EU-New Zealand free trade agreement
One step closer to ratification

OVERVIEW

On 30 June 2022, Commission President Ursula von der Leyen and then New Zealand Prime Minister Jacinda Ardern announced the conclusion of negotiations on a comprehensive EU-New Zealand free trade agreement (FTA). The agreement was signed on 9 July 2023. Although the 2014-2019 Commission had initially aimed to finalise negotiations before the end of its mandate, both sides raised several sensitive issues during negotiations, not least because New Zealand is a major and competitive producer and exporter of agricultural goods. The EU committed to taking European agricultural sensitivities fully into consideration in its negotiating strategy. New Zealand, for its part, said it aimed to secure ‘commercially meaningful access' to the EU market for its agricultural exports.

In addition to facilitating trade and investment flows between the parties, the FTA would create a level playing field for the EU with other trading partners that have already concluded FTAs with New Zealand. The FTA would also strengthen the EU’s position in Asia-Pacific value chains, and help to advance the trade policy interests of the EU in the region. The FTA is the EU’s first to include commitments, subject to sanctions if not upheld, to the Paris Agreement and to core International Labour Organization standards.

On 24 October 2023, Parliament’s INTA committee recommended that Parliament give its consent to the free trade agreement. Parliament will decide on the proposed agreement by means of a single vote on consent in plenary, in Strasbourg in November 2023.
Introduction

New Zealand was the EU’s 49th largest trading partner in goods in 2021, with a 0.2 % share in EU total trade in goods. In comparison, the EU ranked as New Zealand’s third largest goods trading partner, after China and Australia, accounting for 11.5 % of New Zealand’s global trade in goods. Total trade in goods between the two partners amounted to approximately €7.8 billion in 2021 (see Figure 1). Manufactured goods, mainly machinery and transport equipment, and chemicals (48.9 % and 16.2 % of total exports respectively) made up 84.3 % of EU goods exports to New Zealand in 2021, while 61.2 % of EU imports from New Zealand consisted of agricultural products. Since 2011, the EU-27 have recorded a surplus when it comes to trade in goods with New Zealand. Moreover, that surplus has shown an upward trend since then, amounting to €3.2 billion in 2021.

In 2020, the EU exported €2.6 billion worth of services to New Zealand, while imports of services totalled €1.1 billion. For trade in services, the surplus for the EU-27 increased from €0.6 billion in 2012 to €1.5 billion in 2020. Services trade (mainly tourism and transport services, in both directions) is a considerable component in EU-New Zealand bilateral trade relations; the value of total trade in services amounted to 57 % of the value of total trade in goods in 2020.

The EU held €8.5 billion in inward foreign direct investment (FDI) stocks in New Zealand in 2020, making the EU the second-largest source of FDI in New Zealand, after Australia. That same year, the stock of New Zealand’s investment in the EU was €4.8 billion.

Before Brexit, the United Kingdom (UK) was New Zealand’s largest services trade partner and top export market for goods among the EU Member States. In the year ending March 2022, Germany was New Zealand’s most important goods trade partner in the EU-27, and Denmark New Zealand’s most important services trade partner. In 2020, the Netherlands was the most important EU-27 source of FDI stocks.

Trade in agriculture

Agriculture has long played an important role in New Zealand’s economy, although the share of value added by agriculture, forestry and fishing to New Zealand’s gross domestic product (GDP) has declined from 13.2 % of GDP in 1971 to 5.7 % in 2019. New Zealand is also a major exporter of agricultural products. In 2019, more than 74 % of total merchandise exports were agricultural products, including milk and cream (15 % of merchandise exports, with this sector dominated by the New Zealand dairy cooperative Fonterra), sheep and goat meat (6.5 %) and beef (5.4 %). Moreover, according to a 2022 FAO report, the country was globally the leading exporter of butter and whole milk powder in 2021. New Zealand is particularly well integrated into the agriculture and food sectors’ global value chains (GVCs) as regards the food and beverages industry, with the majority of imported components in this sector used for export production.
The EU is currently New Zealand’s second-largest trading partner for agricultural products (after China). The value of EU agricultural imports reached €1.4 billion in 2021. Sheep and goat meat represented 25% of agri-food imports from New Zealand that year (see Figure 2). New Zealand is the EU’s major supplier in sheep and goat meat, with an import market share of approximately 80%. Other key food commodities imported to the EU in 2021 were fruit and wine. New Zealand also exported wool and silk, dairy products, such as casein, butter and cheese, and also beef into the EU.

Comparatively, the value of EU agricultural exports to New Zealand is low, although that is changing. For example, the value of EU agricultural exports increased from €496 million in 2017 to €677 million in 2021. In agriculture, the EU has a consistent trade deficit with New Zealand, although that narrowed from €1.2 billion in 2016 to less than €800 million in 2021. Key EU exports include pork, sugar, wine, food, milk powders and whey, as well as spirits and liqueurs (see Figure 2).

EU average tariff rates on agricultural imports are higher than those applied by New Zealand (simple average applied most-favoured nation (MFN) tariff of 11.2% versus 1.4% in 2020). A 2016 study prepared at the request of the French Ministry of Economy and Finance compared the 2013 market shares of certain goods exported by New Zealand first to the global market and then to the EU specifically. The study noted that in the case of red meat, dairy products and other animal products, New Zealand held important market shares in the EU. Despite high EU tariffs, New Zealand already performed better on the EU market for ‘bovine meat products’ (in the study’s categorisation this includes not only beef products) than on the global market (25.3% EU market share versus 10% global market share), whereas the situation was the opposite for dairy products (6.2% versus 20.6%). The study stated that in the case of an FTA, European producers would face considerable additional competition regarding both types of product.

**Existing situation**

EU-New Zealand trade and economic relations are built on a number of cooperation agreements, such as the bilateral Mutual Recognition Agreement (MRA) (signed in 1998 and subsequently amended in 2012), the Veterinary Agreement (signed in 1996 and updated in 2015) and the Customs Cooperation Agreement, signed in July 2017. Moreover, the Commission has recognised New Zealand, among a few other countries, as providing adequate protection of personal data. The political framework agreement, the EU-New Zealand Partnership Agreement on Relations and Cooperation (PARC), was signed in 2016 and entered into force at the end of July 2022.
However, New Zealand is among six World Trade Organization (WTO) members that do not have a preferential market access arrangement with the EU, either in force or under negotiation. This can be explained by the fact that trade in agricultural products is a highly sensitive issue in a number of Member States. Moreover, as a 2015 policy brief by the European Centre for International Political Economy (ECIPE) suggested, as New Zealand did not conduct competing FTA negotiations with the United States, the EU was not pressured to move forward. Market access barriers were also not sufficiently high to attract the EU’s attention. The policy brief stated that an FTA with New Zealand was justified in terms of the size of New Zealand’s economy and consumer market, which were equal to or larger than those of the countries with which the EU had already concluded FTAs in the region. Another justification was the potential to develop a new model of FTA going beyond the EU-South Korea FTA in areas such as data privacy. Moreover, this FTA would offer an opportunity for the EU to further develop trade relations with countries in the region with which it did not have FTAs by making use of New Zealand’s web of trade agreements.

Comparative elements

New Zealand’s economy is highly dependent on trade. A trade policy strategy published in 2017 outlined a ‘heavy FTA agenda’ for the coming years and stated that by 2030, around 90% of the country’s exports of goods should be covered by FTAs.

New Zealand is closely integrated economically with Australia (whilst retaining a separate customs territory and autonomous trade policy). In addition, New Zealand has already concluded a number of bilateral FTAs in the region, for instance with China and South Korea. Besides regional agreements, such as the one signed in 2009 with Australia and the Association of Southeast Asian Nations (ASEAN) countries, New Zealand has recently joined two mega-regional agreements: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP), which entered into force in 2018 and 2022, respectively. Partly as a result of the existing trade agreements, Asia’s importance has grown in New Zealand’s trade relations in the last decade. The share of goods New Zealand exported to Asian countries rose to 51% in 2014 from 40% in 2000, while its exports to the EU dropped from 15% in 2007 to 12% in 2016.

In recent years, the EU has also completed or has been negotiating trade agreements throughout the region. For example, FTAs have been concluded with Japan, South Korea, Singapore and Vietnam; elsewhere in the region, negotiations have been launched with Australia, India and Indonesia.

In October 2021, before concluding negotiations with the EU, New Zealand announced a trade ‘agreement in principle’ with the UK, indicating that those negotiations, too, had concluded. The market access granted by the UK to New Zealand agri-food exports is seen as markedly more generous than that granted by the EU: the UK will only apply tariff rate quotas (TRQs) to some sensitive products for a period of 15 years after entry into force of the agreement, after which all goods trade will be fully liberalised. Before Brexit, the UK accounted for a dominant share of EU imports of sheep meat from New Zealand (48% in 2015).

EU negotiating objectives

The negotiating directives adopted by the Council on 22 May 2018 state that: ‘The Agreement should provide for the progressive and reciprocal liberalisation of trade in goods, services and foreign direct investment. It will include rules on other trade-related areas in order to promote, facilitate or govern such trade and foreign direct investment’. The mandate does not cover investment protection or investor-dispute resolution.

In line with the 2017 opinion of the Court of Justice of the EU (CJEU) on the EU-Singapore FTA, which has authoritative value for the interpretation of similar FTAs, the areas covered by the mandate fall
under exclusive EU competence. Accordingly, this FTA could be concluded by the EU on its own and could be ratified at EU level alone.\(^4\)

The EU committed to taking European agricultural sensitivities fully into consideration during the negotiations. Therefore, while the mandate declares that the agreement should 'ensure the highest possible degree of trade liberalisation', it also states that the most sensitive products should be covered by specific provisions. For instance, 'tariff rate quotas, longer transitional periods or other arrangements should be considered' for certain agricultural products. The mandate also asks for the recognition of green box payments\(^5\) as non-trade distortive, meaning that these payments should not in principle be subject to anti-dumping or anti-subsidy measures.

Tariff liberalisation for processed agricultural and food products was an important objective for the EU, as tariffs applied by New Zealand in these sectors are relatively high. Certain exporting sectors in which the EU successfully competes in global markets, for instance cheeses, wines and spirits, are subject to these relatively high tariffs. Other areas of potential liberalisation for EU exports, according to the Commission, were machinery, chemicals, electrical and transport goods.

The EU has also strived to solve issues that it has with New Zealand regarding sanitary and phytosanitary (SPS) measures. For instance, plant health measures applied by New Zealand present obstacles for EU traders.

In general, measures protecting geographical indications (GIs) are a basic component of the EU's negotiating objectives. As the EU system used for the recognition and protection of GIs is in many ways different from that of New Zealand, this was a key issue during negotiations. The Council's mandate sets the objective that the agreement should provide direct protection based on a list of GIs, including wines, spirits, agricultural products and foodstuffs.

The services trade and investment sectors were another important focus for EU negotiators. In relation to services, the EU sought improved market access, as some sectoral restrictions still exist, for instance in the area of telecommunications. Arrangements to achieve temporary mobility of service suppliers (often referred to as 'Mode 4') were also an issue in the negotiations. Moreover, the EU requested increased public procurement market access at all levels of government. The negotiating directives made clear that EU data protection rules would not be affected.

According to the mandate, the FTA should include a specific small and medium-sized enterprises (SME) chapter and provisions on the labour and environmental aspects of trade and sustainable development. The agreement should also reaffirm the right of the parties to regulate in the areas of labour and the environment, as well as economic activity in the public interest.

New Zealand's position

As a study by Lincoln University (NZ) pointed out, concessions on agricultural products were expected to be one of the most important subjects for New Zealand in these negotiations.

New Zealand currently has a yearly, zero tariff-rated, country-specific, sheep and goat meat EU export quota of 228 254 tonnes; however, in 2022, just over half of this was filled. New Zealand also has shared access to a yearly, global, 48 200-tonne grain-fed beef quota with a 0 % tariff rate and a yearly, country-specific, 1 300-tonne high-quality beef quota subject to a tariff of 20 %; the latter has been consistently filled in recent years. Finally, concerning dairy products, New Zealand has a country-specific tariff-rate quota for 74 693 tonnes of butter per year and two tariff-rate quotas for specific types of cheese with a combined volume of 11 000 tonnes per year. As the butter and cheese quotas are subject to substantial in-quota tariffs, these dairy quotas are often under-filled.

New Zealand has sought to achieve further market opening through an increase in the quotas or through tariff concessions, or 'commercially meaningful' market access. New Zealand has also strived for the liberalisation of its kiwi fruit and wine exports, as it does not benefit from preferential access for these products.
In its summary of the scoping exercise, the New Zealand Ministry of Foreign Affairs and Trade highlighted several areas, in addition to trade in goods, as issues to be discussed during the negotiations; these included trade in services and investment, the digital economy, customs and trade facilitation, non-tariff barriers and technical barriers to trade, SPS measures, intellectual property rights, and public procurement.

The strong focus on addressing barriers to trade in services can be explained by the increasing importance of services in New Zealand’s economy (services exports amounted to 31% of total exports in the year ended March 2020), even if much of this is international tourism, which does not face trade barriers. As regards the digital economy, New Zealand has expressed the intention to address in its FTAs potential barriers to digital trade, which it sees as increasing in number as the nature of trade changes. The EU’s recognition of the adequacy of data privacy regulation provided a good basis for negotiations in this area.

Parliament’s position

In February 2016, the European Parliament adopted a resolution on the opening of FTA negotiations with Australia and New Zealand. The Parliament supported the idea of negotiating FTAs with these countries, but called upon the Commission to strike a balance between better market access conditions offered by the FTAs and possible EU defensive interests. Parliament listed a number of areas that needed to be addressed in a meaningful way in the agreements, such as investment, trade in goods and services, e-commerce and public procurement. In order to reach a balanced outcome in the agricultural and fisheries chapters, Parliament asked that due consideration be given, for instance, either to the inclusion in the FTAs of transitional periods or appropriate quotas, or to the exclusion of commitments in the most sensitive sectors. Parliament also called for the inclusion of provisions for bilateral safeguards to prevent increased imports that would adversely affect European producers in sensitive sectors, and for the protection of intellectual property rights (IPR).

Figure 3 – New Zealand, economic indicators


In October 2017, Parliament adopted another resolution on the negotiating mandate for EU trade negotiations with New Zealand. In it, Parliament requested that a clear distinction be made between an agreement on trade and foreign direct investment liberalisation, dealing with issues under EU-only competences, and a potential second agreement that would cover subjects whose competences were shared with Member States. In addition to enumerating areas to be included in
the future FTA, the protection of the most sensitive sectors through, for instance, the introduction of appropriate quotas or transition periods, and of IPR through GIs, was also recommended.

The October 2017 opinion of Parliament’s Agriculture and Rural Development (AGRI) Committee called on the Commission to guarantee a level playing field for those European producers who would face excessive or unsustainable pressure on account of the sensitive nature of their products. This could be achieved, for instance, by including transitional periods in the FTA or by excluding commitments in the most sensitive sectors. In the opinion, it was also requested that the then-ongoing Brexit talks and the impact of Brexit on the agriculture and food sectors in the EU be considered in the FTA.

The Council’s mandate reflects Parliament’s particular concerns expressed with regard to agriculture. It explicitly mentions that sensitive products, including some agricultural products, should be covered by specific provisions. It also includes commitments, for instance, on the protection and enforcement of IPR, on safeguard measures and on sustainable development. On the other hand, the mandate formulates only the general objectives of the agreement, although it covers the chapters where the requests expressed in the resolutions and committee documents might be taken into account specifically.

Negotiation process and outcome

The EU and New Zealand announced the start of a reflection process on stronger trade and investment connections in a joint declaration of March 2014. The joint statement of October 2015 set out a commitment to work towards beginning negotiations for an FTA. At the beginning of 2016, a scoping exercise was launched to define the scope of coverage and the level of ambition of the trade agreement; it was completed in March 2017. The joint scoping paper agreed by the parties recognised the sensitive nature of the agricultural sector for the EU stakeholders, and confirmed the agreement to seek specific treatment for sensitive agricultural products. An impact assessment (IA) was conducted in preparation for a Commission decision to request authorisation from the Council to launch negotiations with New Zealand. The Commission’s Impact Assessment (IA) report, supported by an external study and an online public consultation, was published on 13 September 2017. On the same day, the Commission also presented a recommendation to the Council to launch negotiations, together with the draft negotiating directives. After the Council gave its approval, the first round of negotiations took place in July 2018. The 12th and final round of negotiations was held in March 2022, but thereafter the two sides indicated that they would move to ‘rolling’ or ongoing negotiations instead of formal rounds resulting in reports. Negotiations were then declared concluded on 30 June 2022. The agreement was signed on 9 July 2023.

Main elements of the agreement

At the agreement’s entry into force, 100% of remaining New Zealand tariffs on imports of EU goods will be eliminated: this includes EU exports such as apparel and footwear, plastics, forklifts and kitchen appliances, which are currently subject to tariffs ranging between 5 and 10%. EU agri-food exporters’ IPR in the form of GIs also be protected in the New Zealand market, while New Zealand wine GIs will also be protected in the EU market. By contrast, 91% of current New Zealand trade will enter the EU duty-free on entry into force of the FTA, through tariff elimination or duty-free quotas. This will rise to 97% after seven years. TRQs will continue to apply to competitive New Zealand agri-food exports such as meat and dairy, as a way of limiting their impact on the EU market. EU and New Zealand businesses will also enjoy improved access to each other’s government procurement markets, while a chapter on SMEs should help smaller businesses on both sides to take advantage of the FTA.

As a way of facilitating the agreement’s ratification at EU level by ensuring it covered only areas falling under the EU’s exclusive competence, and in line with New Zealand’s own preferences, the agreement does not include investor-state dispute settlement (ISDS) provisions. However, a chapter
on trade and sustainable development includes provisions on trade and gender equality, trade and fossil fuel subsidies reform. It also includes ‘sanctionable’ commitments to the Paris Agreement and core International Labour Organization (ILO) standards, the first EU FTA to do so. This is also the first FTA concluded since the publication of the Commission's June 2022 communication on 'The power of trade partnerships: together for green and just economic growth'.

**Trade in goods – tariffs:** The EU and New Zealand have agreed comprehensive tariff reduction or elimination across all bilateral goods trade. At its entry into force, the agreement will remove duties on all EU goods exports to New Zealand. This will include relatively high New Zealand tariffs on EU industrial goods, including cars and motor vehicle parts (current tariffs up to 10 %), machinery (up to 5 %), chemicals (up to 5 %), and pharmaceuticals (up to 5 %). EU food and drink exports such as swine meat (current tariffs 5 %), wine and sparkling wine (5 %), chocolate, sugar confectionary and biscuits (5 %), and pet food (5 %), would also benefit from eliminated duties.

New Zealand exports to the EU will also benefit from significant tariff reduction: 94 % of EU tariff lines on New Zealand goods will be eliminated at entry into force of the FTA. This will rise to 98.5 % after seven years. This means that 91 % of New Zealand goods will enter the EU duty-free on day one, rising to 97 % after seven years. Some New Zealand exports, such as kiwifruit, apples, mānuka honey, onions, wine, fish, mussels and squid, will benefit from immediate full EU tariff elimination. However, in line with the sensitivity around certain New Zealand agri-food exports to the EU that was reflected in the EU's negotiating mandate (improving market access was a principal objective of the New Zealand negotiators), EU TRQ volumes will increase and in-quota rates fall or be eliminated. Nevertheless, TRQs will continue to apply to New Zealand sheep meat, beef, butter, cheese and milk powder imports into the EU.

The EU duty-free quota for **New Zealand sheep meat** will increase from 125 769 tonnes to 163 769 tonnes seven years after entry into force. The EU’s in-quota rate for **New Zealand beef** will fall from 20 % to 7.5 % on the existing TRQ of 1 102 metric tonnes on day one, while that TRQ will immediately increase to 3 333 tonnes and, after seven years, to 10 000 tonnes. The EU’s in-quota rate for 21 000 metric tonnes of **New Zealand butter** will drop to 5 % of the EU’s MFN rate after seven years (to around €95 per tonne), starting from 20 % at entry into force. In addition, a new TRQ will be added, rising to 15 000 metric tonnes after seven years, with the same tariff phasing. The EU in-quota rate on **New Zealand cheese** will fall from €170.60 per tonne to zero on 6 031 tonnes. The quota will also increase to 8 333 metric tonnes on day one, and rise to 25 000 metric tonnes seven years after entry into force. New Zealand will also benefit from more generous TRQ access on **milk powders**, **high-protein whey**, **ethanol** and **sweetcorn**.

In return, New Zealand has agreed to protect thousands of EU GIs, as set out in Annex 18-A of the agreement. This covers the full list of EU wines and spirits, as well as 163 of the most renowned EU food GIs, such as Asiago, Comté and Queso Manchego cheeses, Istarski pršut ham, Lübecker marzipan, and Kalamata olives. The New Zealand concession on EU GIs is more generous than that offered by any other EU FTA partner. The EU will also protect New Zealand wine GIs, such as Marlborough and Central Otago. The FTA also includes chapters on SPS measures, rules of origin, customs and trade facilitation, and technical barriers to trade.

**Investment liberalisation and services:** The FTA includes service sector-specific regulatory provisions on delivery services, telecommunications, financial services, international maritime transport services, aviation services (such as ground handling services) and English-language education services. The agreement also contains advanced provisions on the movement of professionals for business purposes, such as managers or specialists that companies post to their subsidiaries in the other party, and their family members. The text explicitly reaffirms the right of each party to regulate to pursue legitimate policy objectives, highlighted in a non-exhaustive list (‘negative listing’ approach). The agreement does not cover the protection of investments.

**Government procurement:** The EU and New Zealand will reciprocally open up their procurement markets beyond what is already covered under the WTO Government Procurement Agreement.
(GPA). New Zealand will allow EU companies to tender, on an equal footing with local companies, for contracts with all public authorities whose procurement is regulated by the New Zealand procurement rules, including 88 entities (compared with 18 covered by the GPA) such as district and city councils, projects in healthcare, and projects funded in whole or in part by the New Zealand Transport Agency. In return, New Zealand suppliers and service providers will be able to submit bids for procurement of all goods and services in the EU by central government authorities not yet covered under the GPA, the procurement of health-related goods (pharmaceuticals and medical devices) by regional government entities, and the procurement of public utility providers operating in the fields of ports and airports.

**Digital trade**: The agreement would facilitate cross-border data flows by prohibiting ‘unjustified’ data localisation requirements, whilst also providing personal data and privacy protections in the EU and New Zealand. It also includes articles on the protection of source code and the use of e-contracts and e-invoicing, and paperless trading. The agreement provides for cooperation between the parties on regulatory matters in the context of digital trade.

**Sustainability provisions and dispute settlement**: Like other recently negotiated EU FTAs, such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA), the New Zealand FTA includes a dedicated chapter on trade and sustainable development (TSD) that covers labour, environmental and climate matters. However, in a first for EU FTAs, the New Zealand FTA also includes provisions on trade and fossil fuel subsidy reform and sustainable food systems, as well as on women’s empowerment, including the relevant United Nations (UN) and ILO conventions advancing women’s economic empowerment and gender equality, and promoting cooperation in international forums to advance these objectives. This will require the parties to uphold the core ILO principles covering subjects such as freedom of association, the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the abolition of child labour, and non-discrimination at work. It will oblige them to ensure the effective implementation of the ILO conventions and the multilateral environmental agreements (MEAs) that each party has ratified, including the Paris Agreement on Climate Change, and to work together on climate-related matters, including carbon pricing. The agreement also includes provisions on New Zealand’s indigenous Māori people, including the Treaty of Waitangi, in line with New Zealand’s FTAs with other partners.

The FTA’s TSD commitments will be legally binding and enforceable through the agreement’s general dispute settlement. In addition, for the first time in an EU trade agreement, the TSD chapter provides for the possibility of trade sanctions ‘as a matter of last resort’, in instances of serious violations of core labour and climate commitments, namely the ILO fundamental principles and rights at work, and of the Paris Agreement. These sanctions could take the form of compensation by the complained-against party, or even suspension of ‘the application of obligations under the covered provisions’. The Commission says that these ‘sanctionable’ provisions will allow the EU to carry out a more ‘assertive’ enforcement of its TSD chapters compared to previous EU FTAs. It should be noted, however, that none of the other provisions in the TSD chapters are subject to sanctions, and that the dispute settlement periods are longer in the TSD chapters than in other chapters of the agreement.

**The changes the agreement would bring**

The IA summary noted that the policy option supported by the Commission and the authorities of New Zealand is a comprehensive FTA. Within this option, two sub-options were analysed: a conservative, partial liberalisation scenario and an increased liberalisation scenario including full liberalisation of import tariffs for goods. The IA report stated that, from the EU’s point of view, the second sub-option was preferable, ‘albeit with some special provision for sensitive agricultural sectors to mitigate the otherwise negative impact expected on specific sectors’. The IA report also emphasised that under this sub-option special consideration must be given to the sensitive EU sectors of ruminant meat and dairy.
According to the sustainability impact assessment (SIA) final report, in the long term (2030), EU exports to New Zealand would increase by between 16.1% (conservative scenario) and 32.5% (increased liberalisation scenario), and exports from New Zealand to the EU by between 10.2% and 23.4%. The SIA predicted a real GDP increase for the EU of €1.8 to €3.9 billion, again depending on the two scenarios. New Zealand’s real GDP would increase by between €680 million and €1.3 billion. As regards the impact on European sectoral competitiveness, the motor equipment, machinery, chemicals, gas and services sectors would benefit from an overall positive impact under both scenarios. Under both scenarios the beef and sheep meat sectors would be most negatively affected. The Commission estimates that EU exporters will save €140 million a year in duties from the first year of application. New Zealand estimates that its own exporters' tariff savings will amount to NZ$100 million (approximately €61 million) on entry into force of the FTA, rising to NZ$110 million (€68 million) after seven years.

A 2016 study prepared at the request of the French Ministry of Economy and Finance examined different scenarios for a trade agreement between the EU on the one hand, and Australia and/or New Zealand on the other. The study suggested that the most significant impact in terms of the economic well-being of the EU (an increase of 0.1%) would be expected should an agreement achieving 'total liberalisation' be concluded with both countries (tariffs reduced to zero and an important reduction of non-tariff barriers). Moreover, bilateral trade between the EU, on the one hand, and Australia and New Zealand, on the other hand, would increase by 85%.

Stakeholder views

The New Zealand Europe Business Council (NZEBC), made up of various European trade organisations in New Zealand, welcomed the idea of an FTA in its 2015 position paper. In 2016, organisations representing New Zealand’s beef, sheep and dairy sectors received the prospective launch of negotiations favourably, considering the FTA to be an opportunity for improved EU market access and a more level playing field with countries that already have an FTA with the EU, such as Canada. For its part, the Commission undertook a public consultation on the future of EU-Australia and EU-New Zealand trade and economic relations in 2016. The majority of business sector stakeholders welcomed the FTA. The notable exceptions were business stakeholders of some EU agricultural sub-sectors, who did not support the full liberalisation of specific products. The non-profit stakeholders emphasised the need to maintain high standards in social, environmental, consumer and other areas, and to safeguard the governments' right to regulate.

The conclusion of the negotiations has been met with mixed reactions on both sides, with harsh criticism from the European dairy and meat sector. BusinessEurope, an EU employers' lobby group, described the deal as a 'welcome and much-needed resumption of an ambitious EU trade agenda'. The agreement's innovative and enforceable sustainability provisions have been lauded by Greens/EFA and S&D Members of the European Parliament. However, the European agricultural organisation Copa-Cogeca laments that 'painful compromises have been made on sensitive sectors', even while it notes the high consumer protection standards in New Zealand and EU efforts to protect GIs and EU production standards. It fears that the agreement will worsen the 'structural negative trade balance' in EU-New Zealand agriculture trade. The German Farmers' Association (Deutscher Bauernverband) predicted that the agreement would pose 'massive challenges' to German dairy and sheep farmers. Similar sentiments were expressed by farmers' organisations in France, although an opinion piece in the Irish Farmers Journal predicted that the agreement would have a 'fraction of the impact' of the recently concluded UK-New Zealand FTA.

On the New Zealand side, the Dairy Companies Association of New Zealand described the market access improvements as 'disappointing', and criticised the restrictions on European GIs that would require New Zealand producers to stop selling protected products such as 'feta'. Similarly, the New Zealand Meat Industry Association questioned whether the market access provided by the agreement could be described as 'commercially meaningful'. The then main opposition National Party echoed these criticisms, giving the agreement a score of 'six out of 10'.
Signature and ratification process

Following legal revision (‘legal scrubbing’) and translation into the official EU languages, the agreement was submitted by the Commission to the Council, for signature and conclusion. Once the Council had authorised the agreement’s signature, the EU and New Zealand signed the agreement on 9 July 2023. After signature, the text was sent to the European Parliament for consent.

On 24 October 2023, Parliament’s INTA committee voted to recommend that Parliament give its consent to the free trade agreement. Members noted that the agreement is the EU’s first to include enforceable commitments to the Paris Agreement and to core International Labour Organization (ILO) standards, with sanctions as a last resort in cases of breaches. As such, the FTA ‘sets a benchmark in the area of sustainable trade and should be considered a gold standard in current and future FTAs negotiations’.

Parliament will decide on the proposed agreement by means of a single vote on consent during its plenary session in the week of 20 November. Following Parliament’s consent, the Council must adopt a formal decision to conclude the agreement. The parties must notify each other of the completion of their respective ratification procedures, and the agreement will then enter into force and be published in the EU’s Official Journal.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

Binder K., EU-New Zealand free trade agreement – All set for the launch of negotiations, EPRS, European Parliament, October 2017.


OTHER SOURCES


Council of the European Union, Negotiating directives for a Free Trade Agreement with New Zealand, 8 May 2018.

European Parliament, EU/New Zealand Free Trade Agreement, Legislative Observatory (OIEL).

European Parliament, Recommendation to the Council on the proposed negotiating mandate for trade negotiations with New Zealand, Legislative Observatory (OIEL).


Trade For All Agenda, Ministry of Foreign Affairs and Trade, New Zealand, 2019.

ENDNOTES

1 Most-favoured nation (MFN) tariffs ‘are what countries promise to impose on imports from other members of the WTO, unless the country is part of a preferential trade agreement’ – see: World Bank.

2 The study uses Global Trade Analysis Project (GTAP) denominations. The category ‘Bovine meat products’ used here therefore corresponds to the CMT sector of the GTAP database. Based on concordances between GTAP sectors and the United Nations general classifications ISIC and CPC, this sector covers: ‘Cattle meat: fresh or chilled meat and edible offal of cattle, sheep, goats, horses, asses, mules, and hinnies. Raw fats or grease from any animal or bird’.

3 New Zealand and the United States both participated in negotiations on a Trans-Pacific Partnership trade agreement between 2008 and 2017, but the United States withdrew from negotiations in January 2017.

4 The CJEU, in its opinion on the EU-Singapore FTA, concluded that competences in the following areas are shared between the EU and the Members States: (i) non-direct foreign investment, (ii) investor-state dispute settlement (ISDS), and (iii) state-to-state dispute settlement relating to provisions regarding portfolio investment and ISDS. Agreements containing areas of shared competences, such as non-direct investment and ISDS, need to be concluded as mixed agreements – see: L. Puccio, CJEU Opinion on the EU-Singapore Agreement, EPRS, European Parliament, 2017.

5 ‘In WTO terminology, subsidies in general are identified by “boxes” which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), red (forbidden)’ – see: WTO: Domestic support in agriculture – The boxes.

6 The analytical model used in the SIA simulated the impact of two parallel FTAs, one with Australia and one with New Zealand. While separate figures are available on changes to bilateral trade flows, only the combined impact is measured for the EU output, reallocation of labour and consumer price index.

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