

## New Zealand Free Trade with the European Union

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Since 2014, New Zealand and the European Union have discussed opening negotiations for a Free Trade Agreement (FTA)<sup>1</sup> and the European Institutions will eminently agree on a mandate for the European Commission to open negotiations with New Zealand. Fundamentally, an FTA is about lowering the costs of doing business and creating greater product differentiation for consumers and stronger competition. Like any negotiation, agreements are based on a *quid-pro-quo* attesting to sound economic and political reasons for a trade deal, though some challenges might arise. **In the case of the upcoming New Zealand-EU negotiations, agriculture is likely to be the greatest of these challenges.**

- ▶ **Both New Zealand and the European Union rely on Free Trade Agreements to support their economic development and increase political influence**

**For the past thirty years, New Zealand has pursued an expansive trade agenda and is today one of the most open and robust economies in the world.** The entry of the United Kingdom to the back-then European Economic Community, today known as the European Union, spurred New Zealand trade policy. The loss of a key market forced New Zealand to find new trade partners. Its trade expansion began in the 1980's with the Closer Economic Relations agreement with Australia – which is today New Zealand's most important trade partner<sup>2</sup> – and has continued ever since following an agreement with China in 2008, and recently completing a multilateral agreement the Comprehensive and Progressive Trans-Pacific Partnership in 2018.<sup>3</sup>

**Free trade has been critical to the success of the New Zealand economy.** As the CEO of NZ Winegrowers notes, "New Zealand's trade agreements [...] have been crucial to giving New Zealand businesses a fair crack at international markets." Expanding access to international markets opened greater opportunities for New Zealand companies, which supported continued economic growth. While New Zealand excels in agriculture, it is also reliant on trade for other commodities that the EU excels at producing in the automotive, healthcare, pharmaceutical, and manufacturing industries.

<sup>1</sup> Free Trade Agreements establish a free trade area where commerce in goods and services can be conducted across common borders, without tariffs or hindrances, but where capital or labour may not move freely.

<sup>2</sup> Trade relations with Australia are composed of two initiatives. The first is the Australia New Zealand Closer Economic Relations Trade Agreement (CER), a free trade agreement with specific provisions. The second is the Single Economic Market, which build on CER's model for integration but not based on "one size fits all" – rather than adopting identical and standards on both sides, the objective is to achieve equality of outcomes.

<sup>3</sup> The Comprehensive and Progressive Agreement for Trans-Pacific Partnership is an agreed in principle trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.



**Meanwhile, for the EU, an agreement with New Zealand is motivated above all by political and strategic reasons.** Guided by the values on which it is founded, the EU is committed to a rules-based multilateral international order, which supports fair and open global markets that foster continued prosperity. An FTA supports the larger strategy to improve the European Union's presence in the Asia-Pacific region and shore up the EU's competitiveness in international markets. An FTA with the world's least corrupt nation and thirteenth most competitive economy makes good business sense for the EU and is a means to demonstrate continued support and deepen relations with a reliable partner.

▶ **What is controversial about this agreement?**

**Trade agreements in the European Union have been the subject of significant public scrutiny.** The Comprehensive Economic and Trade Agreement with Canada and the Transatlantic Trade and Investment Partnership (TTIP) with the United States both drew considerable attention from many stakeholders including Members of the European Parliament, Member State governments, trade unions, consumer bodies, environmental organisations and other civil society groups, which ultimately led to massive public demonstrations against the deals. Current negotiations with MERCOSUR<sup>4</sup> have also attracted attention from farmers unions in particular, following concerns of the impact of the beef sector on European farmers.

**In the case of the Free Trade Agreement with New Zealand, agriculture is the most sensitive area,** as the European Parliament made particular note of this in its 26 October 2017 resolution supporting the opening of FTA negotiations with Australia and New Zealand. While New Zealand has one of the most competitive agricultural sectors in the world, the FTA can be an opportunity for Europe to take stock of its global positioning in agriculture and exchange best practices – particularly in sustainable farming to support the fight against climate change. Turning this challenge into an opportunity will be key if both parties are to benefit to the fullest extent from a trade deal.

▶ **Becoming more political while presenting the facts**

**So far, the Free Trade Agreement with New Zealand has gone unnoticed by political stakeholders and civil society.** A significant test for a trade deal – that will undoubtedly focus on agriculture – should come at the end of the adoption process when it goes before the European Parliament and Council for ratification.

With significant lobbying interests from the European agricultural sector and civil society conglomerating in Brussels, **it will be crucial for New Zealand stakeholders to provide constructive feedback and defend their interests.** With a long road ahead, securing strong relationships with all of the stakeholders involved in the process, including the Council of the European Union and the European Parliament, would go a long way to prevent a situation where negotiations are abandoned (as was the case with TTIP) or delayed (as has been the case with MERCOSUR).

With the Council of the EU agreeing to launch formal negotiations on 22 May 2018, **a Free Trade Agreement between the European Union and New Zealand will present a number of opportunities and challenges that both sides will need to work through together.** New Zealand stakeholders will have a role to play to support an image of New Zealand as a reliable business partner.

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<sup>4</sup> MERCOSUR is a South American trade bloc established by the Treaty of Asunción in 1991 and Protocol of Ouro Preto in 1994. Its members include, Argentina, Brazil, Paraguay, Uruguay and Venezuela.