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BULLETIN

Negotiations Conclude on the EU-New Zealand Free Trade Agreement

Stefania Kolarz

At the end of June, the European Union and New Zealand concluded negotiations on a free trade agreement (FTA). Although both sides will see benefits, its value for the EU is mostly symbolic, given the asymmetry of their economies. The agreement fulfils the need to diversify the Union's partnerships with third countries in view of the war in Ukraine and implements the EU's new approach to trade and sustainable development (TSD). It also confirms both partners willingness to engage in multidimensional cooperation and may contribute to their post-pandemic economic recovery.

EU-New Zealand Relations. The EU and New Zealand are partners sharing common values (e.g., democracy, multilateralism) and aligning their positions at the UN and WTO forums. They also conduct regular political and security dialogues at the ministerial and senior official levels. The cooperation of New Zealand with the Union in the field of security includes supporting some EU missions (e.g., *Atalanta* in the Horn of Africa) and a working agreement between its police and Europol. New Zealand is also one of four countries from Asia and the Pacific that, as Alliance global partners, took part in the NATO summit in Madrid. The EU and New Zealand cooperate in crises; following the outbreak of the COVID-19 pandemic, the EU was the most important supplier of vaccines to the country, and after the Russian full-scale invasion of Ukraine, the EU and New Zealand cooperated in adopting sanctions and in responding to disinformation and the effects of the war on global supply chains.

New Zealand considers the EU and its states to be partners for cooperation in the Pacific region on many levels, including renewable energy, increasing resilience, combating climate change, and supporting economic growth. They also cooperate intensively in science—over 50% of New Zealand researchers collaborate with their peers in the EU, mainly from Germany and France.

Trade in goods between the EU and New Zealand amounted to €7.8 billion in 2021, and in services in 2020, €3.7 billion. The EU is New Zealand's third-largest trade partner (11.5%), after China and Australia, although trade with New Zealand accounts for only about 0.2% of EU trade. The Union exports to the country mainly include passenger cars, pharmaceuticals, machinery, and chemicals, which bring in around €5.5 billion per year, while imports are focused on food products (meat, dairy products, fruit, wine) and wool. The value of services exported by the EU to New Zealand is more than twice as high as the value of imported services (€2.6 billion against €1.1 billion). This trade is facilitated by sectoral bilateral agreements, such as the mutual recognition of technical certificates or simplified trade in animals and animal products.

FTA and Economic Benefits. In 2016, the EU and New Zealand signed a partnership agreement on relations and cooperation (PARC), which was to deepen their cooperation in terms of trade and other areas. Due to the agreement's lengthy ratification by the EU, it was only partially applicable for a long time, entering fully into force only on 21 July this year. To further strengthen cooperation, the EU and New Zealand in mid-2018 started negotiations on a new, more ambitious free trade agreement. Nevertheless, due to disagreements on agricultural policy, the negotiations were protracted, and their success was not a foregone conclusion until the last minute. Ultimately, the FTA was agreed at the end of June.

According to the European Commission (EC), thanks to the FTA, trade between the EU and New Zealand may increase by 30%, and EU investments in New Zealand by as much as 80%. Although the economic importance of the agreement is greater for New Zealand than for the EU, the Union estimates the expected profits for its companies at over €140 million. The agreement will open the financial and delivery services, telecommunications, and maritime transport sectors. Upon the FTA's entry into force, 91% of customs duties will be abolished (e.g., on kiwifruit, apples, wine, seafood), and after the end of the transition periods, 97% (e.g., on cheese). This is especially important for New Zealand, for which the FTA with the EU is of greater economic importance than, for example, the recently concluded agreement with the United Kingdom (the value of trade between them is about a quarter of New Zealand trade with the EU). It will reduce the costs of exports from New Zealand to the EU market, support post-pandemic reconstruction and diversify the group of importers of its products. A considerable concession by New Zealand to the EU is consent to the rules of geographical indications, which after several years will prevent New Zealand producers from labelling some of their products with typically European names (e.g., port, feta, parmesan).

The FTA also will bring the partners' standards closer on other levels. The EU and New Zealand will open up public procurement markets in a way that goes beyond the facilities provided for by the WTO (although asymmetrically, the scope of admission of businesses from New Zealand to the EU market will be narrower). The partners also agreed to ban certain types of state aid that distorts competition. In addition, New Zealand will raise its standards of intellectual property protection by extending the period of protection of the rights of authors, performers, and producers of sound recordings.

Importance of This FTA. In the opinion of the New Zealand agri-food sector, the agreement does not go far enough in the liberalisation of trade with the EU, while in the opinion of Union producers, it may have gone too far. The agreement does not take into account all of the EU's interests; for example, it does not cover pharmaceutical products, and the list of protected geographical indications does not extend to gouda, mozzarella, brie, and camembert, to mention but a few. The EC, however, was motivated by the need to extend and diversify agreements with third countries, including New Zealand (which is striving for economic recovery after the pandemic), due to the limitation of cooperation with Russia.

The FTA with New Zealand contains the most advanced provisions on sustainable development that have ever been included in an agreement with the EU of this type. This is in line with the trend in EU and New Zealand policy to conclude with partners so-called "green agreements" integrating the fight against climate change in all aspects of their cooperation. The FTA prevents parties from lowering TSD standards (working conditions, women's empowerment, environment, climate, etc.) in order to attract trade or investment. It also facilitates trade and investment in low-carbon goods, services, and technologies and provides for zero tariffs with no transition periods for green goods and services such as renewable energy and energy-efficient products. Most importantly, it is the first EU agreement to include sanctioned commitments to the Paris Agreement. Although proposed by New Zealand, they are a reflection of a new, more ambitious approach by the Commission (precise goals and deadlines for the implementation of TSD standards, close monitoring of their compliance with the involvement of civil society, sanctions for violation) presented in June this year.

Perspectives. To enter into force, the FTA requires ratification by New Zealand and the EU (including all 27 countries and the consent of the European Parliament). The EC does not foresee any problems and estimates that the procedure may be completed next year. For Poland, the FTA is an opportunity to tighten cooperation with New Zealand, which so far has remained a like-minded but distant partner with whom Poland has cooperated mainly in the field of culture and science. This is important from the perspective of building alliances in various international formats against the Russian aggression against Ukraine and the economic recovery of both countries after the pandemic (despite Poland's earlier concerns about competition from New Zealand cheeses and meat).

The outcome of the negotiations can be seen as an evolution of the EU's approach showing its willingness to make trade concessions for overall political benefit. The conclusion of talks with New Zealand may also be an impulse for the EU to intensify the protracted and often suspended work on similar agreements or their amendment, such as with Australia, India, Indonesia, Mercosur, Chile, and Mexico. This will be facilitated by the current Czech presidency of the Council, and the subsequent Swedish presidency. Both countries are among the strongest supporters of trade liberalisation in the EU, unlike France, which preceded them. The conclusion of an FTA with New Zealand and the end of the French Council presidency will probably have the greatest impact on accelerating talks with Australia, which started negotiations with the EU in parallel to New Zealand but were slowed due to its dispute with France over a cancelled submarines contract. However, agriculture and the climate will remain issues of concern for both Australia and other partners. When negotiating an FTA with New Zealand, the Union, despite friction, talked with a like-minded partner that even motivated it to increase its climate ambitions and complies with the high TSD standards. Nevertheless, many other countries have different approaches, and therefore the Union will have to persuade them to make concessions, which may delay reaching an agreement.

Editors: Sławomir Dębski, Patrycja Sasnal, Rafał Tarnogórski, Jędrzej Czerep, Łukasz Maślanka, Justyna Szczudlik, Daniel Szeligowski, Jolanta Szymańska, Marcin Terlikowski, Szymon Zaręba, Tomasz Żornaczuk