Abstract

For many years New Zealand appeared an essentially European country located in the midst of the Pacific Ocean, some 15,000 kilometres from Europe. Yet in recent decades the country has welcomed significant numbers of Asian immigrants and integrated its economy with the emerging economies of its Asian neighbours, and notably China.

Recent elections secured another three-year mandate for a coalition of centre-right parties. Led by Prime Minister John Key, the government is expected to further promote investment and adopt business-friendly measures in the upcoming term. With an active foreign policy – especially in the Asia-Pacific region – the country has often participated in UN-led or international peacekeeping missions. New Zealand’s upright reputation earned the country a non-permanent seat in the UN Security Council for the period 2015-2017.

Relations with the EU are good despite declining bilateral trade and the country’s growing focus on the Asia-Pacific region. In 2014 the EU and New Zealand successfully concluded negotiations for a Framework Agreement. Free trade agreement talks may be opened later this year.
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1 Country presentation

New Zealand is situated in the South Pacific Ocean, about 1,900 kilometres to the east of Australia and about 15,000 kilometres from Europe.

With a land area of 268,000 square kilometres, New Zealand has a size similar to the ones of Japan or Great Britain. It is comprised of two main adjacent islands, the North Island and South Island, and a number of small outlying islands. Because these islands are widely dispersed, New Zealand has a relatively large exclusive maritime economic zone of 4.1 million square kilometres.

Over half of New Zealand’s total land area is composed of pasture and arable land and more than a quarter is under forest cover, including 1.8 million hectares of planted production forest. It is predominantly mountainous and hilly, with 13% of the total area consisting of alpine terrain, including many peaks exceeding 3,000 metres. Lakes and rivers cover 1% of the land. Most of the rivers are swift and seldom navigable, but many are valuable sources of hydro-electric power. The climate is temperate and relatively mild.

New Zealand’s population at 30 June 2013 is about 4,470,000. With a population of 1,529,300 people, the Greater Auckland Region is home to around one third of all New Zealanders and is one of the fastest growing regions in the country.

New Zealand has a highly urbanised population with around 72% of the population living in urban entities with 30,000 or more people. As of June 2010, over half of all New Zealanders (53%) lived in the four main urban areas of Auckland, Hamilton, Wellington and Christchurch.

New Zealand has a high degree of social and political stability and a modern social welfare system which includes universal entitlement to primary and secondary education and subsidised access to health services for all residents. The population is mainly European with around 77% of residents designating themselves as being of European descent, 15% as New Zealand Māori, 7% as Pacific Islanders, 10% as Asian and 1% as other. There is a high incidence of intermarriage among these groups. The majority of Europeans are of British descent while the New Zealand Māori are of the same ethnic origin as the indigenous populations of Tahiti, Hawaii and several other Pacific Islands. In recent years there has been an increasing level of immigration from Asian countries.

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1 Government of New Zealand, Economic and Financial overview 2014 (2015). The first part of this paper is largely based on the above report which provides a very clear presentation of key issues involving New Zealand.

2 NZ Census respondents are able to give multiple responses to ethnicity questions, hence the number of responses is greater than the total population.
## Form of Government

New Zealand is a parliamentary democracy based on a corrected Westminster system. Its constitutional history dates back to the signing of the Treaty of Waitangi in 1840, when the indigenous Māori people ceded sovereignty over New Zealand to the British Queen. The New Zealand Constitution Act 1852 provided for the establishment of a Parliament with an elected House of Representatives. Universal suffrage was introduced in 1893. Similarly to Canada and Australia, the British monarch is the titular Head of State. The Queen is represented in New Zealand by the Governor-General, appointed by her on the advice of the New Zealand Government.

As in the United Kingdom, constitutional practice in New Zealand is an accumulation of convention, precedent and tradition (the so-called ‘Common Law System’), and there is no single document that can be termed the New Zealand constitution. The Constitution Act 1986, however clarified and brought together in one piece of legislation the most important constitutional provisions that had been enacted in various statues. It provides for a legislative body, an executive and administrative structure and specific protection for the judiciary.

Legislative power is vested in the House of Representatives, a unicameral body. It currently has 121 members, who are elected for three-year terms through general elections. Last political elections took place on 20 September 2014 (see below).

The executive Government of New Zealand is carried out by the Executive Council. This is a formal body made up of the Cabinet and the Governor-General, who acts on the Cabinet’s advice. The Cabinet itself consists of the Prime Minister and his/her Ministers, who must be chosen among elected Members of Parliament. The Cabinet is collectively responsible for all decisions of the Government.

As a result of a referendum held in conjunction with the 1993 election, New Zealand changed from a "First Past the Post" (FPP) system of electing Members of Parliament to a "Mixed Member Proportional" (MMP) system of proportional representation.

MMP is similar to the German system of election to the Lower House. Under MMP, the total number of seats each party has in Parliament is proportional to that party’s share of the total list vote. Around half of all Members of Parliament are elected directly as electorate representatives as under the FPP system. The remaining members are chosen by the parties from party lists. This change was used for the first time for the 1996 election.

A referendum on the future of MMP was held in conjunction with the 2011 election. A majority of responses favoured the retention of MMP.
The Treaty of Waitangi

The Treaty of Waitangi is regarded as a founding document of New Zealand. First signed at Waitangi on 6 February 1840, the Treaty is an agreement between Māori and the British Crown and affirms for Māori their status as the indigenous people of New Zealand.

The Treaty comprises three articles. The first grants to the Queen of England the right to "govern" New Zealand while the second article guarantees Māori possession of their lands, forests, fisheries and other resources. The third and final article gives Māori all the citizenship rights of British subjects. There are outstanding claims by Māori that the Crown has breached the Treaty, particularly the guarantees under the second article. Since 1992, the Government has developed processes and polices to enable the Crown and Māori to settle any Treaty of Waitangi claim relating to events before September 1992.

3 The 2014 Elections

2014 Political elections were won by the ruling National Party

2014 political elections were won by the centre-right National Party. The result of the elections confirmed a strong popular support to the party led by Prime Minister John Key who secured another three year mandate. The National Party won 60 seats in the 121-seat parliament (48% of popular vote). The National Party’s close allies secured another 4 seats (2 for the Maori Party and one each for United Future and ACT).

Figure 1: results of 2014 Political Elections
The Labour party confirmed its persistent weakness and secured only 32 seats (2 than in 2011, when the party registered historically low results) while the Green Party maintained its 14 seats (10% of vote). The New Zealand First Party conquered 11 seat (+3) after a campaign focussed on economic sovereignty for New Zealand through state ownership of assets. As a result of the electoral defeat, Labour leader David Cuniffe resigned and was replaced by Andrew Little.

**Figure 2:**
Distribution of seats in Parliament among principal parties over the last six elections

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Party</td>
<td>39</td>
<td>27</td>
<td>48</td>
<td>58</td>
<td>59</td>
<td>60</td>
</tr>
<tr>
<td>Labour Party</td>
<td>49</td>
<td>52</td>
<td>50</td>
<td>43</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>Green Party</td>
<td>7</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>New Zealand First</td>
<td>5</td>
<td>13</td>
<td>7</td>
<td>-</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Māori Party</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>ACT New Zealand</td>
<td>9</td>
<td>9</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>United Future</td>
<td>1</td>
<td>8</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mana Party</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>120</td>
<td>120</td>
<td>121</td>
<td>122</td>
<td>121</td>
<td>121</td>
</tr>
</tbody>
</table>

Source: Electoral Commission

With an increased presence in parliament, the National Party is likely to continue its business-friendly economic policy line without serious constraints. This programme includes: fiscal consolidation, some deregulation, infrastructure investment and pushing trade liberalisation agreements. Some environmental issues have also included in the programme of the new Government.

In the previous electoral term 2011-2014, the National Party's proposals to reform resource management legislation stalled because of a lack of backing from supporting parties. With the National Party’s stronger showing in this election, it will likely renew efforts to speed up ‘resource consents’ under the legislation -- a move that has been strongly supported by farmers. New Zealand’s Resource Management Act 1991 is legislation that places strong emphasis on environmental protection. National’s plans are to amend the Act so that it does not constrain the supply of housing, creating greater certainty for developers.

The National Party has committed to investing 8.0 million NZD (EUR 5.5 million) over four years from 2014 for data acquisition projects, such as aeromagnetic surveys and petroleum basin analysis.

The government’s small support partners are likely to push for specific

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3 Oxford Analytica, Elections will boost New Zealand oil investment (24 September 2014)
agendas. The Maori party will continue to advocate for constitutional change and addressing inequalities between indigenous and non-indigenous people in New Zealand. They have focused on reducing New Zealand’s prison population, and supporting the delivery of social services through indigenous providers.

The ACT party has called for cuts to New Zealand’s business tax rate from 28.0% to 12.5%. They also prioritised the development of charter schools in the previous electoral term.

United Future is likely to lobby for more flexible superannuation for older citizens. It also has indicated that it favours New Zealand’s becoming a republic, and will lend support to John Key’s intention to hold a referendum on changing the New Zealand flag (replacing the current flag with the Union Jack and the stylised Southern Cross with the “silver fern” flag). A two-stage binding referendum on a flag change may place in 2015 or, more likely, in 2016.

4 Foreign Policy

New Zealand’s foreign policy essentially focuses on the Asia-Pacific region.

The Pacific region has always been of special relevance to New Zealand while the rise of China and other emerging countries prompted New Zealand to increasingly focus on the wider Asia-Pacific region. 4

New Zealand also plays an important role in promoting regional stability in the Southwest Pacific and in archipelagic Southeast Asia. New Zealand’s commitment to such operations is demonstrated by its leading role in helping to resolve conflict on Bougainville, Papua New Guinea, and its participation in peace operations in East Timor, and through its contribution of troops to security operations related to the Regional Assistance Mission in the Solomon Islands (RAMSI). New Zealand has also contributed to UN peacekeeping operations in places such as Bosnia, Sierra Leone, and Kosovo.

While New Zealand is committed to preserve its traditional partnerships (notably with Australia, the UK and the US), as acknowledged by the Ministry of Foreign Affairs, “the geographical spread of economic growth underlines the need to make the most of near-term opportunities in our own Asia-Pacific region”.

In 2014, the government highlighted nine “strategic” priorities (below) that essentially aiming at keeping sound relations with regional neighbours open up foreign markets to New Zealand’s trade and reinforce the country’s international role and prestige. New Zealand is also an active player in the field of disaster relief and aid for development especially in the Pacific region. 5

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4 Wayne Mapp, The New Zealand Paradox, adjusting to the changes in the balance of power in the Asia pacific over the next 20 years (2014). This booklet offers interesting overviews of challenges faced by New Zealand in a quickly changing strategic scenario dominated by the potential challenge of China to the US supremacy in the Pacific.

**Figure 3:** New Zealand’s strategic priorities

### Strategies and major programmes

**Ministry’s 9 strategic priorities:**
1. Build a more intimate and coordinated relationship with **Australia**
2. Pursue trade and economic integration in the **Asia-Pacific**
3. Act to strengthen the **international rules-based system** to protect and advance NZ’s interests
4. Achieve proactive relationships of influence with both the **US** and **China**
5. Achieve influential relationships with **key emerging economies**
6. Improve prosperity and reduce risk in the **Pacific region**
7. Enhance NZ’s international standing and influence through a reputation for effective and focused **development assistance**
8. Build comprehensive partnerships with the **EU** and the **Middle East**
9. Help **NZ Inc firms** internationalise and export

**NZ Inc strategies**
In implementation phase
- China
- India
- Australia
- ASEAN
- Gulf Cooperation Council

**Major programmes**
- UNSC campaign
- Trade policy and agreements
- International development
- Consular services

### Impacts/Intermediate outcomes

- **Positive security and political relationships with other countries that advance NZ’s interests**
- **NZ’s interests identified and advanced through NZ Inc strategies**
- **Doors opened and barriers removed for NZ businesses**
- **Outcomes of international negotiations favourable for NZ**
- **NZ is regarded as a good and influential global citizen**
- **NZ Aid Programme contributes effectively to sustainable development**
- **The rights of New Zealanders abroad protected**

### Outcomes

- **NZ’s ability to influence key relationships and safeguard our interests enhanced**
- **Economic growth and international competitiveness advanced through NZ’s international connections**
- **NZ’s interests secured through regional and multilateral engagement and effective international rules**
- **Sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world**
- **New Zealanders’ safety and wellbeing protected in offshore environments**

### Impact measures

- **Vision**
- **To give New Zealand an edge**
New Zealand was able to secure a temporary seat on the United Nations Security Council (UNSC) for the period 2015–2016. This was welcomed by public opinion and contributed to reinforce the popularity of Prime Minister John Key.

4.1 Relations with key Partners

United States

The bilateral relationship with the United States (US) was strengthened significantly through the signing of the Wellington Declaration in November 2010. At that time, Secretary of State Hillary Clinton and New Zealand Prime Minister John Key signalled that past differences over nuclear policy had been set aside as the two described the relationship as the strongest and most productive it has been in 25 years. In the mid-1980s New Zealand adopted a still-in-effect policy of not allowing nuclear armed or nuclear powered ships to visit New Zealand ports.

New Zealand is increasingly viewed as a secure partner of the US that supports the US presence in its region. New Zealand and the US enjoy very close bilateral ties across the spectrum of relations between the two countries. These ties are based on shared cultural traditions and values as well as on common interests. New Zealand also fought alongside the US in most of its major conflicts including World War I, World War II, Korea, and Vietnam.

People’s Republic of China

In 2012 New Zealand and China celebrated 40 years of diplomatic relations. The New Zealand-China relationships are characterised by regular high-level contacts, an expanding range of official dialogues - both formal and informal, healthy and diversifying trade and economic flows in both directions, and strengthening people-to-people contacts. The relationship is marked by frequent high level visits including visits to New Zealand by President Jiang Zemin (1999), President Hu Jintao (2003), and President Xi Jinping (2014). John Key has visited China five times as Prime Minister. Prime Minister Key and President Xi recently revised the bilateral trade target to NZD 30 billion by 2020 (replacing the previous target of NZD 20 billion by 2015) and during President Xi’s 2014 visit the relationship was described as a Comprehensive Strategic Partnership.

Foreign policy and economic and trade talks between New Zealand and Chinese officials have expanded over the years and are held regularly. While most of open dialogues deal with economic and commercial matters there is also regular contact on a wide range of non-economic issues including defence, law and governance, human rights, regional security, international

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6 US Congressional Research Service (Bruce Vaughn), New Zealand: Background and Bilateral Relations with the United States (27 March 2011).
fisheries management, and development assistance.

New Zealand was the first developed country to conclude an FTA with China. The Free Trade Agreement between New Zealand and China entered into force on 1 October 2008.

**Australia**

New Zealand enjoys a privileged relationship with Australia for economic, social and security reasons. Although it has always been dominant, this process has accelerated under the Closer Economic Relations (CER) agreement, signed in 1983.

Australia is New Zealand’s largest single market and its strongest trading relationship. The bilateral relationship is underpinned by free movement of people between the two countries, by regular contact at the political level, by close defence ties and by a range of interlocking agreements.

Australia and New Zealand share many foreign and trade policy objectives, although there are some differences of outlook and operation.

The 1973 Trans-Tasman Travel Arrangement has allowed Australian and New Zealand citizens to enter each other’s country to visit, live and work, without the need to apply for authority to enter the other country before travelling. Despite good economic performance, the number of New Zealand immigrants to Australia rose in recent years. At 30 June 2013, a 640,770 New Zealand citizens were present in Australia (they correspond to about 15% of New Zealand’s populations).

**4.2 Defence issues**

NZ’s strategic concept supports a continuing US security presence in the Asia-Pacific


The White Paper supports a continuing US security presence in the Asia-Pacific and notes the US’ role as a contributor to regional stability. The document described New Zealand security interests in terms of concentric circles with New Zealand itself constituting the first circle of strategic importance, Australia and the South Pacific comprising the second circle, and Southeast Asia and the larger Asia-Pacific making up the third.

The White Paper identifies several areas where the use of military force by New Zealand would be appropriate. These include in response to a direct threat to New Zealand, its territories or Australia; as part of a collective action in support of a Pacific Islands Forum member; as part of New Zealand’s contribution to the Five Power Defence Arrangements (FPDA); or if requested or mandated by the United Nations “especially in support of peace and
NZ Armed forces are small but well trained

security in the Asia-Pacific region.”

The New Zealand Defence Force comprises of just over 14,000 people. This includes around 9,000 Regular Force, 2,200 Reserve Force, and 2,900 civil staff members across the Navy, the Army and the Air Force. New Zealand’s defence force is small, but generally regarded very efficient and well trained.

On 24 February 2015, New Zealand announced its intention to join the international coalition fighting the Islamic State in Iraq and Syria. The NZ will send a military mission tasked to better train Iraq’s military forces. 7

5 International trade

NZ is an export oriented country with a significant trade surplus

External trade is essential to New Zealand’s economic wealth. Exports of goods and services make up over 30% of New Zealand’s GDP. New Zealand’s trade interests are well diversified. Australia, China, North America, the EU and the Association of South-East Asian Nations (ASEAN) take between around 10% and 25% each of New Zealand’s goods exports. Other major trading partners include Japan and Korea.

Figure 4:
Goods export (fob) by top destinations

Between June 2013 and June 2014, New Zealand registered a significant trade surplus of NZD 5.1 billion (corresponding to about EUR 3.5 billion).

7 Reuters, New Zealand to help train Iraq army fight IS (24 February 2014)
Food and raw materials are among the most exported NZ’s products

While New Zealand exports a broad range of products, it is reliant on exports of commodity-based products as the main source of export receipts while it depends on imports of raw materials and capital equipment for industry (see tables below).

**Figure 5:**
New Zealand’s trade in goods and services

**Figure 6:**
Composition of principal merchandise exports

<table>
<thead>
<tr>
<th>Year ended 30 September</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2013 % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy produce</td>
<td>8,747</td>
<td>9,389</td>
<td>11,468</td>
<td>11,827</td>
<td>11,470</td>
<td>24.9</td>
</tr>
<tr>
<td>Meat and edible offal</td>
<td>5,322</td>
<td>4,979</td>
<td>5,563</td>
<td>5,130</td>
<td>5,236</td>
<td>11.4</td>
</tr>
<tr>
<td>Wood and articles thereof</td>
<td>2,362</td>
<td>2,740</td>
<td>3,247</td>
<td>3,059</td>
<td>3,669</td>
<td>8.0</td>
</tr>
<tr>
<td>Mineral fuels</td>
<td>1,894</td>
<td>2,136</td>
<td>2,337</td>
<td>2,307</td>
<td>1,878</td>
<td>4.1</td>
</tr>
<tr>
<td>Fruit and nuts</td>
<td>1,607</td>
<td>1,465</td>
<td>1,548</td>
<td>1,611</td>
<td>1,471</td>
<td>3.2</td>
</tr>
<tr>
<td>Machinery and mechanical appliances</td>
<td>1,287</td>
<td>1,257</td>
<td>1,342</td>
<td>1,359</td>
<td>1,335</td>
<td>2.9</td>
</tr>
<tr>
<td>Fish, crustaceans and molluscs</td>
<td>1,364</td>
<td>1,355</td>
<td>1,441</td>
<td>1,431</td>
<td>1,264</td>
<td>2.7</td>
</tr>
<tr>
<td>Aluminium and articles thereof</td>
<td>976</td>
<td>1,136</td>
<td>1,251</td>
<td>1,080</td>
<td>948</td>
<td>2.1</td>
</tr>
<tr>
<td>Electrical machinery and equipment</td>
<td>855</td>
<td>879</td>
<td>942</td>
<td>994</td>
<td>929</td>
<td>2.0</td>
</tr>
<tr>
<td>Casein and caseinates</td>
<td>1,037</td>
<td>638</td>
<td>721</td>
<td>903</td>
<td>869</td>
<td>1.9</td>
</tr>
<tr>
<td>Iron, steel and articles thereof</td>
<td>726</td>
<td>826</td>
<td>878</td>
<td>787</td>
<td>828</td>
<td>1.8</td>
</tr>
<tr>
<td>Precious stones, metal and jewellery</td>
<td>893</td>
<td>850</td>
<td>998</td>
<td>925</td>
<td>819</td>
<td>1.8</td>
</tr>
<tr>
<td>Wool</td>
<td>550</td>
<td>570</td>
<td>756</td>
<td>749</td>
<td>715</td>
<td>1.6</td>
</tr>
<tr>
<td>Forest products - wood pulp</td>
<td>612</td>
<td>667</td>
<td>686</td>
<td>610</td>
<td>606</td>
<td>1.3</td>
</tr>
<tr>
<td>Raw hides, skins and leather</td>
<td>397</td>
<td>411</td>
<td>543</td>
<td>566</td>
<td>590</td>
<td>1.3</td>
</tr>
<tr>
<td>Forest products - paper and paper products</td>
<td>544</td>
<td>548</td>
<td>590</td>
<td>540</td>
<td>481</td>
<td>1.0</td>
</tr>
<tr>
<td>Plastic materials and articles thereof</td>
<td>413</td>
<td>433</td>
<td>463</td>
<td>443</td>
<td>451</td>
<td>1.0</td>
</tr>
<tr>
<td>Vegetables</td>
<td>415</td>
<td>412</td>
<td>458</td>
<td>405</td>
<td>405</td>
<td>0.9</td>
</tr>
<tr>
<td>All other commodities</td>
<td>9,627</td>
<td>9,299</td>
<td>9,758</td>
<td>10,258</td>
<td>10,440</td>
<td>22.7</td>
</tr>
<tr>
<td><strong>Total New Zealand Produce</strong></td>
<td><strong>39,628</strong></td>
<td><strong>39,989</strong></td>
<td><strong>44,989</strong></td>
<td><strong>44,986</strong></td>
<td><strong>44,401</strong></td>
<td><strong>96.5</strong></td>
</tr>
<tr>
<td>Re-exports</td>
<td>1,961</td>
<td>1,795</td>
<td>1,809</td>
<td>1,762</td>
<td>1,618</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total Merchandise Exports FOB</strong></td>
<td><strong>41,588</strong></td>
<td><strong>41,785</strong></td>
<td><strong>46,798</strong></td>
<td><strong>46,748</strong></td>
<td><strong>46,019</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Statistics New Zealand
NZ is committed to multilateral trade liberalisation but gradually developed a network of FTAs

New Zealand traditionally follows a multi-track trade policy both based on multilateral trade liberalisation (essentially through the World Trade Organisation (WTO)) and regional co-operation and liberalisation through active membership of such fora as the Asia Pacific Economic Cooperation (APEC) and the East Asian Summit;

New Zealand’s has also negotiated and implemented several bilateral and plurilateral trade arrangements, such as:

- the Closer Economic Relations (CER) agreement with Australia (in force since 1983);
- bilateral agreements with Singapore, Thailand, China, Malaysia and Hong Kong;
- the Trans-Pacific Strategic Economic Partnership Agreement (previously known as P4) with Singapore, Chile and Brunei;
- the ASEAN-Australia-New Zealand Free Trade Agreement;
- the New-Zealand Gulf Cooperation Council (GCC) Free Trade Agreement;
- the Chinese Taipei Agreement on Economic Co-operation;

### Figure 7:
Composition of principal merchandise imports

<table>
<thead>
<tr>
<th>Year ended 30 September</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2013 % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral fuels</td>
<td>5,986</td>
<td>6,128</td>
<td>7,525</td>
<td>8,142</td>
<td>7,697</td>
<td>17.0</td>
</tr>
<tr>
<td>Mechanical machinery and equipment</td>
<td>5,277</td>
<td>4,751</td>
<td>5,343</td>
<td>5,776</td>
<td>5,684</td>
<td>12.6</td>
</tr>
<tr>
<td>Vehicle parts and accessories</td>
<td>3,174</td>
<td>3,756</td>
<td>4,024</td>
<td>4,710</td>
<td>5,253</td>
<td>11.6</td>
</tr>
<tr>
<td>Electrical machinery and equipment</td>
<td>4,078</td>
<td>3,402</td>
<td>3,816</td>
<td>3,786</td>
<td>3,718</td>
<td>8.2</td>
</tr>
<tr>
<td>Plastic materials and articles thereof</td>
<td>1,480</td>
<td>1,477</td>
<td>1,546</td>
<td>1,596</td>
<td>1,689</td>
<td>3.7</td>
</tr>
<tr>
<td>Optical, medical and measuring equipment</td>
<td>1,375</td>
<td>1,243</td>
<td>1,332</td>
<td>1,311</td>
<td>1,364</td>
<td>3.0</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>1,146</td>
<td>1,097</td>
<td>1,090</td>
<td>1,090</td>
<td>1,098</td>
<td>2.4</td>
</tr>
<tr>
<td>Apparel and made-up textiles (not knitted or crocheted)</td>
<td>802</td>
<td>756</td>
<td>836</td>
<td>880</td>
<td>882</td>
<td>2.0</td>
</tr>
<tr>
<td>Paper and paperboard</td>
<td>929</td>
<td>949</td>
<td>956</td>
<td>857</td>
<td>854</td>
<td>1.9</td>
</tr>
<tr>
<td>Articles of iron and steel</td>
<td>845</td>
<td>646</td>
<td>706</td>
<td>763</td>
<td>753</td>
<td>1.7</td>
</tr>
<tr>
<td>Aircraft and parts</td>
<td>1,521</td>
<td>521</td>
<td>1,477</td>
<td>1,130</td>
<td>731</td>
<td>1.6</td>
</tr>
<tr>
<td>Knitted or crocheted fabrics and apparel</td>
<td>651</td>
<td>625</td>
<td>682</td>
<td>665</td>
<td>663</td>
<td>1.5</td>
</tr>
<tr>
<td>Rubber and articles thereof</td>
<td>498</td>
<td>509</td>
<td>552</td>
<td>582</td>
<td>564</td>
<td>1.2</td>
</tr>
<tr>
<td>Other chemical products</td>
<td>493</td>
<td>493</td>
<td>489</td>
<td>488</td>
<td>465</td>
<td>1.0</td>
</tr>
<tr>
<td>Toys, games and sport requisites</td>
<td>459</td>
<td>403</td>
<td>442</td>
<td>453</td>
<td>431</td>
<td>1.0</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>478</td>
<td>436</td>
<td>452</td>
<td>416</td>
<td>427</td>
<td>0.9</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>361</td>
<td>327</td>
<td>376</td>
<td>411</td>
<td>421</td>
<td>0.9</td>
</tr>
<tr>
<td>Books, newspapers and printed matter</td>
<td>403</td>
<td>396</td>
<td>383</td>
<td>363</td>
<td>326</td>
<td>0.7</td>
</tr>
<tr>
<td>Ships, boats and floating structures</td>
<td>159</td>
<td>324</td>
<td>154</td>
<td>84</td>
<td>326</td>
<td>0.7</td>
</tr>
<tr>
<td>Inorganic chemicals (excluding aluminium oxide)</td>
<td>251</td>
<td>212</td>
<td>212</td>
<td>186</td>
<td>186</td>
<td>0.4</td>
</tr>
<tr>
<td>All other products</td>
<td>10,455</td>
<td>10,104</td>
<td>11,322</td>
<td>11,530</td>
<td>11,623</td>
<td>25.7</td>
</tr>
<tr>
<td><strong>Total Merchandise Imports VFD</strong></td>
<td><strong>40,820</strong></td>
<td><strong>38,554</strong></td>
<td><strong>43,715</strong></td>
<td><strong>45,246</strong></td>
<td><strong>45,155</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>CIF Value</td>
<td>43,257</td>
<td>40,810</td>
<td>46,104</td>
<td>47,640</td>
<td>47,556</td>
<td></td>
</tr>
</tbody>
</table>

Source: Statistics New Zealand
TPP (Trans Pacific partnership) is currently the largest trade deal negotiated by NZ

New Zealand is currently negotiating trade deals with republic of Korea, India and the custom union of Russia, Kazakhstan and Belarus. New Zealand is also directly involved in the current Trans-Pacific Partnership (TPP) negotiations, including Australia, Canada, Japan, Malaysia, Mexico, Peru, the USA, Vietnam and the original “P4” countries; and in the RCEP (Regional Comprehensive Economic Partnership) which involve the ten members of ASEAN, China, India, Korea, Japan and Australia. Concluding TPP is in general regarded as the top short-term foreign trade priority by the New Zealand’s government.

New Zealand has traditionally been known for its liberal trade agenda and for its longstanding commitment to a gradual reduction of world-wide trade barriers. Tariffs have been systematically reduced and quantitative controls on imported goods eliminated. Around 90% of goods come into New Zealand duty free, including all goods originated from Least Developed Countries.

New Zealand was active in laying the foundations for the Doha round of WTO negotiations. Agriculture and services are of prime importance to the New Zealand economy and agriculture, in particular, is central to the Doha negotiations. New Zealand, as a member of APEC, is committed to achieving APEC’s goals of free trade and investment in the region. Asia-Pacific regional linkages remain at the core of New Zealand’s political and economic interests. The countries of APEC take more than 70% of New Zealand’s exports, provide 71% of tourism arrivals and account for around 75% of New Zealand’s foreign direct investment.

New Zealand is a long-standing member of the Organisation for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF), the World Bank Group and the Asian Development Bank (ADB).

5.1 Main trading partners

NZ and China’s economies are complementary and bilateral trade increased manifold over the last twenty years

China overtook the Australia to become New Zealand’s first largest trading partner. A Free Trade Agreement between New Zealand and China commenced on 1 October 2008 as New Zealand became the first developed country to enter such an agreement with China. Exports to China comprised 20.8% of New Zealand’s total exports, with the major categories being milk powder, meat, logs and a wide range of other primary products. China supplied 17.5% of New Zealand’s total imports, with the major categories being computers, telecommunications equipment, apparel and toys.

Chinese demand for New Zealand commodity exports, especially dairy products and logs, has risen rapidly in recent times and has been the major factor supporting New Zealand’s commodity prices and terms of trade. China is expected to become increasingly important for New Zealand in coming years. China’s increasing industrialisation and rapidly growing incomes inevitably increase the demand of those commodities that New Zealand typically produces.

NZ and Australian economies are rather integrated and the two

Australia is currently New Zealand’s second largest trading partner. In the year 2013, two-way merchandise trade amounted to EUR 9.8 billion, with Australia taking 19.0% of New Zealand’s exports and supplying 13.3% of imports. Australia
countries work towards the creation of a Single Market is New Zealand’s top destination for overseas investment and New Zealand’s largest source of foreign investment.

Trade with Australia has flourished under CER. CER is a series of agreements and arrangements governing bilateral trade and economic relations, built on the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) which took effect on 1 January 1983. Full free trade in goods was achieved on 1 July 1990, five years ahead of schedule. CER was extended to cover trade in almost all services from 1 January 1989. Australia and New Zealand are currently working towards the establishment of a “Trans-Tasman Single Economic Market”, partly inspired by the EU model.

New Zealand’s main exports to Australia include light crude oil, gold, wine, cheese and timber, as well as a wide range of manufactured items, while New Zealand’s main imports from Australia include heavier crude oils, petroleum oils, motor vehicles and aluminium oxide, as well as a range of manufactured and consumer items.

The US is New Zealand’s fourth largest single trading partner. Exports to the US comprised 8.5% of New Zealand’s total exports, and the US supplied 9.4% of New Zealand’s total imports, the major categories being aircraft and parts, medical and veterinary instruments, motor vehicles and computers. New Zealand’s major exports to the US are beef, timber, lamb and dairy products. The relative role of USA in New Zealand’s economy however declined over the last few years due to the rise of China and other Asian countries.

6 Economy

New Zealand has a small open economy which operates in accordance with free market principles. It has sizable manufacturing and service sectors complementing a highly efficient export-oriented agricultural sector. New Zealand is highly dependent on the primary sector with commodities accounting for around half of total goods exports. Exports of goods and services account for around one third of real expenditure GDP.

Over the past three decades, the New Zealand economy has changed from being one of the most regulated in the OECD to one of the least regulated. The National Party Government elected in November 2008, and re-elected in November 2011 and September 2014, aims to lift the long-term performance of the economy through five key policy drivers: (a) building a stronger economy, (b) investment in world-class infrastructure; (c) better public services; (d) rebuilding Christchurch after the devastating 2012 earthquake; and (e) by building a safer New Zealand.
The prices of the commodities that New Zealand exports were at record high levels in early 2011, after more than recovering the significant falls experienced during the global financial crisis of 2008-2009. The high commodity prices were widespread, including dairy products, meat and logs owing to surging demand from China. The high commodity prices flowed through to a historically high terms of trade, as export prices rose much faster than import prices. This inter alia helped New Zealand to recover its economy relatively swiftly as demonstrated by the chart below.

**Figure 8:**
Real GDP

![Real GDP Chart]

NZ was relatively spared by the 2008’s global downturn

New Zealand’s economy has been rather well performing in recent years despite the persistent global economic slowdown and its relative distance from foreign markets.

Due to stimulus measures supposed to help local economy to face the global economic downturn, New Zealand’s public debt rose since 2009, but remains well below the OECD average (35.6% of GDP in 2014).

**Figure 9:**
New Zealand government debt to GDP

![Government Debt to GDP Chart]

The unemployment rate is equally low (5.6 % in 2014).
New Zealand was also able to keep inflation rates under control (0.8% in 2014) after the surge due to exceptional expenditures originated by the 2012 Christchurch earthquake (see table below).

Some commenters have suggested that New Zealand is experiencing an economic bubble. Housing prices steadily have risen especially in Auckland and neighbouring areas while the country is excessively relying upon exports of commodities essentially (agricultural products) to China and another handful of emerging economies. However recent signs of economic slowdown registered in China may well have a dramatic impact on New Zealand’s export performance. Finally, the economic return from rebuilding the town of Christchurch is due to wear off soon.
6.1 Primary Sector

The primary sector contributes to 6% of NZ’s GDP and to about 50% of its exports.

The agricultural, horticultural, forestry, mining and fishing industries play a fundamental role in New Zealand’s economy, particularly in the export sector and in employment. Overall, the primary sector directly accounts for 6.0% of real GDP and contributes over 50% of New Zealand’s total export revenues.

Agriculture directly accounts for around 5% of GDP, while the processing of food, beverage and tobacco products accounts for a further 4.6%. Downstream activities, including transportation, rural financing and retailing related to agricultural production, also make important contributions to GDP. Dairy farming is the predominant agricultural activity, followed by beef and sheep and horticulture. Wine and kiwifruit are the principal horticultural products. Other significant export products include apples and pears, fresh and processed vegetables, and seeds.

### Figure 13:
Sales of the principal categories of agricultural products (as % of agricultural sales)*

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>45.35</td>
<td>49.62</td>
<td>45.95</td>
<td>47.60</td>
</tr>
<tr>
<td>Cattle</td>
<td>9.43</td>
<td>9.64</td>
<td>9.95</td>
<td>10.60</td>
</tr>
<tr>
<td>Sheepmeat</td>
<td>11.05</td>
<td>10.70</td>
<td>12.26</td>
<td>10.40</td>
</tr>
<tr>
<td>Fruit</td>
<td>10.12</td>
<td>8.52</td>
<td>9.01</td>
<td>9.20</td>
</tr>
<tr>
<td>Vegetables</td>
<td>5.04</td>
<td>4.81</td>
<td>4.63</td>
<td>4.50</td>
</tr>
<tr>
<td>Sales of live animals</td>
<td>3.91</td>
<td>3.84</td>
<td>3.79</td>
<td>4.00</td>
</tr>
<tr>
<td>Crops and seeds</td>
<td>4.08</td>
<td>2.66</td>
<td>3.24</td>
<td>3.40</td>
</tr>
<tr>
<td>Wool</td>
<td>2.30</td>
<td>2.55</td>
<td>2.94</td>
<td>2.70</td>
</tr>
<tr>
<td>Non-farm income</td>
<td>1.97</td>
<td>1.81</td>
<td>1.77</td>
<td>2.20</td>
</tr>
<tr>
<td>Other horticulture</td>
<td>1.32</td>
<td>1.10</td>
<td>1.09</td>
<td>1.10</td>
</tr>
<tr>
<td>Other farming</td>
<td>1.29</td>
<td>1.02</td>
<td>1.01</td>
<td>1.00</td>
</tr>
<tr>
<td>Agricultural services</td>
<td>1.13</td>
<td>0.98</td>
<td>0.94</td>
<td>1.00</td>
</tr>
<tr>
<td>Deer</td>
<td>0.96</td>
<td>0.91</td>
<td>1.02</td>
<td>0.90</td>
</tr>
<tr>
<td>Poultry/eggs</td>
<td>0.80</td>
<td>0.69</td>
<td>0.73</td>
<td>0.80</td>
</tr>
<tr>
<td>Pigs</td>
<td>0.91</td>
<td>0.77</td>
<td>0.80</td>
<td>0.80</td>
</tr>
<tr>
<td>Value of livestock change</td>
<td>0.36</td>
<td>0.39</td>
<td>0.87</td>
<td>-0.10</td>
</tr>
<tr>
<td><strong>Total agricultural sales (in USD million)</strong></td>
<td>19600</td>
<td>22089</td>
<td>22995</td>
<td>21826</td>
</tr>
</tbody>
</table>

*All data estimated
Source: Ministry for Primary Industries

New Zealand takes profit from a very large Exclusive Economic Zone and significant energy resources.

New Zealand has an Exclusive Economic Zone (EEZ) of 4.1 million square kilometres supporting a wide variety of inshore fish, some large deep-water fin fish, squid and tuna. New Zealand’s unpolluted coastal waters are also well-suited to aquaculture. The main species farmed are Pacific oyster, mussels and salmon. Fishing is a major New Zealand industry and an important merchandise export earner. Fish and other seafood accounted for NZD 1.5 billion in export revenues in the year ended June 2013 (corresponding to EUR 1 billion).

New Zealand has significant natural energy resources, with good reserves of coal, natural gas and oil/condensate, extensive geothermal fields, and a geography and climate which have supported substantial hydro-electric development. The main minerals mined, in addition to coal, are gold, silver, iron sands, various industrial minerals and gravel for construction. New Zealand has also a profitable gas and oil sector.
6.2 Industrial sector

Industry is relatively well developed in NZ especially in the food processing sector

New Zealand’s manufacturing industries make an important contribution to the national economy. During the period of reference, manufacturing sector output accounted for 13.3% of real GDP. The proportion of the labour force employed in manufacturing was around 11%. Primary sector processing (food and forestry) makes up a significant proportion of the sector (see table below).

<table>
<thead>
<tr>
<th>Product Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat and dairy</td>
<td>29.9%</td>
<td>28.6%</td>
<td>30.8%</td>
<td>30.4%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Other food, beverages and tobacco</td>
<td>15.3%</td>
<td>15.8%</td>
<td>14.8%</td>
<td>15.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>10.4%</td>
<td>10.4%</td>
<td>10.7%</td>
<td>10.6%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Metal product</td>
<td>10.6%</td>
<td>10.6%</td>
<td>10.4%</td>
<td>10.2%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Chemical, polymer, and rubber product</td>
<td>8.3%</td>
<td>8.2%</td>
<td>8.2%</td>
<td>8.7%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Petroleum and coal product</td>
<td>7.4%</td>
<td>7.7%</td>
<td>8.2%</td>
<td>8.6%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Wood and paper product</td>
<td>8.3%</td>
<td>9.0%</td>
<td>8.3%</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Non-Metallic mineral product</td>
<td>3.2%</td>
<td>3.0%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Textile, leather, clothing and footwear, 2,230</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Furniture and other manufacturing</td>
<td>2.0%</td>
<td>2.0%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Printing</td>
<td>2.0%</td>
<td>2.1%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>Total (in USD million)</strong></td>
<td>85289</td>
<td>83300</td>
<td>89846</td>
<td>91000</td>
<td>91487</td>
</tr>
<tr>
<td><strong>Manufacturing index</strong></td>
<td>103</td>
<td>113</td>
<td>114</td>
<td>116</td>
<td>118</td>
</tr>
</tbody>
</table>

* ended 30 September 2013
Manufacturing index (Base: June quarter 1996 = 100)
Source: Statistics New Zealand

6.3 Services

Being an advanced economy, NZ strongly relies on a modern and well performing service sector

Services represent a large proportion of the country’s economy, accounting for around two-thirds of GDP. The sector recorded strong growth between 2000 and 2007, with annual growth averaging 4.1%. After a relative slowdown during the global recession, services restarted to steadily grew in recent years. With services expanding at a more rapid rate than other parts of the economy, the sector has increased its share of GDP from 62% in 2004 to 65% in 2013. Export-related activities such as tourism and primary sector services inputs play an important part in trends in this sector.

Tourism is one of the largest single sources of foreign-exchange revenue and a major growth industry in New Zealand. In the year to March 2013, international tourist expenditure amounted to NZD 9.8 billion, an increase of 2.2% on the previous year. The country has increasingly become a popular destination for tourists essentially from Australia and Asia. Total visitor arrivals amounted to 2,670,000 in the year to September 2013.

6.4 Fiscal policies

NZ’s public debt is one of the lowest in the OECD but fiscal policies are aimed at further reducing it

The New Zealand’s long-term fiscal objectives were set out in the 2012 Fiscal Strategy Report published with the 2012 Budget and reconfirmed in the 2013 Budget Policy Statement in December 2012. The long-term fiscal objectives include objectives for debt, operating balance, operating expenses and revenue, and net worth.
The long-term debt objective requires net debt to remain consistently below 35% of GDP, and to be brought back to no higher than 20% of GDP by 2020. Consistent with this, the objective for the operating balance is to return to an operating surplus sufficient to meet the Government’s net capital requirement, including contributions to the New Zealand Superannuation Fund. The current short-term fiscal intention is for the operating balance (excluding gains and losses) to be returned to surplus as soon as possible and no later than 2014/15, subject to any significant shocks. Current forecasts are for net core Crown debt to peak below 30% of GDP in 2016/17.

6.5 Canterbury Earthquakes impact on economy

Earthquakes that shattered the South Island caused serious damages but were promptly repaired

On 22 February 2011, the Canterbury region on the east coast of the South Island experienced a devastating 6.3-magnitude earthquake. A total of 185 people were killed; the second deadliest natural disaster in New Zealand history. This followed a 7.1-magnitude earthquake on 4 September 2010, in which there were no casualties. The earthquakes (including subsequent aftershocks) caused widespread damage to buildings and infrastructure, in particular to the CBD and eastern parts of Christchurch, New Zealand’s second most populous city.

The New Zealand Treasury estimated the damage from the earthquakes at around NZD 40 billion (correspond to about 20% of annual nominal GDP and to EUR 28 billion), much of which is covered by private insurance (reinsured through overseas insurance companies) and the government owned Earthquake Commission (EQC). Reconstruction though still on-going has largely progressed over the last three years.

7 Environment and energy policies

NZ a strong set of environmentally friendly and energy oriented policies

Climate change presents a particular challenge for New Zealand, both from an international and domestic policy perspective.

New Zealand is a small country with a unique emissions profile driven by the predominance of land-use industries. Despite New Zealand’s relatively small contribution to global emissions, the country was nonetheless committed to participating constructively in the international climate change dialogue.

An Emissions Trading Scheme (ETS), introduced in 2008, is designed to assist New Zealand in meeting international climate change commitments at least cost and to reduce New Zealand’s net emissions below business-as-usual levels by placing obligations on emitters to surrender units in relation to their emissions.
Figure 15: New Zealand’s greenhouse gas emissions, 1990-2011 calendar years

Renewable energies account for about 70% of total energy output

Renewable energy sources, such as hydroelectric and wind power, account for between 60% and 70% of total electricity output. New Zealand has undertaken a commitment to have 90% of its energy drawn from renewable sources by 2025.

The New Zealand government has been keen to brand New Zealand as a “green producer” as it has already encountered difficulty with food exports over the “food miles” issue in Great Britain. New Zealand has made its case that though energy is expended in transporting New Zealand food to distant markets, its meat and dairy is free-range and grass fed, and hence relatively carbon-emissions friendly when compared with Concentrated Animal Feeding Operations (CAFO), which feed energy intensive grain, that are more common in the USA and Europe. Two studies from Lincoln University in Christchurch have found that there is greater energy efficiency in New Zealand for the production of lamb, apples, and dairy products when compared with British products. These studies took into account transportation costs from New Zealand to the United Kingdom as well as other aspects of production.

New Zealand ratified the Kyoto Protocol on Climate Change in 2002. New Zealand seeks “an environmentally effective and economically efficient long-term global agreement to meet the objective of the UN Framework Convention on Climate Change.” New Zealand also seeks “appropriate and effective mitigation action by all developed countries and by major emitting and advanced developing countries.”

New Zealand has also a strong interest in international oceans issues, in particular the conservation and sustainable use of fisheries and other marine resources, marine research, and the protection of the marine environment, including establishing a marine protected area in the Ross Sea region of Antarctica.

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8 “New Zealand’s International Climate Change Policy,” New Zealand Ministry of Foreign Affairs and Trade,
8 Minorities and human rights

Maori’s are about 15% of NZ’s population, while pacific islanders and Asians account for another 7% and 8% respectively.

Although some positive legislation has been out in place, minorities are still facing serious social and integration problems.

Approximately 15% of the population claim descent from the country’s indigenous Maori minority. Relative to most ethnic groups in New Zealand, other than Pacific Islanders, the Maori are disadvantaged socially and economically. Most Maori are concentrated in areas of unskilled employment, where wages are low and unemployment rates are high. Poor living conditions and health, with inadequate housing in inner urban areas and relatively high rates of unemployment, have contributed to poor self-image, violence and criminal behaviour. A major challenge facing Maori is to use Maori resources and other systems to enable development for the urban dispossessed, for whom social organizations other than the tribe (iwi) – which is of more significance in rural areas – have greater validity.

The law prohibits discrimination against the indigenous population, but there is a continuing pattern of disproportionate numbers of Maori on unemployment and welfare rolls, in prison, among school dropouts, in infant mortality statistics, and among single-parent households.

Maori constituted 50% of the prison population and 45% of persons serving community-based sentences. The government, along with community partners, continued to implement several programs and services to reduce Maori recidivism and overrepresentation in the criminal justice system.

Between July 2012 and June 2013, the government settled eight Maori claims related to the 1840 Treaty of Waitangi, the country’s founding document. By year’s end 15 additional groups signed deeds of settlement and awaited legislation to make their deeds unconditional. As of year’s end, all indigenous groups, known as “Iwis,” had moved into active negotiations with the government, and there were more than 80 Iwi groups in various stages of claims.

The situation has nevertheless improved. As highlighted by a recent study there has been certain progress in the form of a decreasing gap between European and Māori, although advances in certain areas not significant.

Pacific Islanders, who constitute 7% of the population, and Asians, who make up 8% of the population, also have reported some societal discrimination.

The Ministries of Justice and Pacific Island Affairs had a program to identify gaps in delivery of government services to Pacific Islanders. The government’s race relations commissioner managed the Diversity Action Program, which was aimed at the Maori, Pacific Islander, and Asian communities and included an annual, widely attended Diversity Forum that was considered effective in helping to eliminate race-based discrimination.

Relations with the EU

Relations with the EU are overall good and recently improved as a result of the signing of a new Framework Agreement. Political relations with New Zealand are good. Both the EU and NZ share the same principles and values and have common interests in the Pacific region. Bilateral relations are however limited by distance and by the growing interest of New Zealand to become a partner of fast growing Asian countries. Historically, good trade and economic relations with Europe (mainly with the UK) have steadily deteriorated as New Zealand decided to integrate its economy into the Asian ones. New Zealand has concluded a number of FTAs with Asian nations and is an active negotiator of the US-led Trans-Atlantic Partnership Agreement (TPP).

The framework for the EU-New Zealand relations is currently the EU-New Zealand Joint Declaration on Relations and Cooperation, adopted in Lisbon in September 2007. Relations between the EU and New Zealand are focused on trade, but there has been an expansion in recent years of political links. The partners cooperate closely on challenges such as security and counter-terrorism, development aid, stability in the Asia-Pacific region, energy, the environment and climate change. There are annual consultations between the foreign ministers and among senior officials, as well as a range of sectorial dialogues covering areas such as trade, agriculture and the environment.

In July 2012, New Zealand and the EU opened negotiations for a formal Framework Agreement, containing a number of economic and trade cooperation provisions. Negotiations were successfully concluded in July 2014 and may pave the way to the formal opening of talks for a free trade deal. The Agreement is due to enter into force in the course of the 2015.

The EU does not have a delegation in Wellington but only a chargé d'affaires. Discussions are currently undertaken to open a full-fledged diplomatic representation in Wellington but no decision has been taken yet by the EEAS.

The public image of and knowledge about the EU in New Zealand is somewhat problematic and merits close attention. Many New Zealanders regard the EU as sclerotic and old-fashioned, and totally absorbed by its domestic problems, whereas Asia is seen to be young and dynamic, offering many promising opportunities.

Towards an EU-NZ FTA?

NZ considers the conclusion of an FTA with the EU one of its top economic priorities. New Zealand ranked as the 52th largest trade in goods partner of the EU in 2013 while the EU represented New Zealand’s third largest trading partner after Australia and China. Total trade in goods amounted to EUR 7.2 billion. Traditionally, New Zealand’s exports to the EU are largely dominated by food and raw materials (i.e. non-transformed agricultural products), while EU’s exports to New Zealand have much more focused on manufactured goods, mainly machinery. Total trade in
commercial services between EU and New Zealand in 2012 amounted to EUR 3.8 billion and represented 1/3 of the total trade.\(^{10}\)

**Figure 16:**
EU Merchandise trade with New Zealand by product (2013) - SITC* (UN) & AMA/NAMA (WTO)

Source: DG Trade

New Zealand has often attacked the EU both bilaterally and at the WTO for subsidies granted to dairy producers under the Common Agricultural Policy. New Zealand is also a full member of the Cairns Group, a coalition of 19 agricultural exporting countries which account for over 25% of the world’s agricultural exports. During the current WTO Doha Round of negotiations the Group has continued to push for the liberalisation of trade in agricultural exports, a cause that unites the Group across language, cultural and geographic boundaries, by taking positions that are largely diverging from those of the EU.

In March 2014, Council and Commission Presidents, together with the New Zealand’s Prime Minister issued a joint statement in which they vowed to reflect on the ways to take forward the bilateral trade and economic relationship, including through possible free trade agreement (FTA) talks, take stock of possible ways forward in 2015, and announce next steps.\(^{11}\)

With a view to preparing the ground for this stocktaking, New Zealand’s Trade Minister Tim Groser travelled to Brussels in January 2015 to hold talks with his European counterpart Cecilia Malmström. During his visit, Mr Gorser urged the EU to rapidly open FTA negotiations with his country.

Wellington’s readiness to talk trade with the EU does not translate into an automatic go-ahead from the Commission. While the EU Executive would first of all need to obtain a mandate from all 28 Member States in order to start bilateral talks with New Zealand, it would also need to ensure it has the necessary resources to take on another negotiating process with yet another country. DG Trade has admitted that other ongoing time-consuming trade negotiations, including, but not limited to, the EU-US talks, would make it very difficult for the Commission to assign experts to another negotiating process.

While the European market is not essential for the well-being of New Zealand’s economy, a free trade agreement with the Union would allow it to diversify its exports and become less dependent on China. “We don’t want to become

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\(^{10}\) DG Trade, *Statistics on New Zealand* (14 September 2014)

\(^{11}\) EU Trade Insights, *New Zealand’s Trade Chief calls for “expeditious” FTA with EU* (26 January 2015).
An FTA with the EU may help NZ diversifying its export markets.

completely dependent on China”, the Trade Minister explained as the Asian country has recently become New Zealand’s most important market for merchandise exports following the entry into force of the NZ-China FTA in 2008.

Concluding a trade pact with the EU would allow New Zealand to create “more profitable exports to Europe” with for example the phasing out of duties on kiwi fruits which currently stand at 8.8%.

But the difficult part of possible future trade liberalisation talks between New Zealand and the EU, would be the removal of duties on dairy products. The duties imposed by the EU on imports of those products originating in New Zealand average at over 50%.

Officials from New Zealand and the European Commission are expected to hold meetings in March/April 2015 to prepare the upcoming visit of Prime Minister John Key to Brussels for high-level talks with the Commission and the Council.

9.2 Parliamentary issues

Inter-parliamentary relations are good but they lack of an appropriate legal instrument

Inter-parliamentary meetings with Members of Parliament from the two countries are held on an annual basis whenever possible, on a reciprocal basis.

The visits of the New Zealand counterparts to Europe are centred on formal IPMs with agreed agendas. Subjects on the agendas have included: the EU-New Zealand relationship; agriculture; environment and climate change; energy issues; education; developments in the EU and in New Zealand; immigration; and global politics. Visiting MPs from New Zealand try to combine meetings with the European Parliament with a broader programme of bilateral parliamentary meetings in Europe.

The central part of any visit to the two countries is the time spent meeting with parliamentary counterparts in Wellington. A further standard feature of delegation visits is meeting with university staff and students at one of the EU centres of excellence in New Zealand, where the MEPs give an overview of developments in the EU.

The delegation, which was visiting Canberra when the earthquake struck, followed the rebuilding programme in Christchurch closely. The seminar with students on the EU programme took place at Canterbury University in Christchurch.

New Zealand has also recently introduced a financial support programme to allow students enrolled in EU programmes at New Zealand universities to work at the European Parliament for three months as interns in the offices of MEPs. MEPs who have hosted the students in their offices have always reported back very positively – as have the students – and there is normally no lack of offers from MEPs to host the students.

From this viewpoint it may be interesting further reciprocate this with similar support to EU students travelling to New Zealand and, under certain conditions, consider some exchange of administrative staff between the EP and the New Zealand’s Parliamentary Assembly.
## Annex 1: Activities during the 7th parliamentary term (2009-2014)

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<td>16th EU-New Zealand IPM</td>
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<td>17th EU-New Zealand IPM</td>
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<td>Visit Mr Chris Carter MP, New Zealand Labour Party Foreign Affairs Spokesman</td>
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<td>18th EU-New Zealand IPM</td>
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<td>Visit of Mr John Key, New Zealand Prime Minister, to Mr Martin Schulz, President of the European Parliament</td>
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<td>Visit of the New Zealand Foreign Affairs, Defence and Trade Committee</td>
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<td>Visit of the New Zealand Parliamentary Delegation, led by the Rt Hon Lockwood Smith, Speaker of the house of Representatives</td>
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<td>Visit of Ms Judith Collins, New Zealand Minister of Justice</td>
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Annex 2: Map

Source: University of Texas