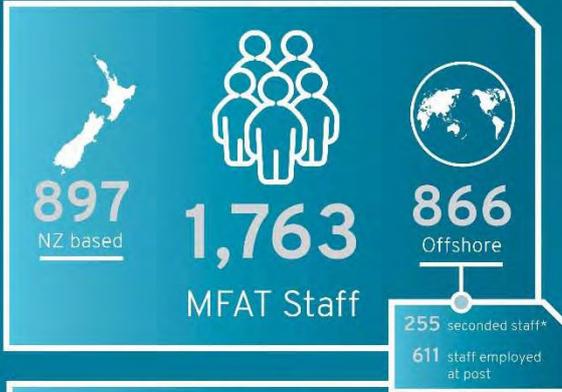
Part four

---

The Ministry of Foreign Affairs and Trade



# A Snapshot of MFAT



### Key data

Vote Foreign Affairs for 2020-21 =  
**\$1,443.6 million**  
(including \$776.6 million for international development cooperation)

Capital Expenditure for 2020-21 =  
**\$73.3 million**

- 4** ministerial portfolios
- 32** pieces of legislation administered
- 13** NZ Inc agency partners offshore
- 168** missions/consular posts resident in or accredited to New Zealand supported
- 51** languages spoken by MFAT staff

### Where MFAT people work in NZ

Americas and Asia Group .....	<b>63</b>
APEC NZ .....	<b>62</b>
Deputy Chief Executive - Policy Group ..	<b>98</b>
Europe, Middle East and Africa, and Australia Group .....	<b>36</b>
Multilateral and Legal Group .....	<b>105</b>
Office of the Chief Executive .....	<b>9</b>
Pacific and Development Group .....	<b>214</b>
People and Operations Group .....	<b>230</b>
Trade and Economic Group .....	<b>80</b>

### Our network

- 59** posts in **52** countries
- 115** accreditations to other countries
- 74** Honorary Consuls
- 2** NZ offices
- 330** properties managed in our portfolio

### MFAT's offshore footprint

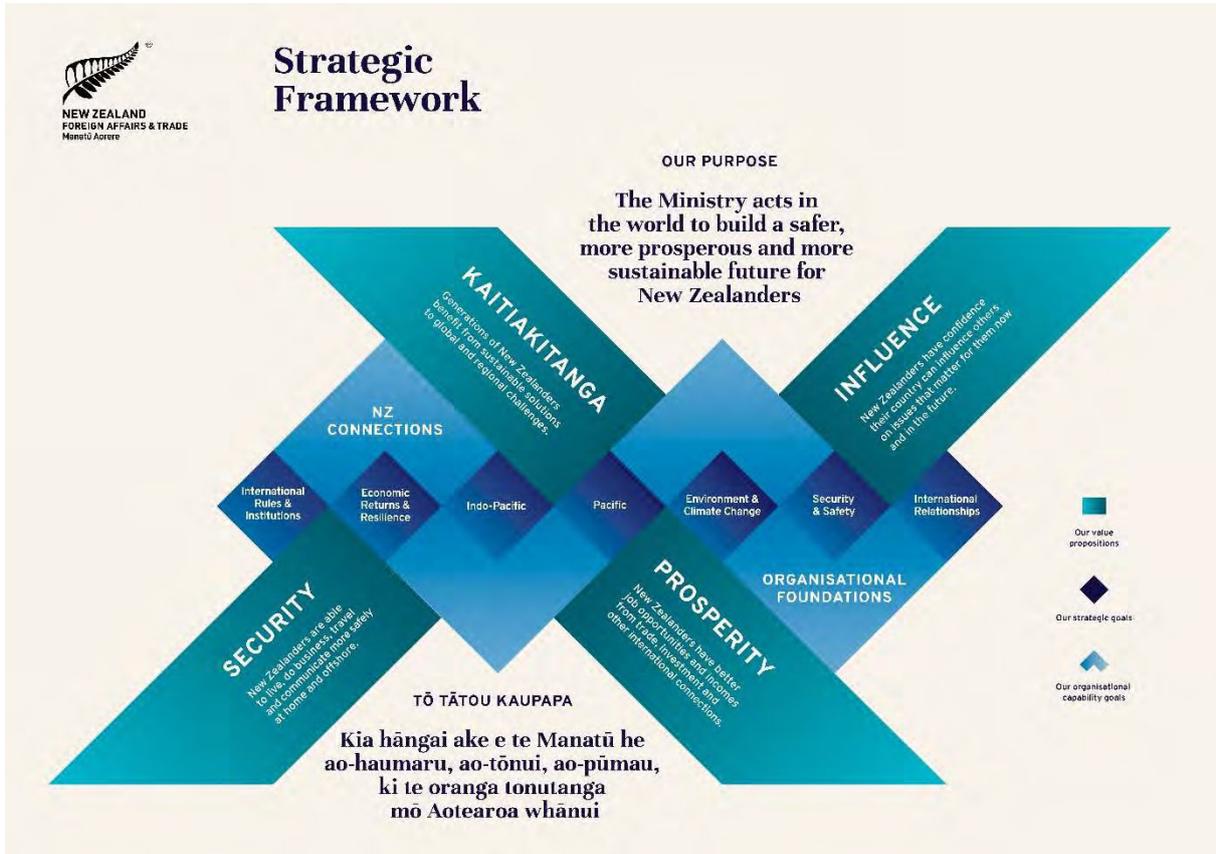
Africa .....	<b>9</b>
Americas .....	<b>41</b>
Asia .....	<b>89</b>
Australia .....	<b>9</b>
Europe .....	<b>60</b>
Middle East .....	<b>21</b>
Pacific .....	<b>47</b>



\*Numbers represent actual seconded staff at posts at 1 September 2020 reflecting COVID-19 impacts.

**SEPTEMBER 2020**

## Purpose, strategic framework and priorities



The Ministry’s Strategic Framework sets out our purpose, the value we deliver to New Zealanders, and the collective impact we aim to achieve over a ten year period through our seven strategic goals, supported by our organisational capability goals.

The detailed content of the Strategic Framework is contained in the Ministry’s Strategic Intentions 2020-24 (a copy of which is enclosed with this briefing). The enduring, high level components are set out below.

### Our purpose

**The Ministry acts in the world to build a safer, more prosperous and more sustainable future for New Zealanders**

**Kia hāngai ake e te Manatū he ao-haumarū, ao-tōnui, ao-pūmau, ki te oranga tonutanga mō Aotearoa whānui.**

## Our value propositions: how we contribute to New Zealanders' wellbeing

In line with our purpose, the Ministry exists to deliver value to New Zealanders and contribute to their wellbeing. Our four value propositions are:

- **Kaitiakitanga:** Generations of New Zealanders benefit from sustainable solutions to global and regional challenges;
- **Security:** New Zealanders are able to live, do business, travel and communicate more safely at home and offshore;
- **Prosperity:** New Zealanders have better job opportunities and incomes from trade, investment and other international connections;
- **Influence:** New Zealanders have confidence their country can influence others on issues that matter to them, now and in the future

The contribution we make to New Zealanders' wellbeing in these four areas is at the heart of our Strategic Framework and is linked to the four capitals in the Living Standards Framework (LSF), as illustrated on page 67.

The Ministry's principal contribution to wellbeing as defined in the LSF is through the four capitals (natural, human, social, financial/physical) — the "foundations of wellbeing that together generate wellbeing now and in the future."

New Zealand's interdependence with other countries and the impacts of a shifting global environment mean that the Ministry's role in establishing and maintaining strong international connections, effective relationships with a diverse range of partners, a voice in international fora and a range of robust rules and norms that serve our interests is important to build capital stocks and manage risks related to them. For our wellbeing, New Zealand relies on global public goods, such as the atmosphere, economic stability and global institutions, rules and agreements. We both invest in and benefit from these international assets.

In turn, New Zealand's value proposition internationally is underpinned by the domestic strengths and values that make up the wellbeing capitals. These include our commitment to democracy and the rule of law, the integrity of our public service and governance institutions, the strength of our economic and environmental management and our values of fairness, openness and tolerance. We leverage these intrinsic advantages to promote New Zealand's interests in the world.

## Our priorities to June 2021

The Ministry's Senior Leadership Team has endorsed 11 Priority Issues and Projects (PIPs) as **areas of focus for the period May 2020 to June 2021**.

Priority Issues and Projects to June 2021	
1	Recalibrate our trade and economic work to support New Zealand's economic recovery and longer term resilience;
2	Recalibrate our Pacific work to respond to COVID-19;
3	Assist New Zealanders impacted by COVID-19 offshore and work with others on impacted foreign nationals in New Zealand;
4	Maintain and restore safe international transport connections and people movement;
5	Build Indo-Pacific regional resilience;
6	Support the global system's response to the COVID-19 crisis;
7	Provide diplomatic support for national health objectives, with a focus on securing a COVID-19 vaccine;
8	Support APEC's contribution to regional economic recovery and host a successful APEC;
9	Sustain and encourage international cooperation on climate change;
10	Sustaining and building relationships and coalitions with key partners;
11	Adapt our diplomatic engagement for a COVID-19 environment.



# Our value propositions: What MEAT does to contribute to New Zealanders' wellbeing



## KAITIAKITANGA

Generations of New Zealanders benefit from sustainable solutions to global and regional challenges.



Wharf and passage upgrade in Taharua, completed by New Zealand Government 2019. Credit: MEAT

## INFLUENCE

New Zealanders have confidence their country can influence others on issues that matter for them now and in the future.



Craig Stark, Permanent Representative of New Zealand to the United Nations addresses the General Assembly debate 2020. Credit: UN Photo/amy telepa

- Natural Capital
- Social Capital
- Human Capital

New Zealanders' long-term wellbeing depends on the international community working together to safeguard shared global resources, promote global norms and achieve sustainable development. We lead New Zealand's contribution to these efforts, ensuring New Zealand has a say on decisions that affect it and people around the world now and in the future.

- Specifically, we:
- support the international and regional institutions that resolve problems which cross borders and impact on global wellbeing.
  - work with other countries to address environmental and natural resource challenges by negotiating and implementing agreements on issues such as climate change and over-fishing.
  - contribute to global efforts to achieve sustainable development.
  - deliver New Zealand's international development cooperation, with a focus on the Pacific region, and lead responses to humanitarian crises and natural disasters.
  - promote global rules and legal frameworks on issues such as human rights and support the international justice system.
  - protect Antarctica.

- Natural Capital
- Social Capital
- Human Capital
- Financial and Physical Capital

The international dimension of New Zealanders' wellbeing depends on New Zealand's ability to influence the decisions of other countries and organisations. The Ministry works to ensure that New Zealand has the relationships and levers to achieve what matters to us. Specifically, we:

- sustain through the way we work New Zealand's reputation for being a principled, fair and constructive participant in global and regional affairs – a country others want to work with and do business with,
- work to strengthen institutions and rules that give small states influence and protect their interests.
- build trust and long-term capital in our relationships with other countries so that when we need their support, we can secure it.
- build worldwide coalitions to support initiatives on issues that are important to New Zealand and where we have expertise.

## SECURITY

New Zealanders are able to live, do business, travel and communicate more safely at home and offshore.



The NZ17 NCG returning to Vanuatu. Recognised Seafarer employer scheme workers disembarking the NZ104-licensed 1300-tonne NCG on 18 June 2020. Credit: Airport's Seafarer Limited

- Social Capital

New Zealanders' ability to operate in safe environments, whether in New Zealand, offshore or online, can be threatened by international factors ranging from conflict to cyber attacks. The Ministry is New Zealand's voice in the fora that address security issues affecting New Zealand, our region and the world. We also provide the consular services that help keep New Zealanders safe and informed when they live or travel overseas. Specifically, we:

- lead New Zealand's contribution to global and regional efforts to promote peace and security, working through the United Nations and Indo-Pacific fora, as well as directly with other countries.
- work with international partners on rules and capacity-building to reduce threats from cyber and terrorist attacks, illegal migration, transnational crime and other threats.
- help advance global disarmament and rules against the proliferation of weapons.
- provide safe travel information, help New Zealanders affected by crises and other problems overseas and ensure their rights are protected.

## PROSPERITY

New Zealanders have better job opportunities and incomes from trade, investment and other international connections.



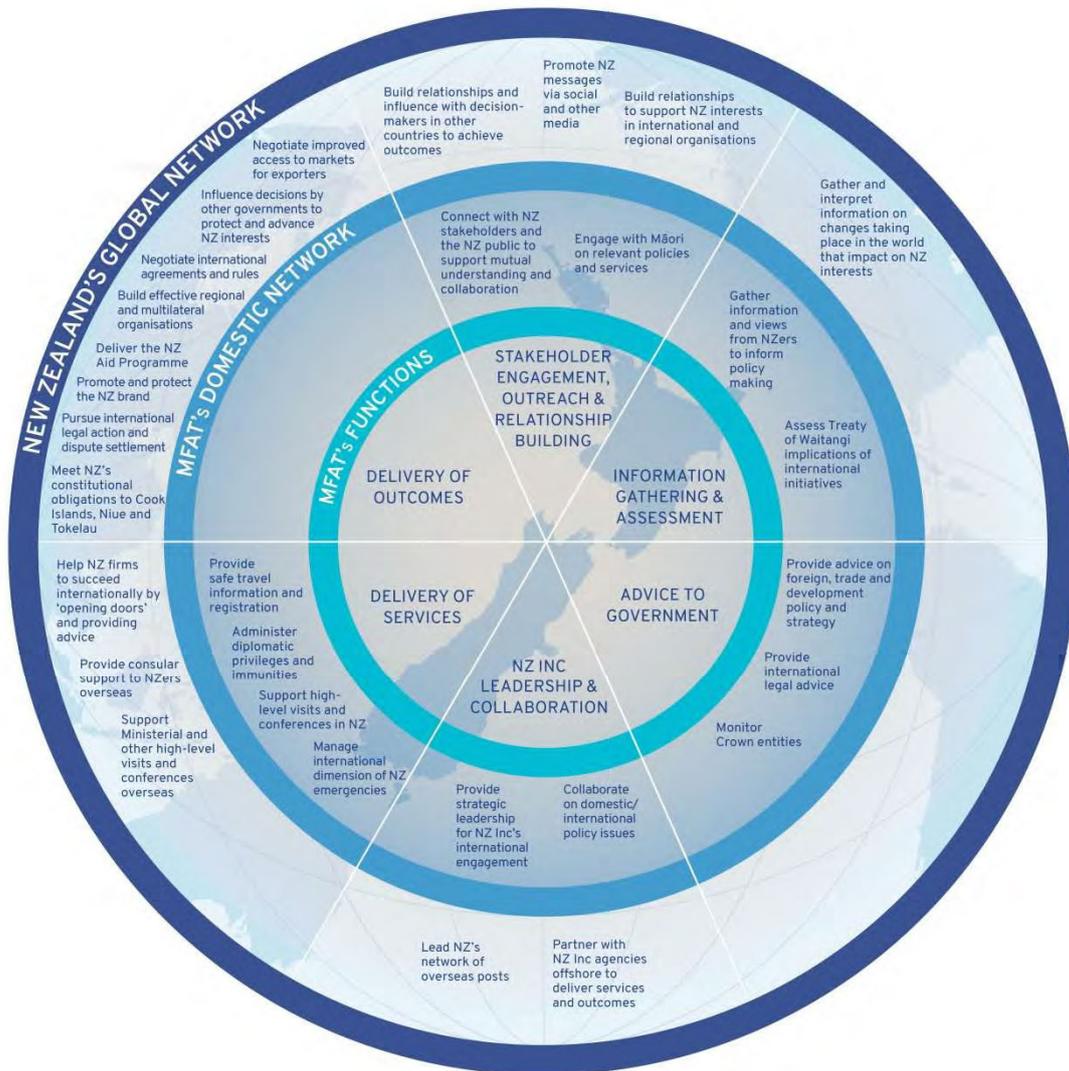
Export promotion event in Thailand, supported by MEAT 2020. Credit: MEAT

- Human Capital
- Financial and Physical Capital

International trade and investment are essential for New Zealanders' prosperity and standard of living. One in four jobs depends on exports. The Ministry negotiates the reduction and removal of barriers to trade and investment, defends access to overseas markets and helps exporters succeed. Specifically, we:

- help build global and regional trade rules and frameworks through the World Trade Organisation and fora such as Asia-Pacific Economic Cooperation (APEC). These make it easier for New Zealanders to conduct international business.
- open up and protect diverse exporting and investment opportunities through negotiating free trade agreements and tackling non-tariff barriers.
- defend New Zealand's access rights including through taking dispute settlement action when other countries don't keep their commitments.
- help New Zealanders through our network of overseas posts to succeed in international markets and support international connections in areas such as research.
- promote the New Zealand brand and protect it when it's put at risk.

# What MFAT does in New Zealand and around the world to deliver value to New Zealanders



## Functions and footprint

---

### The Ministry's functions

The Ministry of Foreign Affairs and Trade is the Government's principal agent for pursuing the country's interests and representing New Zealand internationally. We build connections with and influence other countries to advance New Zealand's interests, project New Zealand values and secure outcomes that matter to New Zealand. We pursue the Government's international priorities and provide advice to the Government on the implications for New Zealand of what is happening in the world.

We lead the New Zealand Government diplomatic network, a unique national asset, safeguarded by international law, able to speak with an authoritative voice, and with heads of mission and post formally charged with representing the state.

We are the Government's specialist foreign, trade and development policy adviser, international legal adviser and negotiator. We are responsible for delivering New Zealand Official Development Assistance and for providing consular services to New Zealanders overseas and coordinating offshore emergency responses.

The full range of functions that the Ministry undertakes, both in New Zealand and internationally, is set out in the diagram on p. 68.

The legislation the Ministry administers and the statutory responsibilities of the Secretary of Foreign Affairs and Trade are laid out in Appendix 1.

### Where we operate and how we organise ourselves

The head office structure and the top three tiers of the Ministry's leadership are set out on page 71. The Ministry is organised around geographic regions, policy functions and corporate functions.

In New Zealand, in addition to our Wellington head office, we have an office in Auckland which is focused on business engagement and outreach to the Pacific community. It also assists with VIPs visiting or transiting through Auckland. The Auckland office can serve as a base for your Auckland engagement. It is co-located with New Zealand Trade and Enterprise (NZTE).

The Ministry's global network comprises 59 posts in 52 countries. In addition, NZTE Trade Commissioners lead a further nine Consulates-General. The entire NZ Inc network with agency representation is illustrated in Appendix 2.

Heads of mission/post are identified on pages 72-3. Beyond the 52 countries where they are based, posts have diplomatic cross-accreditations to a further 110 countries. These cross-accreditations are a cost-effective way of extending the reach of our network beyond the countries where we have established physical posts, and are in some locations usefully supplemented by the appointment of Honorary Consuls.

## COVID-19 impacts

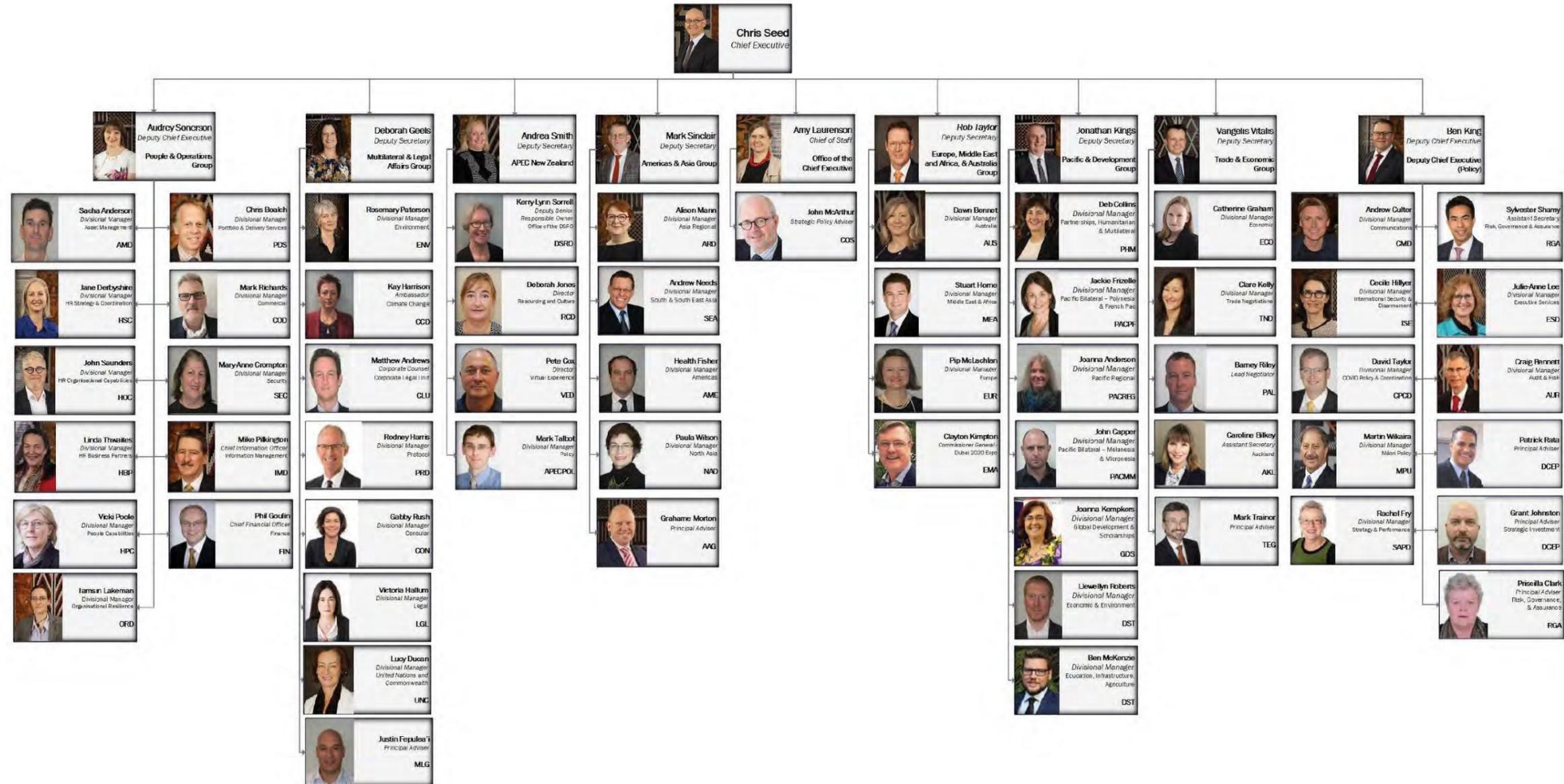
Over last nine months the Ministry has temporarily closed eight posts due to extreme COVID-19-related health and safety risks, three of which have are due to re-open. These closures are kept under regular review. In locations where posts have been closed, staff employed at post remain in place performing some consular duties and maintaining the premises.

The landscape off-shore is changing as we maintain offices, staff and families in high COVID-19 contexts that continue to be subject to tight restrictions on movement. The Ministry faces significant challenges in relation to health and safety, staffing levels, family wellbeing, and ensuring sufficient leave and respite options are available. We will also look to an early discussion with you about the spread and scale of our offshore footprint.

In New Zealand, the Ministry stood down a COVID-19 Emergency Coordination Centre in June 2020 that had run for five months. In its place, two temporary COVID-19 teams have been established to manage the longer-running policy and organisational response and increase our capacity on pressing consular and protocol issues. These temporary structures are intended to be in place throughout 2021 with regular review. They are specifically to ensure that the Ministry can focus policy effort in support of the All-of-Government COVID-19 effort as well as sustain the post network in an increasingly uncertain set of environments. The additional roles required were managed from within baseline through re-prioritisation.

# Ministry of Foreign Affairs and Trade – Leaders

As at 3 November 2020



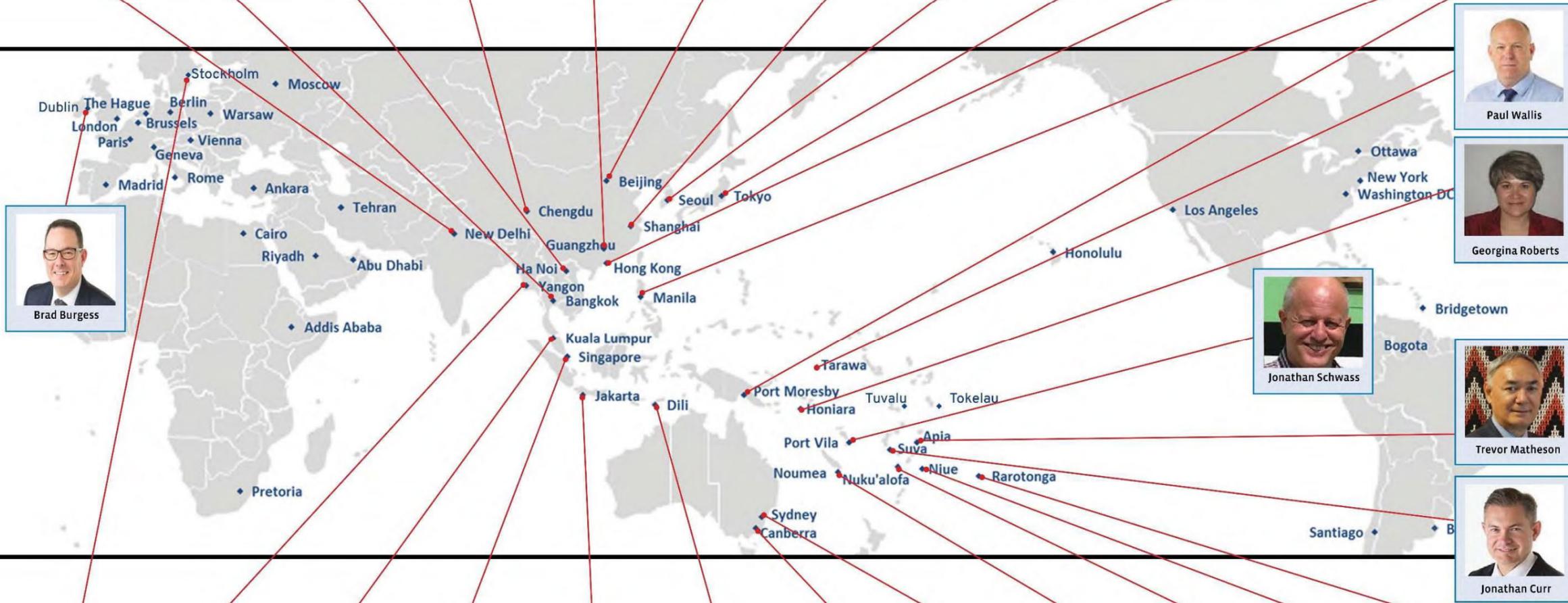
# Ministry of Foreign Affairs and Trade Heads of Mission

As at 3 November 2020



# Ministry of Foreign Affairs and Trade Heads of Mission

As at 3 November 2020



UNCLASSIFIED

UNCLASSIFIED

## Consular services and emergency responses

---

### Consular services

The Ministry provides a range of services to New Zealanders travelling and residing overseas. These include providing help during crises such as terrorist incidents and natural disasters, helping New Zealanders who are sick or injured, assisting with arrangements following a death, undertaking welfare visits for those arrested or detained, and providing notarial services such as statutory declarations for use under New Zealand law. These services aim to support New Zealanders to help themselves.

There is no automatic right for New Zealanders in distress overseas to receive financial assistance from the Government. But in exceptional circumstances – where there is an immediate threat to a person’s safety and well-being, and specified criteria are met – the Ministry can provide a consular loan which the New Zealander must agree to pay back.

The Ministry has an important role in establishing, updating and disseminating travel advice for destinations around the world, including through its SafeTravel website. Travel advisories are based strictly on safety and security risks to New Zealanders rather than political or foreign policy considerations and are reviewed regularly. The Ministry’s SafeTravel registration system allows travellers to register their details and destination with the Ministry when they are traveling or residing overseas. Important messages and travel advice updates can then be sent to those registered. The current travel advisory was moved to ‘do not travel’ for all overseas destinations (an unprecedented move) on 19 March 2020 due to COVID-19, and remains at this level. A framework for assessing whether to lower the travel advice level for some countries on an exceptions basis was agreed by Ministers under the previous government. The Ministry will consult the new government on any proposal to lower advisories from ‘do not travel’ before taking any such action.

The Ministry will also provide regular situation reports and case summaries to you about significant incidents offshore and sensitive consular cases. We will continue to seek ministerial direction and advice on a small number of particularly sensitive cases. Consular issues generate high media interest and updates are often sought on significant or high-profile events, for example natural disasters and terrorist attacks, particularly if New Zealanders are involved. Media lines will be included in reporting to you.

Consular services are delivered by staff at posts and in Consular Division in Wellington. Assistance is available on a 24/7 basis, monitored by an after-hours call centre and consular duty staff. We work closely with Five Nations partners to share experiences and provide consular coverage in places where we (or they) are not represented.

The COVID-19 pandemic has presented an unprecedented challenge given the need to provide consular services at scale. The pandemic has also underlined the need for the Ministry to maintain and strengthen over the longer term a robust capacity to deliver consular services across the post network with support from Wellington, even in difficult

operating circumstances. The Ministry's Consular Division has increased in size to manage the current increase in and complexity of consular cases and to support an ongoing need to assist New Zealanders to repatriate. For the longer term, the Ministry is reviewing its COVID-19 response, including consular functions, to strengthen capacity.

The annual Consular Satisfaction Survey for 2020 found 75 per cent of customers were either satisfied or very satisfied with services received, down from 84 per cent satisfaction in 2019. The survey concluded pandemic challenges had generally stretched the service.

## Disaster relief and humanitarian response

The Ministry is the lead agency for offshore emergency response and the Minister of Foreign Affairs approves all deployments of New Zealand Government personnel and assets in a response (see "Humanitarian action" on p. 39 for more detail).

## National emergencies in New Zealand affecting foreign nationals

During a domestic incident, the Ministry has legislative obligations to support the National Emergency Management Agency under the National Civil Defence Emergency Management Plan Order 2015. The Ministry, through the Protocol Division, is responsible for communicating with foreign governments and international organisations on all aspects of the emergency, including on the safety and whereabouts of foreign nationals. The Ministry also usually manages offers of, and requests for, international assistance; condolence messages; and facilitates VIP visitors to New Zealand. Ministry staff will often deploy to the disaster area so they can engage seamlessly with emergency response teams on the ground and act as the interface between the teams and foreign missions.

## New Zealand connections

---

### New Zealand partnerships

The Ministry's performance as a New Zealand public sector agency and our success in pursuing New Zealand's interests internationally rely on strong connections at home.

The Ministry is committed to a systematic, collaborative and transparent approach to working with New Zealand partners and engaging with Māori, other stakeholders and the New Zealand public.

Our partnership with other government agencies with external interests ("NZ Inc") is critical to delivery of results for New Zealanders. The Ministry leads and supports an integrated NZ Inc approach, both onshore and offshore, to maximise collective impact in pursuing the Government's objectives internationally. Our work with NZ Inc agencies involves strategic leadership on international issues and engagement, a high level of collaboration on delivery of shared objectives, and practical services for agencies with staff offshore, many of whom are located in Ministry offices.<sup>15</sup>

With domestic and international policy increasingly linked, the Ministry collaborates with many other government agencies in New Zealand by contributing to cross-agency coordination and policy-making on Pacific policy, economic policy, the national security system and climate change/natural resources. The growing complexity of international relations, and the increasing interplay between foreign and domestic policy, are deepening this collaboration. COVID-19 has increased demand for rapid policy development in new areas and brought new domestic interdependencies to the fore.

The Ministry has extensive engagement with New Zealand stakeholders across business, iwi, non-government organisations (NGOs), local government, Pasifika and Asian communities, and academia in order to inform development of policy and negotiating objectives and to pursue mutually beneficial partnerships.

The Ministry uses a range of digital channels for communicating with New Zealanders. These include our main website [www.mfat.govt.nz](http://www.mfat.govt.nz) and, for travel advice, [www.safetravel.govt.nz](http://www.safetravel.govt.nz) as well as two trade-related websites (with a third to be launched shortly) and a repository of New Zealand's treaties. The Ministry also uses an official Twitter account @MFATgovtNZ, and our offshore posts have a social media platform of 50-plus Facebook pages and 50-plus Twitter accounts.

---

<sup>15</sup> The key agencies represented offshore are the Department of Internal Affairs, Education New Zealand, Ministry of Business Innovation and Employment, Ministry for Primary Industries, New Zealand Customs Service, New Zealand Defence Force, New Zealand Police, New Zealand Trade and Enterprise, The Treasury, and Tourism New Zealand.

## Māori/Crown relationship

The Ministry recognises the importance of Te Tiriti o Waitangi as New Zealand's founding document and the basis of the relationship between the Crown and Māori. The principles of Te Tiriti – including partnership, good faith, and active protection – are at the core of our work. As the national and global landscape changes, we appreciate that how we interpret and apply those principles will need to adapt, but the relevance and importance of Te Tiriti will remain.

The Ministry is committed to delivering on our obligations as a Treaty partner with authenticity and integrity and to advancing Māori interests in our international work. We are conscious that the mana of Te Tiriti o Waitangi and the enduring relationship between Māori and the Crown make New Zealand unique on the world stage.

The Ministry's Māori Engagement Strategy, which was adopted in 2017 with a four-year horizon, sets out our enduring commitment to and aspirations for our relationship with Māori. In implementing the Strategy, we aim to improve the way we engage, partner and consult with Māori in order to ensure Māori are able to influence the development and implementation of Ministry-led issues and activities that affect them.

The Strategy also drives efforts to build Māori capability and capacity in the Ministry. We want our people to have the confidence to use Mātauranga Māori in their mahi in a way that brings mana to the Ministry and represents Māori interests with authenticity offshore. Lifting our Mātauranga Māori capability is one of four organisational priorities for 2020. The Ministry is also actively working to attract and retain Māori staff.

As part of our enhanced engagement with Māori, in 2019 the Ministry entered into an agreement to establish Te Taumata. Te Taumata is a unique and independent engagement model involving a group of recognised leaders in Māori socio-economic and cultural development chosen by Māori to engage with the Ministry on trade matters.

We are committed to ensuring the Ministry is well placed to meet our obligation under the Public Service Act 2020 to support the Crown in its relationships with Māori under the Treaty and to build the Māori capability and capacity required to deliver this.

## Budget

**Vote Foreign Affairs** funds the Ministry's operating costs, Official Development Assistance, Crown entities and charitable trusts, membership of international organisations, obligations under the Vienna Convention to resident diplomatic missions, as well as short-term additional costs for one-off events, which include the cost of hosting APEC 21 and New Zealand's participation at the Dubai Expo.

VOTE FOREIGN AFFAIRS BASELINE – PREFU 2020	2020/21 \$M	2021/22 \$M	2022/23 \$M	2023/24 \$M	2024/25 \$M
<b>Ministry's Operating Expenditure</b> (includes the cost of managing ODA)	<b>492.115</b>	<b>491.619</b>	<b>486.618</b>	<b>494.221</b>	<b>492.059</b>
<b>APEC 21 programme</b>	<b>37.356</b>	<b>20.140</b>	-	-	-
<b>Ministry's Capital Expenditure</b>	<b>66.200</b>	<b>55.560</b>	<b>68.304</b>	<b>81.025</b>	<b>76.040</b>
<b>Official Development Assistance (International Development Cooperation)</b>	<b>825.317</b>	<b>819.517</b>	<b>858.167</b>	<b>860.955</b>	<b>860.955</b>
<b>Other non-departmental expenditure, made up of:</b>	<b>118.746</b>	<b>98.372</b>	<b>91.399</b>	<b>90.899</b>	<b>90.899</b>
<i>Antarctica NZ (Operating)</i>	20.820	20.820	20.820	20.820	20.820
<i>Antarctica NZ (Capital)</i>	7.100	-	-	-	-
<i>Pacific Broadcasting Services</i>	0.000	0.000	0.000	0.000	0.000
<i>Pacific Cooperation Foundation</i>	1.400	1.400	1.400	1.400	1.400
<i>Asia NZ Foundation</i>	5.500	5.500	5.500	5.500	5.500
<i>Rate refunds for Diplomatic Missions resident in NZ</i>	2.400	2.400	2.400	2.400	2.400
<i>Subscriptions to International Organisations</i>	60.729	60.729	60.729	60.729	60.729
<i>Dubai Expo</i>	27.747	7.473	0.500	-	-
<i>NZ Employees Working Overseas PLA</i>	0.000	0.000	0.000	0.000	0.000
<i>Consular Loan Expenses</i>	0.150	0.050	0.050	0.050	0.050
<i>Capital - Consular Loans</i>	5.000	0.100	0.100	0.100	0.100
<b>Total Vote Foreign Affairs</b>	<b>1,539.734</b>	<b>1,485.278</b>	<b>1,504.488</b>	<b>1,525.100</b>	<b>1,519.953</b>

**Foreign Affairs and Trade Funding:** Across the last three budgets (2018, 2019 and 2020) the Ministry received new operating funding totalling \$436.764 million over four years (including \$184.140 million for APEC 2021 and \$87.590 million to manage the delivery of ODA) and capital funding of \$88.16 million for additional capability, cost pressures and to invest in the infrastructure of its posts in the Pacific. In June 2020, Cabinet agreed that New Zealand would host a largely virtual APEC in 2021, and as a result agreed that the amount appropriated for APEC be reduced by \$107.600 million. In Budget 2019, funding was reduced by \$20.217 million to provide an efficiency dividend. Funding

increases largely end this financial year and the Ministry is faced with a flat-lined budget into the future.

**Other funding provided:** The main other areas that have received funding in the last three years are New Zealand's participation in the Dubai Expo (\$61.020 million) and the Scott Base Redevelopment Project (\$18.500 million).

## Asset portfolio

The Ministry's \$554 million asset base comprises property (91 per cent), information and communication technology (8 per cent) and motor vehicles (1 per cent).

CAPITAL 30 JUNE 2020	ASSETS	AT	PROPERTY \$M	TECHNOLOGY \$M	VEHICLES \$M	TOTAL \$M
Cost			617.791	111.964	10.542	740.297
Accumulated depreciation			114.633	66.892	5.002	186.527
Carrying value			503.158	45.072	5.540	553.770

The Ministry actively manages a portfolio of approximately 333 properties (24 per cent owned and 76 per cent leased) around the world to support the Government's international objectives.

The Ministry meets most of the costs (operating and capital) of the office accommodation of the overseas network. Other New Zealand agencies contribute to the cost of their office accommodation on a marginal cost basis. This pricing model is applied to incentivise co-location of New Zealand agencies overseas.

## Investment planning and management

The Ministry is planning to invest capital of \$552 million over the next 10 years. This investment primarily reflects the Ministry's asset replacement cycle that is funded from existing resources (including those that will accumulate over the period). It also includes capital contributions of \$47.825 million for Pacific infrastructure projects between 2020 and 2024. The major projects under way include:

### Property

- Colombo: new post establishment;
- Moscow and Riyadh: Chancery upgrades;
- London: New Zealand House building refurbishment in conjunction with the United Kingdom Crown Estate;
- Suva: construction of new High Commission; and
- Pacific infrastructure projects: staff housing in Honiara, Tarawa and Port Moresby; new High Commission in Rarotonga; infrastructure replacements in Apia and Nuku'alofa, and Port Moresby Chancery refurbishment.

### Information technology

- Human Resource Information System replacement;

- ODA management system upgrade; and
- New data centre in Hamilton.

As a "Tier 2" capital intensive agency under the Government's Investment Framework, the Ministry underwent its first Investor Confidence Rating in 2016. At the time we received an "A" rating with a score of 81. Last year the Ministry's score dropped slightly to 77, resulting in a "B" rating. Treasury advise that "... as the second round assessments are more robust, they consider clear improvements have been made by MFAT to achieve their 77 score..." As a consequence, Cabinet agreed increased approval thresholds for all baseline-funded, low and medium risk investments (from \$15 million to \$25 million for the Chief Executive and from \$25 million to \$40 million for the Minister of Foreign Affairs) be retained.

A key element in this Investor Confidence Rating is our asset management strategy that sets the principles for property-related decisions and drives longer range and transparent asset management discipline. This strategy ensures that the Ministry's property assets are fit for purpose, business-aligned, resilient and protect the wellbeing and safety of staff and represent value for money.



# Appendices

---



## Appendix 1: The impacts on trade of COVID-19

### Overview

2. International trade growth was already slowing prior to COVID-19 in response to increasing protectionist measures around the world. However, the economic and social disruptions brought about by the pandemic have resulted in a sharp decline in global trade. Indicators for global merchandise trade show it fell approximately 5% in Q1 and leading indicators for the second quarter predict it will fall a further 27% (seasonally adjusted quarter-on-quarter).

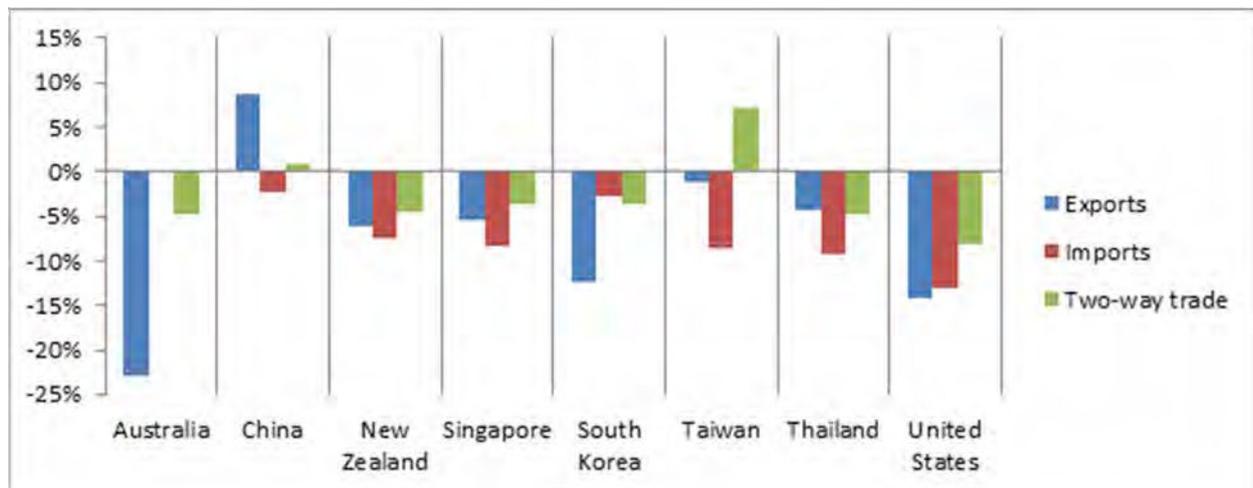
3. The latest data suggests New Zealand's trade has broadly followed the international trend with little change in Q1 followed by a substantial drop in Q2. Total two way trade (i.e. merchandise and services, exports plus imports) was flat in the March quarter (+0.4%) but declined 17% in the June quarter (Table 1). This is unsurprising given that only 1 week of Q1 was spent in level 3 or 4 lockdown compared to 6 weeks in Q2, while border restrictions (which have heavily impacted services) were only in place from March 20th. Two way trade for the first half of 2020 was down 8.5% overall.

*Table 1: Summary of key New Zealand trade indicators (millions)*

	Year to June			Quarter						
	2019	2020	% change	2019		2020		% change		
				March	June	March	June	March	June	First Half
<b>Exports</b>										
Goods	59,380	60,234	1.4%	14,650	16,190	15,380	15,790	5.0%	-2.5%	1.1%
Services	25,950	23,803	-8.3%	8,140	6,090	7,990	3,600	-1.8%	-40.9%	-18.6%
<i>Other personal travel</i>	10,110	8,600	-14.9%	4,050	2,120	3,940	580	-2.7%	-72.6%	-26.7%
<i>Education</i>	4,403	4,245	-3.6%	1,120	1,090	1,040	1,040	-7.1%	-4.6%	-5.9%
<i>Transportation</i>	3,410	2,980	-12.6%	1,020	740	970	310	-4.9%	-58.1%	-27.3%
Total Exports	85,328	84,036	-1.5%	22,790	22,280	23,370	19,390	2.5%	-13.0%	-5.1%
<b>Imports</b>										
Goods	61,510	58,526	-4.9%	14,160	14,650	13,790	12,040	-2.6%	-17.8%	-10.3%
Services	22,850	21,807	-4.6%	5,410	5,800	5,350	3,900	-1.1%	-32.8%	-17.5%
<i>Other personal travel</i>	5,430	4,280	-21.2%	1,140	1,260	1,070	230	-6.1%	-81.7%	-45.8%
<i>Other business services</i>	3,974	4,206	5.8%	1,020	1,080	1,030	960	1.0%	-11.1%	-5.2%
Total Imports	84,355	80,332	-4.8%	19,570	20,450	19,140	15,940	-2.2%	-22.1%	-12.3%
<b>Two Way Trade</b>	<b>169,683</b>	<b>164,368</b>	<b>-3.1%</b>	<b>42,360</b>	<b>42,730</b>	<b>42,510</b>	<b>35,330</b>	<b>0.4%</b>	<b>-17.3%</b>	<b>-8.5%</b>

4. This places New Zealand's experience roughly in the middle of our key trading partners, at least with respect to goods (Figure 1). New Zealand's two-way trade in goods was down 4.5% for the first half of the year, while most of our key trading partners were down between 4 and 8%. China and Chinese Taipei were the only exceptions, seeing their two way goods trade grow 1 and 7% respectively.

*Figure 1: % change in goods trade Y-o-Y (key trading partners), March and July quarters*



### **Exports**

5. Total exports fell 13% to \$19.4 billion in the June quarter compared to the same period in 2019. This followed a 2.5% increase in the less COVID affected March quarter. Exports for the first half of 2020 were down 5% in total.

6. *Services* accounted for 86% of the fall in June quarter exports, dropping 41% in the quarter to \$3.6 billion. This was largely driven by falls in other personal travel (roughly equivalent to inbound international tourism), which fell more than 70%, and transportation services, down nearly 60%. International education experienced a relatively small drop of 4.6%, possibly due to many international students already being in the country prior to the border closure. Unsurprisingly, personal, cultural and recreational services fell significantly, down -65%. Of the overall drop in service exports, Australia accounted for 24%, followed by the United States (18%) and China (17%).

7. *Goods* accounted for the remaining 14% of the fall in exports, dropping 2.5% in the quarter to \$15.8 billion. Wood products accounted for the largest share of the fall (13%), dropping 26% to \$1.0 billion. Despite the overall drop, food and beverage exports have held up reasonably well, with meat, dairy and fruit all up. The one outlier in this respect was seafood, which was down 28% in Q2 and 17% for the first half of the year overall. This is likely due to seafood being largely a luxury item and therefore heavily affected by falls in income abroad and restrictions on eating out and hospitality. Precision medical instruments also experienced a significant lift in demand, up 24% in Q2 and 29% for the first half of the year, likely reflecting the strong performance of Fisher and Paykel over this period.

8. With regard to specific markets, exports to Australia were hardest hit among our close trading partners, dropping some 25% in the June quarter. The US and the EU also experienced significant drops, falling 13 and 20% respectively. These drops were predominantly driven by reduced personal travel (i.e. tourism). Exports to the United Arab Emirates (UAE), on the other hand, experienced strong growth, increasing 8%. Exports to Japan were unchanged.

**Imports**

9. Imports appear to have been more affected than exports in New Zealand, falling 22% in the June quarter to \$15.9 billion. This came on top of a 2% decline in the March quarter to leave imports 12% lower in the first half of 2020 compared to the first half of 2019.

10. *Services* accounted for approximately 44% of the total fall in imports, dropping 33% to \$3.9 billion. Around half the decline in services was attributable to other personal travel imports (equivalent to outbound tourism), which fell 82%, in line with travel services overall (down 83%). Transportation was also down 49%. ICT was one of the few service sectors in which imports grew compared to the same period last year, increasing 26% and likely reflecting demand associated with the surge in remote working. With regard to specific trading partners, Australia accounted for 32% of the drop in service imports while the USA accounted for the second largest portion at 15%.

11. *Goods* imports fell 18% in the quarter to \$12.0 billion, accounting for 56% of the fall in imports overall. Particular drops were seen in oil (-24%), vehicles (-29%) and apparel (-18%). This likely reflects the travel limitations imposed under lockdown as well the effect these restrictions had on household incomes. Metal and machinery imports were also down 12 and 6% respectively, indicating a reduction in business spending and specifically a pulling back on investment plans. One of the few categories to grow was pharmaceutical products, which were up 7% for the first half of the year compared with the same period in 2019. This appears to have been driven in part by higher prices.

12. With regard to specific markets, imports were down across all of New Zealand's major trading partners for the first half 2020 besides Korea, where imports grew 28%. This was due to the Navy's purchase of HMNZS Aotearoa for \$384 million, which was shipped from Seoul in June. The largest drops were experienced in Malaysia and UAE, two of the country's main sources of oil, which were down 30 and 28% respectively. Imports from Japan were down 24%, reflecting the significant drop in vehicle imports. Imports from China were comparatively less affected, down only 6%.

*Table 2: Change in trade compared to same period in 2019 – key sectors*

	Exports			Imports		
	H1	Q1	Q2	H1	Q1	Q2
<i>Services</i>						
Travel	-22%	-3%	-50%	-47%	-7%	-83%
Other personal travel (tourism)	-27%	-3%	-73%	-46%	-6%	-82%
Education travel (international education)	-6%	-7%	-5%			
Transportation	-27%	-5%	-58%	-28%	-6%	-49%
Other business services	0%	10%	-10%	-5%	2%	-11%
ICT services	10%	18%	2%	19%	13%	26%
Charges for the use of intellectual property	1%	5%	-3%	-7%	0%	-14%
Financial services	-20%	-15%	-24%	23%	18%	28%
Personal, cultural, and recreational services	-43%	-22%	-65%	29%	27%	31%
Government services	-15%	7%	-38%	-7%	-1%	-13%
Insurance and pension services	0%	-12%	14%	3%	1%	4%
<i>Goods</i>						
Meat, dairy and animal products	8%	9%	6%	8%	4%	11%
Prepared food, beverages, and tobacco	6%	11%	2%	8%	0%	15%
Wood products	-26%	-25%	-26%	-9%	-4%	-16%
Vegetable Products	13%	22%	10%	-2%	-10%	6%
Machinery and electrical appliances	-12%	-1%	-22%	-5%	4%	-14%
Chemical Products	20%	26%	15%	1%	-8%	11%
Metals	-13%	-3%	-22%	-16%	-13%	-19%
Pulp and paper	-12%	-3%	-20%	-12%	-11%	-14%
Textile and Textile Articles	-27%	-7%	-45%	-7%	-10%	-3%
Medical/precision instruments	31%	18%	43%	-9%	4%	-20%

*Table 3: Change in trade compared to same period in 2019 – key trading partners*

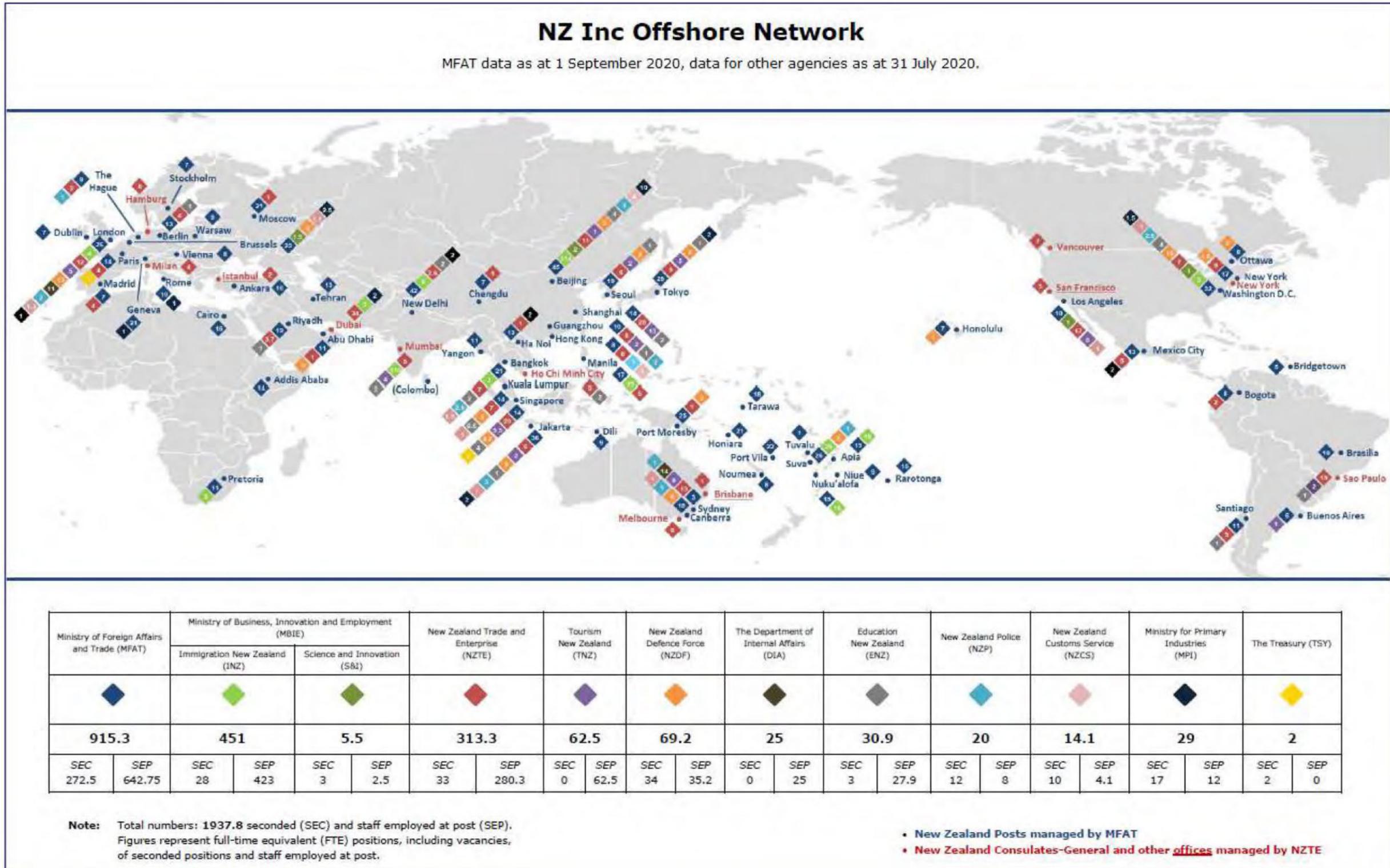
	Exports			Imports		
	H1	Q1	Q2	H1	Q1	Q2
Australia	-10%	3%	-25%	-16%	-2%	-30%
China	-7%	-4%	-10%	-6%	-13%	2%
United States	-2%	11%	-13%	-12%	4%	-26%
EU	-8%	3%	-20%	-15%	-7%	-23%
Japan	3%	6%	0%	-24%	-7%	-41%
Korea	0%	10%	-9%	28%	8%	49%
Singapore	8%	38%	-13%	-10%	9%	-27%
Thailand	-5%	-4%	-6%	-18%	10%	-39%
Malaysia	2%	17%	-12%	-30%	-6%	-56%
United Arab Emirates	16%	24%	8%	-28%	17%	-67%

13. New Zealand's international trade has taken a significant hit due to COVID-19 but has so far been spared a more dramatic decline by strong growth in the food and beverage sector. How trade will perform for the remainder of 2020 will depend not only on any additional economic disruptions brought by COVID-19 but also on the type and extent of policies that countries will adopt to restart their economies. Assuming persisting uncertainty, UNCTAD is forecasting a decline in goods trade of around 20% for 2020 overall. This is broadly in line with the World Trade Organization (WTO) which expects that the decline in international trade will be between 13 and 32%. The wide range of estimates illustrates the degree of uncertainty that persists around the likelihood of any recovery in the second half of the year.

14. The trend in New Zealand is likely to be similar to that at a global level. Given the significance of in-person services in our export basket, exports are unlikely to return to pre-COVID levels while the current border restrictions remain in place. While growth in food exports continue to provide some relief, this will likely slow as the ability to grow market share is constrained by limits on business travel and challenging economic conditions in key export markets.



Appendix 2: NZ Inc offshore footprint



UNCLASSIFIED

UNCLASSIFIED