



Delegation for relations with Australia and New Zealand

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MISSION REPORT

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Members of the mission:

Ulrike Müller

(ALDE) (Leader of the mission)

Derek Vaughan

(S&D)

Hannu Takkula

(ALDE)

Monika Vana

(GREENS/EFA)

Introduction

When the 21th EU-New Zealand Interparliamentary Meeting (IPM) took place in March 2017 in Brussels, Bill English had not only just replaced John Kay as Prime Minister but had also visited Brussels on this first overseas trip.

The current 22nd IPM took place following the elections of 23 September which resulted in the surprise formation of a government combining the Labour Party, “New Zealand First” and the Greens. As the IPM showed, the unifying topic of this combination of seemingly incompatible political forces is their opposition to what is perceived as the excesses of the neoliberal economic strategy pursued not least by the last governments of the National Party (liberal-conservative). The new economic policy strategy of the Labour led government, however, is still very likely to be neoliberal by European standards.

During his nine years in office, John Kay had seen not less than 4 Prime Ministers in Canberra, capital of New Zealand’s big neighbour and point of reference, Australia. This underlines the impressive political stability of New Zealand, which has been matched by rising prosperity. However, political developments both in the US and China present the country with considerable challenges and probably explain why New Zealand is clearly looking to an intensification of its bilateral relationship with the EU (and this independent of Brexit). It is against this background that New Zealand seems to be frustrated by the slow progress on the Free Trade Agreement (FTA).

On top of the discussions on the envisaged FTA, the official IPMs dealt with the issue of Brexit, the challenges to the multilateral international order and the role of China in New Zealand’s immediate neighbourhood (all dealt with below).

Economic developments

Since 1984 (PM Lange), economic policy in New Zealand has taken a very neoliberal direction as demonstrated by the decision implemented in 1998 to stop the domestic production of many industrial goods and instead to focus almost exclusively on New Zealand’s comparative advantages (i.e. agriculture and tourism).

At the same time, governments both from the centre right and the centre left have pursued the conclusion of Free Trade Agreements (FTAs) with New Zealand’s main trading partners, making the country the first from the West to conclude an FTA with China. Against this background it is indeed more than surprising that the EU and New Zealand – and the EU and Australia by the way – have not yet signed a bilateral FTA (cf. below).

A logical consequence of New Zealand’s neoliberal economic strategy has also been the formation in 2001 of Fonterra, a company which accounts for around 30% of global exports of dairy products.

One of the most interesting features of the field visit to the company’s headquarters in Auckland - on top of their work organisation - was actually to see the global supply chain which Fonterra has established and which could be very sensitive to (political) disruptions. With Fonterra accounting for a considerable part of total exports by New Zealand (27% of overall good

exports), a global trade war could play havoc with New Zealand's successful economic strategy of the last 34 year. Not surprisingly, therefore, the country has been - together with Japan and Australia - one of the strongest proponents of TTP-1 ("Trans-Pacific Partnership minus one"), now baptized as 'CPTTP' (Comprehensive and Progressive Agreement for Trans-Pacific Partnership") and signed just a few days ago.

Fonterra is also typical of the New Zealand economy as a whole because of the importance of China's market for the company's performance (23% of Fonterra's revenue derives from the Chinese market) as in 2016 close to 20% of New Zealand exports went to China.

New Zealand agriculture and climate change

Contrary to popular perceptions in Europe, New Zealand's agriculture is surprisingly intensive (as became also evident during the field trip). As a result waterways and soil have been strongly polluted and it will take decades to repair the problems so created (as recognized by the agricultural industry themselves).

During the (informal) meeting with the Minister for Agriculture, the EU was implicitly attacked for the huge subsidies it still dedicates to the support of its agricultural sector, as New Zealand has abolished all kind of subsidies. Not surprisingly, farmers in New Zealand are subject to enormous economic and financial pressures due to the very high volatility of dairy prices and fluctuations of the exchange rate. According to press reports, these pressures explain the very high suicide rate among farmers (although officials from the Ministry for Agriculture claimed that this was due to their isolation in the countryside).

Given the importance of Muslim countries for New Zealand's exports of sheep meat, the country has been at the forefront of developing export standards for halal (slaughtering), which "also integrate animal welfare". Interestingly enough, around half of New Zealand's exports of halal meat now go to China.

Regarding animal welfare in general, the country has developed a full-fledged "Animal Welfare Strategy", not least because "New Zealand's animal welfare practises add value to our exports". MEPs expressed some doubts on how far reaching the respective measures are, though.

The focus of New Zealand's economic strategy on agriculture has also led to the - almost curious - effect that close to 50% of the country's total CO2 emissions nowadays derive from agriculture. The new government has recently agreed on the target to make the country "carbon neutral" by 2050. Measures on how to reach this target have not yet been decided upon, but our counterparts insisted that a fully-fledged "Climate Change Act" is likely to be presented to Parliament still in the course of this year. The EU should follow closely the now ensuing debate

Brexit and bilateral trade relations

During bilateral meetings, our New Zealand counterparts were astonishingly direct regarding Brexit, going as far as to state that "the UK had betrayed New Zealand when it joined the Common Market". Our counterparts also repeatedly quoted trade statistics according to which

more than 20% of New Zealand dairy exports went to the UK in the early 1970s, compared to less than 0.5% now.

They were very well informed about the ongoing debates in Europe on the issue of Brexit and showed full understanding of the EU's (legal) positions, including on the legal limitations for the UK to open trade negotiations with third parties. Not surprisingly in the overall context, they also signalled that New Zealand would start negotiations on a bilateral FTA with the UK once the legal situation would allow for this.

Regarding the bilateral trade relations, the New Zealand side first of all underlined that the country remains attached to the (defence of) multilateral trade system, which remains «critical to New Zealand». Actually “New Zealand is looking for EU leadership on this” as the recent meeting in Buenos Aires had been a disappointment.

They then stressed that the new government is aiming for a “new progressive and inclusive trade agenda”, with a focus on sustainable development, labour rights and environmental issues (including overfishing). This agenda should also encompass gender equality, Maori issues, regional development and SMEs. The following 6 months would be used by the government to further elaborate on this strategy.

The New Zealand's side then expressed their disappointment that the EU Council had not yet agreed on a negotiation mandate for the envisaged bilateral FTA, given in particular that the scoping exercise had been very thorough and had increased mutual understanding and confidence. In order to facilitate a fast conclusion of FTA negotiations, New Zealand proposed to keep the issue of investor protection out of scope of the FTA. Although the New Zealand Parliament has recently passed an act introducing Geographical Indicators into the country's legislation they are opposed to a too large use of that denomination and insist on “real geographic norms” like “Parmigiano reggiano” instead of “Parmigiano” only.

During the meeting in the Foreign Ministry, the EP side stressed the importance of transparency for the successful ratification of the FTA; the New Zealand side agreed on the need for an increased dialogue with civil society, but also underlined the need for a “reasonable level of confidentiality to leave governments room for manoeuvres”. However, there was agreement that it is extremely important to get the narrative right at the beginning of negotiations (to avoid ratification problems later).

New Zealand in the regional context

New Zealand is strongly involved in the Southern Pacific and would clearly love to see even stronger engagement from the EU and its Member States in the area. While our counterparts were not very explicit on their reasoning, this is probably due to the likely cut in financial support to the region by the US and the rising (financial) influence of China. However, regarding the rising influence by China in general, New Zealand seems to have adopted a very pragmatic approach: New Zealand will not seek confrontation with China (it has even accorded MES to China) and focus instead on the most obvious human rights violations in that country (like the treatment of human rights lawyers). In the same vein, our counterparts underlined that they had always pleaded that TPP was not directed against China and that therefore China would be welcome to join CPTPP.

Conclusion

Following a severe economic situation following the entrance of the UK to the Common Market and the two oil price shocks, New Zealand has embarked on a very neoliberal economic policy strategy which has created prosperity and strongly integrated the country into the global value and supply chains, but which also makes the country very vulnerable in case of major global disruptions. New Zealand, therefore, strongly supports cooperation in the WTO and sees itself - together with the EU - as a strong defender of the multilateral trade system. Furthermore, the change in government has actually brought the country's thinking on trade more in line with the EU mainstream. The New Zealand side, therefore, is very disappointed by the fact that the EU Council so far has been unable to agree on a negotiation mandate for the Commission.

What is more, New Zealand's approach to (other) global challenges like climate change is fully in line with the EU's; this again has even been reinforced by the recent change in government in Wellington and its very bold climate change target.

During the various meetings, different counterparts expressed their hopes that the bilateral relationship could be further intensified by increased exchanges e.g. among academics. All in all, it might be difficult to find another partner outside the EU which so strongly shares our values and attitudes.

Follow-up

The delegation will try to organise a joint meeting with the Committee on Agriculture to discuss GIs and other relevant agricultural issues more in detail. In due time, a joint meeting with the Committee on International Trade should also be organised. The Chair also proposed to draft a letter to the Commissioner in charge, asking for explanations for the delay in opening negotiations on an FTA. In the meantime, it has been agreed to have this letter co-signed by both the INTA rapporteur for the FTA with Australia and the rapporteur for the FTA with New Zealand (draft letter attached).

Regarding climate change and the new target presented by the government, more details on the implementation of this ambitious target need to be known before this development can be discussed in a delegation or committee meeting. Therefore, the Secretariat shall follow up closely on how the New Zealand government intends to reach this target and shall then organize meetings with respective committees (e.g. AGRI or ENVI).