



17 February 2023

Minister for Trade and Export Growth

For information by

24 February 2023

MSTEG Trade and Export Growth Proposed Delegations

BRIEFING Overview Submission

PURPOSE This paper provides key points and background information on the specific functions and responsibilities of the Trade and Export Growth portfolio proposed to be delegated to the Minister of State for Trade and Export Growth (delegations to be confirmed).

Tukunga tūtohua – Recommended referrals

| | | |
|-----------------------------------------------|--------------------|------------------|
| Associate Minister of Foreign Affairs | For information by | 3 March 2023 |
| Minister of State for Trade and Export Growth | For concurrence by | 24 February 2023 |
| Minister of Foreign Affairs | For information by | 3 March 2023 |

Taipitopito whakapā – Contact details

| NAME | ROLE | DIVISION | WORK PHONE |
|--------------|--------------------|--------------------------------------------|------------------|
| Greg Andrews | Divisional Manager | Trade Policy Engagement and Implementation | 9(2)a [REDACTED] |
| Gordon Lewin | Policy Officer | Trade Policy Engagement and Implementation | 9(2)a [REDACTED] |

Mā te Tari Minita e whakakī – Minister's Office to complete

| | | |
|----------------------------------------------|-----------------------------------------------|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

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Pito matua – Key points

- It is expected the Minister of State for Trade and Export Growth will be delegated a range of functions and responsibilities within the Trade and Export Growth portfolio, in addition to the delegated areas the Minister is already responsible for.
- This paper provides information to support the implementation of these new delegated functions and responsibilities, including in relation to the Regional Comprehensive Economic Partnership (RCEP), the ASEAN-Australia-New Zealand FTA (AANZFTA) and Pacer Plus regional agreements.
- This paper also provides background information on the bilateral trade agreements the Minister is proposed to be delegated responsibility over, including New Zealand's Free Trade Agreements with Hong Kong, Korea, Malaysia and Thailand.
- Information is also provided on the WTO Fish Subsidies Agreement to support the Minister of State for Trade and Export Growth's proposed delegated responsibility regarding Pacific outreach on WTO issues in particular the ongoing fish subsidies negotiations.
- A series of in-person briefings with officials will be organised with the Minister of State for Trade and Export Growth's office in the coming weeks to supplement the information provided in this paper.
- These briefings complement the Minister of State for Trade and Export Growth's existing engagement that will continue on Māori trade and export success.

Signed by Vangelis Vitalis

Vangelis Vitalis
for Secretary of Foreign Affairs and Trade

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Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1 | Note the background information contained in this submission on the areas of delegated responsibility within the Trade and Export Growth portfolio. | Yes / No |
| 2 | Refer a copy of this submission to the Minister of State for Trade and Export Growth, the Minister of Foreign Affairs and the Associate Minister of Foreign Affairs for their information. | Yes / No |

Hon Damien O'Connor
Minister for Trade and Export Growth

Date: / /

MSTEG Trade and Export Growth Delegations

Pūrongo – Report

Regional Trade Agreements

ASEAN – Australia – New Zealand Free Trade Agreement (AANZFTA)

1. In 2021 alone, New Zealand exported over NZ\$7 billion of goods and services to the 10 ASEAN countries equating to almost 10 percent of our total exports, making the ASEAN bloc our third largest trading partner with almost \$20 billion of two-way trade. At Annex I in a table of our main export and imports.
2. The Agreement establishing the ASEAN, Australia, New Zealand Free Trade Area (AANZFTA) was our regional free trade agreement with the 10 members of ASEAN. Signed in 2009, AANZFTA entered into force in 2010. It is a 'living' agreement that provides for periodic review and updating to ensure it remains high quality and ambitious, as well as relevant for evolving business and trade practices.
3. Negotiations to upgrade AANZFTA were commenced in 2021 and reached substantial conclusion on 13 November 2022. The upgrade is expected to be signed in ^{9(a), 6(b), 9(2)(f)} 2023 ^{6(a), 6(b), 9(2)(f)} ^{6(a), 6(b), 9(2)(f)}
4. The upgrade will modernise AANZFTA, integrating many of the gains achieved through the RCEP negotiations. The benefits include improved conditions for investors and service providers, more streamlined customs procedures, and commitments to support the flow of essential goods in times of crisis. ^{6(a), 6(b)}
5. The Minister of State for Trade and Export Growth will be responsible for representing New Zealand at meetings with ASEAN Economic Ministers (the equivalent of trade ministers). This involves a series of meetings that typically takes place at the end of August or in early September and is held in the country that holds the rotating chair of ASEAN for that year (Indonesia is the chair this year). The meetings New Zealand participates in are:
 - i) The ASEAN Economic Ministers-Closer Economic Relations Consultations, known as AEM-CER. The Minister of State for Trade and Export Growth will co-chair this annual meeting alongside the ministerial representative of Australia and the Chair of ASEAN. The meeting tends to focus heavily on the implementation of AANZFTA.
 - ii) The East Asia Summit Economic Ministers Meeting or EAS-EMM brings together ASEAN Economic Ministers with their counterparts from Australia, China, India, Japan, Korea, New Zealand, Russia and the United States. Chaired by ASEAN, the Minister will have the opportunity to engage with this important group of trade ministers on key regional issues.
 - iii) The annual Regional Comprehensive Economic Partnership (RCEP) Ministers Meeting, to discuss implementation issues.

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The Regional Comprehensive Economic Partnership

6. The Regional Comprehensive Economic Partnership (RCEP) is a plurilateral free trade agreement (FTA) negotiated between the 10 members of ASEAN (Brunei-Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam) plus the six regional countries with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea, and New Zealand). India withdrew from the negotiations at the final round in 2019. RCEP was signed by Trade Ministers, witnessed by Leaders, during a virtual ceremony on 15 November 2020.
7. The strategic benefit of RCEP for New Zealand is compelling. RCEP positions New Zealand at the centre of economic cooperation initiatives in a region which accounts for 30% of the world's population, nearly a third of the world's GDP, and is the destination for 56% of New Zealand's total exports. RCEP is the largest FTA in the world.
8. RCEP is also commercially valuable. It provides a single rulebook covering all 15 markets. This has the potential to significantly reduce complexity, and therefore compliance costs, for exporters. In addition to the consolidating impact of RCEP, the agreement improves on some of the existing rules to better address non-tariff barriers.
9. As New Zealand has existing FTAs with all of the RCEP signatories, RCEP does not deliver significant 'new market access'. That said, RCEP delivers additional tariff elimination on a modest number of New Zealand food products into Indonesia, including sheep meat, beef, fish and fish products, liquid milk, grated or powdered cheese, honey, avocados, tomatoes and persimmons.
10. 6(a), 6(b)
India's involvement in RCEP. 6(a), 6(b)
RCEP is an 'open plurilateral' agreement and parties have provided India (as an original negotiating party) with an expedited route to accession should it wish to re-join in the future. Ministers have also made a commitment that India is able to participate in RCEP's Joint Committee meetings and economic cooperation activities pending its accession.
11. Beyond goods trade, New Zealand service providers and investors in the RCEP region also benefit from rules in RCEP. For the first time, China and ASEAN countries that are not party to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have made new investment market access commitments to New Zealand. In relation to services, RCEP includes commitments by a number of parties that go beyond their commitments to New Zealand in existing FTAs. This provides New Zealand service suppliers and investors with legal protections that guarantee market access and non-discriminatory treatment (unless subject to exceptions).
12. RCEP was signed prior to the February 2021 military coup in Myanmar. 6(a), 6(b), 9(2)(f)(iv)

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Pacific Agreement on Closer Economic Relations (PACER) Plus

13. PACER Plus is Aotearoa New Zealand's first fully reciprocal trade deal with Pacific countries. It was signed by 11 countries in 2017 (Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu). The Agreement entered into force on 13 December 2020 for eight countries that ratified the Agreement (Australia, Cook Islands, Kiribati, New Zealand, Niue, Samoa, Solomon Islands, and Tonga). An Arrangement on Labour Mobility was signed alongside PACER Plus. In 2022 Tuvalu and Vanuatu ratified PACER Plus, leaving Nauru the only signatory still to ratify.
14. PACER Plus is not a "classical" FTA. It is deliberately and explicitly a trade and development agreement that includes both WTO and non-WTO Members. It is a comprehensive agreement (covering goods, services and investment) and provides more consistent and transparent rules throughout the region and enables further enhancements in Pacific access to the New Zealand market. New Zealand's two way trade (goods and services) with the Pacific countries which have now ratified PACER Plus was just over NZ\$0.9 billion for the year ending September 2022. PACER Plus 6(a), 6(b), 9(2)(g)(i) [REDACTED] due to its development focus and long timeframes for tariff elimination. However, increased predictability, certainty and transparency of trade rules will benefit New Zealand businesses trading goods and services with the Pacific.
15. New Zealand and Australia provided significant 'readiness assistance' to assist the Pacific countries to finalise their domestic requirements to ratify the Agreement. New Zealand and Australia are currently funding a five year A\$25.5 million development and economic cooperation programme, delivered under a new secretariat (the PACER Plus Implementation Unit based in Apia), to support Pacific Parties meet their obligations under the Agreement and to maximise the economic benefits from the liberalisation of the trade and investment environment. Aotearoa's total contribution to this programme which is currently scheduled to conclude at the end of 2025 is NZ\$7 million. The Minister of State for Trade and Export Growth will be responsible for representing Aotearoa New Zealand at the annual PACER Plus Ministers Meeting which normally occurs in July.
16. Under PACER Plus, Aotearoa New Zealand has additionally committed to a target of 20 percent of our total International Development Cooperation to aid for trade in the Pacific. 6(a), 6(b) [REDACTED]
17. [REDACTED] priorities going forward 6(a), 6(b) [REDACTED] developing strategic partnerships with 6(a), 6(b) [REDACTED] partners 6(a), 6(b) [REDACTED] and; encouraging those Pacific countries not in PACER Plus to seek accession 6(a), 6(b) [REDACTED]

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Bilateral Trade Agreements

Korea – New Zealand Free Trade Agreement (KNZFTA)

18. The Korea-New Zealand Free Trade Agreement (KNZFTA) is a high quality, comprehensive agreement which delivers significant commercial benefits to New Zealand exporters. Signed on 23 March 2015, and in force since 20 December the same year, KNZFTA marks a significant milestone in our bilateral relationship.
19. Korea is a key trading partner for Aotearoa New Zealand, with two-way trade worth \$7.18 billion in the year ending September 2022 (an increase of 68.54 percent since 2015). Currently, Korea is New Zealand's sixth largest trading partner.
20. In the year to the end of September 2022, New Zealand exported \$2.78 billion of total goods and services to Korea and imported \$4.4 billion.
21. KNZFTA substantially increased our scope for action with Korea. Not only has it contributed to a significant expansion of trade (especially in food and beverage, which was the main focus for New Zealand), 9(2)(g)(i), 6(a), 6(b)
[REDACTED]
22. KNZFTA facilitates the movement of goods and services, provides greater certainty to investments, and sets a framework for resolving trade-related issues. It also enables greater cooperation in such areas as education, science and technology, and film and television.
23. Following agreement by Ministers in 2020 to look at ways to improve the bilateral trade and investment relationship with Korea, officials endorsed a work plan to review KNZFTA in December 2021.
24. While Aotearoa New Zealand progressed its own work on the review in 2022, 9(2)(g)(i), 6(a), 6(b)
[REDACTED] Officials are currently working through next steps.
25. 9(2)(g)(i), 6(a), 6(b)
[REDACTED]
26. 9(2)(g)(i), 6(a), 6(b) we continue to see value in pressing forward with the review (and potential upgrade) of KNZFTA 9(2)(g)(i), 6(a), 6(b)
[REDACTED]

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Hong Kong China – New Zealand Closer Economic Partnership

27. The New Zealand - Hong Kong, China Closer Economic Partnership (CEP) was signed on 29 March 2010 and entered into force on 1 January 2011. The Agreement gives our exporters a competitive edge, and the ability to take advantage of growing opportunities in the region. The CEP complements New Zealand's FTA with China and enhances the potential for Hong Kong to be used as a platform for trade into China. Aotearoa New Zealand was the first foreign country to secure a free trade agreement with Hong Kong.
28. Like Aotearoa New Zealand, Hong Kong has one of the world's most open economies. In the year to September 2022 we exported \$1.14 billion in goods to Hong Kong, making it our 12th largest export destination for goods. Hong Kong has very little in the way of natural resources, so services make up over 93 percent of GDP. This means there is little local competition for our agricultural products, making Hong Kong an attractive destination for our exporters. New Zealand services exports in this period totalled \$109 million.
29. Highlights of the FTA include:
 - i) Greater certainty of access into the Hong Kong services market, including in private education, business services, environmental services and logistics.
 - ii) Government procurement is included in the agreement, ensuring New Zealand businesses can compete with Hong Kong businesses for government contracts on a level playing field.
 - iii) Locked in duty-free access for New Zealand goods into Hong Kong, providing greater certainty for exporters.
 - iv) Future-proofing rules that ensure service suppliers in some sectors will benefit from any improved access that Hong Kong might grant to other FTA partners in the future.
 - v) Measures to facilitate trade including 48 hour customs clearance of New Zealand goods entering Hong Kong.
 - vi) Easier trading through agreed rules on: sanitary and phytosanitary measures, technical barriers to trade, intellectual property, competition policy and e-commerce.
 - vii) A clear and detailed process for settling disputes.
30. Alongside the CEP, New Zealand has Environment and Labour agreements with Hong Kong that promote sound labour and environmental policies and practices.
31. Parties are committed to undertake a further general review of the Agreement, which we envisage will commence later in 2023.

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New Zealand – Malaysia Free Trade Agreement

32. The New Zealand – Malaysia Free Trade Agreement came into effect in August 2010. Tariffs on 99.5 percent of New Zealand's exports to Malaysia were eliminated on 1 January 2016.
33. In the year ended September 2022 New Zealand exported \$1.39 billion of total goods and services to Malaysia and imported \$2.43 billion representing a total trade value of \$3.82 billion.
34. Beyond tariff elimination, other highlights include:
 - i) Improved market access for New Zealand services providers, such as education, environmental, management consulting and veterinary services.
 - ii) Future-proofing New Zealand's investment and key services interests through Most Favoured Nation (MFN) treatment; requiring Malaysia to automatically provide New Zealand with any better treatment it provides future FTA partners.
 - iii) More cooperation to create new opportunities in areas of mutual interest including education, forestry, health, biotechnology, agritechnology and manufacturing.
 - iv) Easier trading through agreed rules on: customs, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment measures, intellectual property rules and competition policy.
 - v) A clear and detailed process to settle disputes related to the FTA.
35. Alongside the FTA, New Zealand and Malaysia have signed Environment and Labour Agreements. These provide for more effective discussion and cooperation on labour and environmental matters.
36. New Zealand has three other trade agreements with Malaysia: AANZFTA, RCEP, and CPTPP. Officials provide advice to businesses looking to determine which of the two agreements should be used for goods with the Tariff Finder tool. Businesses are also advised of other factors such as transshipment/routing requirements that may determine which FTA to use.

New Zealand-Thailand Closer Economic Partnership

37. The New Zealand-Thailand Closer Economic Partnership entered into force in July 2005. Tariffs and quotas on all New Zealand exports will be progressively eliminated by 2025.
38. Beyond tariff reductions, other highlights include:
 - i) Simpler Rules of Origin (ROO) for goods to qualify as tariff-free, including removing the requirement for a Certificate of Origin and replacing it with a declaration only.
 - ii) Easier trading through agreed rules on: customs, sanitary and phytosanitary measures, technical barriers to trade, electronic commerce, intellectual property and competition policy.
 - iii) More relaxed rules around temporary entry into Thailand for NZ business travellers.

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- iv) Improved investment environment under the 'national treatment' principal that investors in each other's countries be treated the same as local investors (with some restrictions).
 - v) A clear and detailed process to settle disputes related to the CEP.
39. Alongside the CEP, New Zealand and Thailand have signed Arrangements on Labour and Environment, where both countries agree to ensure that their labour and environmental laws, regulations, policies and practices are in harmony with relevant international obligations.
40. New Zealand has two other FTAs with Thailand: AANZFTA and RCEP

WTO Fish Subsidies Agreement

41. Minister O'Connor was chosen by the WTO Director General of Trade to be the facilitator of the closing phase of the negotiations for the WTO Agreement on Fisheries Subsidies (FSA). The agreement was adopted at the 12th Ministerial Conference (MC12) in June 2022, marks a major step forward for sustainability of ocean resources by prohibiting harmful fisheries subsidies, which are a key factor in the widespread depletion of the world's fish stocks.
42. While the FSA includes disciplines on several major types of subsidies, 9(2)(g)(i) 6(b) had anticipated. Instead after a sensitive final stage of negotiations at MC12, Members failed to reach consensus on subsidies that contribute to overcapacity and overfishing, and related special and differentiated measures. As a compromise, Members agreed that negotiations on these issues would continue and if agreed at MC13 (February 2024), be included in the FSA as an amendment or other form in the future. Pacific Ministers played an important role in securing consensus on this issue.
43. For the Agreement to become operational, two-thirds of members have to deposit their "instruments of acceptance" with the WTO. New Zealand is currently undertaking domestic processes required for acceptance of the FSA and expects to complete this by mid-year. While a number of Pacific WTO Members have begun also begun these processes, 9(2)(g)(i), 6(a)
44. 6(a), 6(b) To this, at a special Pacific Islands Forum – WTO Trade Ministers Meeting in November 2022, Pacific WTO Ministers reaffirmed their commitment to work together, including with New Zealand.

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Annex One: New Zealand's Free Trade Agreements



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Annex Two: Total Trade with Countries with Regional / Bilateral Agreements – Year Ending September 2022

| Agreement | Countries | Imports (NZD) | Exports (NZD) | Total Trade Value |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------|---------------|-------------------|
| Regional Agreements | | | | |
| AANZFTA | (ASEAN and Australia) | 30.48 billion | 21.57 billion | 52.05 billion |
| RCEP | (ASEAN, Australia, China, Japan & Korea)* | 58.49 billion | 50.45 billion | 108.94 billion |
| PACER Plus | (Australia, Cook Islands, Kiribati, Niue, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu)** | 14.52 billion | 13.27 billion | 27.79 billion |
| Bilateral Agreements | | | | |
| Korea-New Zealand Free Trade Agreement | | 4.4 billion | 2.78 billion | 7.18 billion |
| Hong Kong China-New Zealand Closer Economic Partnership | | 0.31 billion | 1.33 billion | 1.64 billion |
| New Zealand-Malaysia Free Trade Agreement | | 2.43 billion | 1.39 billion | 3.82 billion |
| New Zealand-Thailand Closer Economic Partnership | | 3.05 billion | 1.44 billion | 4.49 billion |

*Does not include India (withdrew in 2019)

**Does not include Nauru (is yet to ratify)