

EU–NEW ZEALAND RELATIONS – TOWARDS A NEW TRADE AGREEMENT¹

Elżbieta Majchrowska

Andrzej Frycz Modrzewski Krakow University
ORCID: <https://orcid.org/0000-0001-5980-2903>
e-mail: emajchrowska@afm.edu.pl

Abstract: The serious crisis on the WTO forum and the dynamically changing international environment (including the policies of the USA and China) create favourable conditions for strengthening the EU’s cooperation with other partners. Therefore, Regional Trade Agreements (RTAs) constitute an increasingly more important element of the foreign trade policy of the EU and, what is particularly evident in this context, a special interest in the Asia-Pacific region. The trade and investment strategy for the EU – “Trade for All” – presented in 2015, clearly accentuated the importance of New Zealand (NZ) as a trading partner for the EU, which constituted a starting point for taking specific measures with a view to regulating bilateral trade relations more comprehensively in a form of a future Free Trade Agreement (FTA).

Keywords: EU, international trade, New Zealand, RTA, trade regionalism

INTRODUCTION

The system of world trade has been undergoing some profound changes in recent decades. It is mainly connected with the growing globalization, a shift of the economic development pole towards the Asia-Pacific region, the long-standing negotiations deadlock within the WTO and also, in recent years, American protectionism. This ever-evolving international environment compels the EU to pivot towards Asia-Pacific and the international situation (including the policies of the USA and China) creates favourable conditions for strengthening EU’s cooperation with other, more predictable partners.

¹ The research was co-financed from the statutory budget of the Faculty of Law, Administration and International Relations (Andrzej Frycz Modrzewski Krakow University).

The majority of EU's trade is conducted within the framework of RTAs,² which currently constitute a key element of the Union trade policy. The number of such agreements is growing considerably every year and the last decades mark the period during which the EU has concluded a number of agreements from various regions of the world. However, no partner country is so far away geographically as New Zealand. In spite of this distance, owing to their historical ties, the bilateral relations between the EU and New Zealand are strong in numerous areas and they bring the partners even closer, towards a comprehensive partnership. Against the background of the United Kingdom's withdrawal from the EU, the negotiated FTA may prove to be vital in the context of future cooperation between the EU and NZ. The EU's pivot to Asia-Pacific is by no means an isolated case. A number of countries are currently implementing the policy of trade diversification and paying more attention to markets of this region since they are the ones with enormous economic potential.

In the new trade and investment strategy of the EU – “Trade for All – Towards a More Responsible Trade and Investment Policy”, presented in 2015, the importance of New Zealand as a close trading partner for Europe was unequivocally stressed, a partner sharing European values and playing an important role both, in the Asia-Pacific region, as well as in multilateral *fora*. It was also accentuated that the improvement of these relations ought to be a priority for the EU [European Commission 2015a]. Nevertheless, it needs to be clearly indicated that the above-mentioned strategy still emphasized, on the one hand, the relevance of the multilateral trading system, including the fact of entrusting the WTO with the central role in developing and enforcing regulations in all areas of international trade,³ on the other hand, however, it was an announcement of commencing bilateral talks on free trade with many countries. It must be pointed out that the EU plays an important role in shaping the world trading system, both, through its active involvement within the WTO, as well as its current presence in the regional forum. However, implementation of the EU's trade policy is affected by both, the external challenges (including the US policy and the growing role of emerging markets), as well as internal factors, with the currently predominant issue of Brexit.

The problems discussed in the paper are of great significance since the literature on the subject is limited due to lack of papers accounting for the current scene, particularly in the context of Poland. The considerations presented in the

² According to the WTO, RTAs are reciprocal trade agreements between two or more partners. What is important, those agreements may also be established between countries not belonging to the same geographical region [WTO 2020b]. As far as EU trade in goods by FTA (implemented or concluded) is concerned, in 2018, the share in EU exports was over 43% and in imports almost 39% [European Commission 2019].

³ Only a fundamental reform may be able to allow the organization to regain its relevance in the global market. The WTO needs first to conclude the Doha Development Round, which, as it has become apparent, will not be possible without reforming the system.

article constitute an attempt at closing the existing research gap. The aim of the paper is to present the results of research concerning the analysis of the EU–NZ trade relations and to indicate perspectives of the potential future deal. The main thesis of the article is a statement that concluding the agreement will contribute to increasing the volume of reciprocal trade as well as strengthening the position of the EU in the Asia-Pacific region, especially in the context of Brexit. The analysis of the mutual trade between the partners constituted an essential background for the current research. The data for the conducted research derived from available resources at official ministerial websites as well as the WTO, Asian Development Bank and European Commission materials. The principal method employed to achieve the aims of this article was the analytical and descriptive method as well as the analysis of the statistical data originating from reports of international organizations. The discussion has been accompanied by the data presented in the tabular form. Due to the extent and complexity of the subject, as well as volume restrictions, the author has focused on selected aspects of the problem.

EU–NZ TRADE RELATIONS – ORIGINS AND INSTITUTIONAL FOUNDATIONS OF MUTUAL COOPERATION

Diplomatic relations between the EU (EC) and New Zealand date back to the beginning of the 1960s, when New Zealand sent its first representative on a diplomatic mission to Brussels. It did not, however, reinvigorate cooperation with the entire European Community since it was based on bilateral contact of NZ with individual members of the Community. The situation changed only after Great Britain's accession to the EU, which forced NZ to change its foreign policy. Despite certain intensification of mutual relations, they became officially regulated as late as 1999, after signing the Joint Declaration in which goals of reciprocal cooperation had been delineated [EEAS 2020a]. Five years later, in 2004, the EU and NZ issued a joint announcement which presented assumptions relating to collaboration in domains deemed pivotal by the partners. One of the issues of paramount importance which was indicated then was international trade [EEAS 2020b]. Another step in the process of strengthening mutual relations was the 2007 Joint Declaration on Relations and Cooperation, which presented opportunities of improving reciprocal relations in numerous areas, including economic and trade cooperation [EEAS 2020c].

The EU and NZ have concluded sectoral agreements but, so far, there has not been an overarching bilateral agreement. As regards trade, the most significant instruments enhancing cooperation include a bilateral agreement for mutual recognition of certain technical certificates (it reduces technical barriers, and facilitates trade in industrial products through a reduction of costs relating to testing and certifying of exported and imported products – it concerns medicine products and devices, telecommunication equipment, low voltage equipment, machinery and pressure equipment) and a veterinary agreement, intended to simplify trade in

live animals and animal products [European Commission 2020; Sierańska 2017: 176–177]. In October 2016, the parties signed the Partnership Agreement on Relations and Cooperation, which confirmed the comprehensive character of mutual relations. The agreement entered into force in 2017 and contains rules concerning economic and trade cooperation. This agreement is intended to pave the way for a future FTA [EEAS 2020d].

A contributing factor for developing economic relations with NZ were the provisions of the “Trade for All” strategy. This strategy opened the door to new negotiations in the important region of Asia-Pacific, which is related to the FTA with New Zealand. The strategy stressed New Zealand’s significance as a close partner to Europe, sharing European values and views on many issues, as well as playing a crucial role both, in the Asia-Pacific region, as well as in multilateral *fora* (including the WTO). Stronger economic ties with this country will serve as solid grounds for deeper integration with more extensive value chains in this region, and reinforcing these ties ought to be treated as a priority. It was also accentuated that accounting for the delicate matter of EU agriculture needs to be addressed [European Commission 2015a]. The above-mentioned assumptions are fully in line with the Treaty on European Union (TEU), according to which the EU shall “encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade”⁴ [European Union 2016: 29]. The decision authorising the opening of negotiations for the Free Trade Agreement between the EU and New Zealand was adopted by the Council of the European Union on 22 May 2018. The mandate was published a month later [Council of the European Union 2018].

CHARACTERISTICS OF NEW ZEALAND AS A TRADING PARTNER

New Zealand is a small and open economy, strongly dependent on international trade, with a population of 5.0 million (2019), i.e. about one hundred times smaller than the EU. It is one of the fastest-growing developed economies and still holding a high position in the rankings of economic freedom and ease of doing business [WTO 2015; IMF 2020]. The economy of New Zealand is currently (2019) the 51st-largest economy in the world when measured by nominal GDP (with the share standing at 0.2% in world GDP). In 2019, NZ was classified 24th in the global ranking of economies with the highest GDP per capita [The World Bank 2020; IMF 2020].

The structure of the economy of this country is characterized by a well-developed sector of services (almost 72% of share in the structure of the GDP). New Zealand is a very popular tourist destination, which makes the tourism sector an important source of income [ADB 2019].

⁴ Article 21(2)(e) TEU.

The country has overcome the aftermath of the 2008+ world economic crisis and is still rebuilding its position. It is worth pointing out that these effects were relatively smaller as compared to other developed countries. According to Table 1, the average annual growth rate of New Zealand's GDP oscillated around 2.1%.⁵ Absolute drops were registered in 2008 and 2009. In 2009, considerable absolute drops were also recorded in total New Zealand exports (-7.5%) and imports (-17.1%) [ADB 2019].

Table 1. GDP increase over the period of 2005–2018 (%)

| Years | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| GDP | 3.3 | 2.7 | 3.0 | -1.0 | -0.2 | 1.5 | 2.3 | 2.2 | 2.6 | 3.7 | 3.6 | 3.6 | 3.2 | 2.7 |

Source: [ADB 2019].

As far as world trade is concerned, in 2018, NZ was the 41st-largest exporter in the world, exporting goods valued at USD 40 bn (0.3% share in the world merchandise export) and the 38th-largest importer (USD 44 bn and 0.3%, respectively) [World Trade Statistical Review 2019: 101].

New Zealand has deposits of numerous mineral resources. Furthermore, high insolation and precipitation provide ideal conditions for the growth of New Zealand's agriculture, forestry and horticulture, which determines the foreign trade structure of this country. New Zealand is 12th-largest (2018) agricultural exporter in the world and the world's second dairy exporter, it is also one of the world's leading producers and exporters of mutton and the second biggest wool exporter. Among New Zealand's major imports of goods, there are motor vehicles and motor vehicle parts, machines and electromechanical apparatus, crude oil and petroleum products. The economy of New Zealand depends greatly on international trade, especially on the export of agricultural products – mainly with China, Australia and the European Union. Trade with countries from this group constituted over half of the total annual foreign trade of New Zealand in 2019 – the shares stood at 23.9%, 13.0% and 13.5%, respectively [European Commission 2020; MFAT 2020a].

It needs to be stressed that China's share in the total New Zealand's trade has risen substantially over the last two decades. Over the period 2000–2018, the volume of trade with China surged by a factor of almost 15, and the share in the total NZ trade over the same period went up from less than 5% to over 23%. The reasons for this state of affairs may very well lie in the free trade deal concluded in 2008 [ADB 2019].

⁵ Author's own calculation, based on ADB [2019] according to Compound Annual Growth Rate (the rate at which the initial value had to grow, on average, every year in a time period to obtain the ultimate value, calculated as: $CAGR(t_0, t_n) = \left(\frac{V(t_n)}{V(t_0)}\right)^{\frac{1}{t_n - t_0}} - 1$ where: $V(t_0)$ – beginning value, $V(t_n)$ – ending value, t_0 – beginning year, t_n – ending year).

Among other top trading partners of NZ there are the USA (9.7%) as well as countries mainly from the Asia Pacific region [Sierańska 2017: 169], in the descending order: Japan, South Korea, Thailand, the United Arab Emirates, Malaysia with their shares at 6.2, 3.3, 3.0, 2.8, and 2.5% in the aggregated NZ trade. The above economies together accounted for almost 78% of total NZ trade in 2019 [European Commission 2020]. An important fact to consider is that Australia's trade relations with the majority of these countries are covered by RTAs (bilateral or plurilateral) of varying degrees of advancement.

The process of concluding RTAs, which started at the beginning of the 1980s, in fact, intensified only after the year 2000 and became a driving force of trade between NZ and economies of the Asia-Pacific region, which are the focal point of New Zealand's trade relations.

NZ has been building its treaty base. The array of agreements concluded by this country extends on an annual basis. This trend has a growing tendency, primarily due to the great number of RTAs that are presently under negotiation or consideration (see Table 2) [WTO 2020a; ARIC 2020].

Table 2. NZ's RTAs (as of June 2020)

| RTA | Status/year |
|--|-----------------------------|
| ASEAN – Australia and New Zealand Free Trade Agreement (AANZFTA) | signed and in effect: 2010 |
| Australia–New Zealand–Pacific Alliance (Mexico, Chile, Peru and Colombia) Free Trade Agreement | negotiations launched: 2017 |
| Australia–New Zealand Closer Economic Relations Trade Agreement | signed and in effect: 1983 |
| Comprehensive and Progressive Agreement for Trans-Pacific Partnership | signed and in effect: 2018 |
| Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6) | proposed/under study: 2005 |
| Customs Union of Russia–Belarus–Kazakhstan–New Zealand Free Trade Agreement | negotiations launched: 2011 |
| Free Trade Area of the Asia Pacific | proposed/under study: 2014 |
| Hong Kong, China–New Zealand Closer Economic Partnership Agreement | signed and in effect: 2011 |
| India–New Zealand Free Trade Agreement | negotiations launched: 2010 |
| Japan–New Zealand Free Trade Agreement | proposed/under study: 2010 |
| New Zealand–EU Free Trade Agreement | negotiations launched: 2017 |
| New Zealand–Gulf Cooperation Council Free Trade Agreement | negotiations launched: 2007 |
| New Zealand–Malaysia Free Trade Agreement | signed and in effect: 2010 |
| New Zealand–Mexico Free Trade Agreement | proposed/under study: 2002 |
| New Zealand–People's Republic of China Free Trade Agreement | signed and in effect: 2008 |
| New Zealand–Singapore Closer Economic Partnership | signed and in effect: 2001 |
| New Zealand–Sri Lanka Free Trade Agreement | proposed/under study: 2017 |
| New Zealand–Taipei, China Economic Cooperation Agreement | signed and in effect: 2013 |

| RTA | Status/year |
|---|------------------------------------|
| New Zealand–Thailand Closer Economic Partnership Agreement | signed and in effect: 2005 |
| New Zealand–UK Free Trade Agreement | negotiations launched: 2020 |
| Pacific Agreement on Closer Economic Relations (PACER) Plus | signed but not yet in effect: 2017 |
| Regional Comprehensive Economic Partnership | negotiations launched: 2013 |
| Republic of Korea–New Zealand Closer Economic Partnership | signed and in effect: 2015 |
| South Pacific Regional Trade and Economic Cooperation Agreement | signed and in effect: 1981 |
| Trans-Pacific Strategic Economic Partnership Agreement | signed and in effect: 2006 |
| Summary | |
| Status | Number |
| Proposed/Under study | 5 |
| Negotiations launched | 7 |
| Signed but not yet in effect | 1 |
| Signed and in effect | 12 |
| Total | 25 |

Source: [ARIC 2020; WTO 2020a].

It must be noted that apart from bilateral agreements, New Zealand participates in building agreements consisting of many economies. One example of this may be New Zealand’s involvement in negotiations of the US-led TPP, which, after the withdrawal of the USA, was reactivated by the remaining 11 countries under the name CPTPP and entered into force at the end of 2018.

Another point worth mentioning is that New Zealand, just like the EU, implements a many-track trade policy. It is related to the fact of active participation in negotiations within the WTO (including TiSA, ITA, GPA) as well as concluding bilateral or plurilateral regional trade agreements, which are regarded by NZ as complementary in terms of its involvement in the multilateral system of the WTO.

GENERAL CHARACTERISTICS OF THE EU–NEW ZEALAND TRADE

The European Union is an important outlet for New Zealand’s goods, particularly, the high-value agricultural products. However, the mutual significance of the partners is of an asymmetrical nature. Despite the considerable geographical distance, the EU remains the third, following China and Australia, trade partner of NZ in terms of the trade flows. New Zealand is currently (2019) placed 50th among the trade partners for the EU with the share at the level of 0.2% (57th place as a source of imports and 44th position among major export directions of the EU, respectively) [European Commission 2020].

A characteristic feature of the bilateral trade in recent years is the growing value of Union exports as well as the increasing surplus in the trade balance for the EU (see Table 3).

Table 3. EU28 trade in goods with New Zealand in selected years (2010, 2015, 2019)

| Year | Imports | | | Exports | | | Balance million EUR | Total trade bn EUR |
|------|--------------|--|------------|--------------|--|------------|---------------------|--------------------|
| | Value bn EUR | % growth between current and previous year | % extra-EU | Value bn EUR | % growth between current and previous year | % extra-EU | | |
| 2010 | 2.774 | 6.0 | 0.2 | 2.728 | 23.3 | 0.3 | -0.046 | 5.502 |
| 2015 | 3.500 | 3.2 | 0.2 | 4.628 | 2.9 | 0.3 | 1.128 | 8.128 |
| 2019 | 3.295 | -5.2 | 0.2 | 6.041 | 5.9 | 0.3 | 2.746 | 9.336 |

Source: Author's own elaboration, based on [European Commission 2020; MADB 2020a].

The EU–NZ relations mainly concentrate on trade in goods which is of a complementary character. New Zealand's exports to the EU are dominated by agricultural products, while EU's exports to NZ are predominantly manufactured goods, thus, a vivid distinction in kinds of products prevails in imports and exports between the partners (see Table 4).

Table 4. Commodity structure of trade flows between the EU28 and New Zealand – top five most vital groups of products (HS section) in 2019

| Imports from New Zealand | | Export to New Zealand | |
|--|---------|--|---------|
| HS section | % total | HS section | % total |
| I Live animals; animal products | 36.5 | XVII Transport equipment | 29.8 |
| II Vegetable products | 21.4 | XVI Machinery and appliances | 27.4 |
| VI Products of the chemical or allied industries | 8.1 | VI Products of the chemical or allied industries | 9.5 |
| IV Foodstuffs, beverages, tobacco | 6.6 | IV Foodstuffs, beverages, tobacco | 5.7 |
| XVI Machinery and appliances | 5.5 | XVIII Optical and photographic instruments, etc. | 4.3 |

Source: [European Commission 2020].

In the commodity structure of EU's imports from New Zealand, agricultural products are dominant (they represented almost 70% of total imports),⁶ whereas in terms of EU exports to this country, the leading position is held by industrial products. Their share stood at 88.2% of total exports to NZ in 2019. New Zealand's most frequently exported goods were mutton, then, wine, fruit, butter and

⁶ According to the WTO, agricultural products do not include fish and fishery products since they are categorized as non-agricultural products. The share of fishery products in the total imports from NZ amounted to 6.5% in 2019.

dairy products. The European Union is currently (2019), following China, the second largest source of NZ imports, dominated by motor vehicles, aeroplanes and medicines [European Commission 2020].

The New Zealand’s biggest trade partners among countries of the EU in 2019 were Germany, the United Kingdom, the Netherlands, Italy, France and Belgium. Taking into account the importance of these countries for the international trade in goods of New Zealand, it needs to be pointed out that they are highly concentrated geographically (Table 5).

Table 5. EU28 countries as trade partners of New Zealand in 2019 (bn EUR, share in brackets)

| Countries | Total trade | Imports from NZ | Exports to NZ |
|----------------|---------------|-----------------|---------------|
| EU28 | 9.336 | 3.295 | 6.041 |
| Germany | 2.209 (23.7%) | 0.478 (14.5%) | 1.731 (28.6%) |
| United Kingdom | 1.913 (20.5%) | 0.975 (29.5%) | 0.938 (15.2%) |
| Netherlands | 1.202 (12.9%) | 0.557 (16.9%) | 0.645 (10.6%) |
| Italy | 0.791 (8.5%) | 0.202 (6.1%) | 0.571 (9.5%) |
| France | 0.743 (8.0%) | 0.208 (6.3%) | 0.535 (8.9%) |
| Belgium | 0.611 (6.5%) | 0.332 (10.1%) | 0.279 (4.6%) |

Source: Author’s own elaboration, based on [MADB 2020a].

As detailed in Table 5, over 1/5 of the total trade in goods (almost 30% of imports from NZ) with the EU was conducted with the UK in 2019 (see Table 5), which is particularly significant owing to the withdrawal of the UK from the EU. It should be noted that the share of Poland was 1.8% in imports and 2.4% in exports, respectively.

As in the case of a number of New Zealand’s trading partners from developed countries, a key element of trade relations are services. Trade in services with NZ is characterized by the dominance of EU exports to NZ (see Table 6). The European Union is New Zealand’s second-largest export market for trade in services and the second largest source of the import of services. The most crucial services include tourism, transport, education and commercial services.

Table 6. EU28–NZ total trade in services (bn EUR)

| Year | EU imports | EU exports | EU trade balance |
|------|------------|------------|------------------|
| 2016 | 1.3 | 2.1 | 0.8 |
| 2017 | 1.5 | 2.4 | 0.9 |
| 2018 | 1.4 | 2.4 | 1.1 |

Source: [European Commission 2020].

The value of the reciprocal bilateral investments is considerable. NZ’s investments in the EU amounted to EUR 5.4 bn in 2018 (inward stocks). Over the same period, EU investments in NZ (outward stocks) stood at EUR 9.4 bn [European

Commission 2020]. Countries of the EU are the second-largest, following Australia, source of direct investments in New Zealand. The Union's foreign direct investments in New Zealand represent over 10% of the total inward FDIs to this country [WTO 2015]. The European Union is also the second-largest recipient of NZ's foreign investments.

TOWARDS AN EU–NZ COMPREHENSIVE PARTNERSHIP: PERSPECTIVES AND CHALLENGES OF MUTUAL TRADE RELATIONS

As far as the perspectives of the EU–NZ trade cooperation are concerned, the following issues should be taken into consideration: current trade barriers, a potential FTA accounting for the EU agricultural sensitivities, the Brexit issue and regulating mutual relations between NZ and the UK. Moreover, the present situation in world trade (related to American protectionism, among other things) compels the EU to deepen cooperation with more predictable trade partners.

Taking into account the low position of New Zealand in the Union foreign trade as well as the commodity structure of mutual trade, it seems that the partners do not make full use of their potentials in reciprocal trade relations. A chance for enhancing cooperation may be taking substantive measures with a view to achieving more exhaustive regulation of trade relations between the EU and NZ and signing a comprehensive FTA.⁷

From the point of view of the European Union, an important fact is that NZ has concluded numerous FTAs with other countries, including key EU partners (e.g. China, ASEAN), but the EU does not have a bilateral free trade agreement with New Zealand. They are both members of the WTO – their mutual trade relations are, therefore, based on the MFN clause, which means that the partners do not apply preferential tariff rates for their goods and face relatively high tariffs in comparison to competitors.⁸

While analysing the problem of barriers to reciprocal trade, it needs to be stressed that the average rate of customs duty is considerably lower in NZ than in the EU. As for the EU, in 2018, the average MFN rate stood at 5.2% (12% for

⁷ Even though this distant country is not perceived as a key global economy, not all Member States are enthusiastic about the idea of liberalization of trade with New Zealand, showing concern that it may, among other things, cause an influx of milk and dairy products into the EU market.

⁸ The EU applies conventional duty rates for goods imported from NZ, similarly to several other countries with which it has not concluded any preferential trade deals. It concerns Australia, Hong Kong, Taiwan and the USA (suspended negotiations of the TTIP deal). This group also used to include Japan and Singapore, however, the situation has changed since the EU–Singapore FTA entered into force in November 2019. EPA with Japan entered into force in February 2019. It is worth pointing out that NZ takes advantage of preferential quotas for the Union market (including beef and dairy products). Quotas represent the maximum volume of imports of a given category of products on which WTO member countries are obliged to levy low import rates. Due to Brexit, the current quotas will be divided between the EU and Great Britain on the basis of the previous trade flows.

agricultural products and 4.2% for non-agricultural products). In the case of New Zealand, it was 2.0% (1.4% and 2.1%, respectively). It must be noted that the NZ's customs duties for imported agricultural products are one of the lowest in the world (eightfold lower than in the EU) and licensing and import quotas do not occur. Tariff rate quotas may be applied on hop cones, pears and apples [World Tariff Profiles 2019; WTO 2015: 75].

The current Union trade policy towards New Zealand is quite effective, but restrictions to trade in goods and services, investment and public procurement still exist. Furthermore, certain positions, significant in the context of a future agreement, are still levied considerable duties (e.g. in the agricultural,⁹ machine or textile sector), which contributes to limiting mutual trade. A noteworthy fact is that New Zealand's import structure is dovetailed to the Union export structure of machinery,¹⁰ motor vehicles and pharmaceuticals, what is more, the weighted average in exports to NZ is relatively high and stands at 2.75%. Furthermore, there are also barriers of non-tariff nature (e.g. restrictive phytosanitary regulations – stringent rules with regard to health, content, security, labelling of provenance and extremely rigid restrictions relating to live animals and plants).¹¹ In telecommunications, financial services and maritime transport, which are sectors of key EU export interest, some regulatory obstacles in services still remain. Despite the fact that the EU is the second-largest investor in NZ, EU investors meet more rigorous screening

⁹ NZ plant health measures hinder exports of products from the EU. Moreover, NZ has comparatively high tariffs rates for processed agricultural and food products (from the EU's perspective the key products are, for instance, dairy products and beef). The maximum MFN applied duty in NZ is 5% (on all agricultural products lines), but in the case of the EU it goes even as high as 200%. From the perspective of NZ, the agreement shows capacity to limit EU import duties for sparkling wine (EUR 32 per 100 Ltrs), onions (9.6%), tomatoes (12.8%), kiwi fruit (8.8%), tuna (22%) [World Tariff Profiles 2019].

¹⁰ Taking into account the potential and needs of the market as well as the economic profile of New Zealand, the possible areas of cooperation comprise, in particular: machines and apparatus, including those employed in raising cattle and sheep, horticulture, forestry, irrigation equipment; appliances used for producing dairy, slaughtering of animals and meat processing as well as winemaking; equipment used in the production of energy; apparatus of the electromechanical industry as well as film, TV and radio industry; sailing and motor boats and yachts as well as parts and fittings thereof, kayaks; fertilisers; services and products for the sector of agriculture and forestry [MSZ 2020].

¹¹ New Zealand has implemented a very stringent system for imports of pigmeat and pigmeat products. The import restrictions arise from the hazard of importing meat infested with porcine reproductive and respiratory syndrome (PRRS), which afflicted the majority of EU countries (including Poland) in the early 1990s. As a result of the long-standing negotiations between the European Commission and New Zealand, since 2014, it is possible to export pork originating from EU Member States, including Poland, to this country. What is more, due to very restrictive regulations on bio-control of all goods arriving in New Zealand, it is required that the documentation used in international trade (invoices, bills of lading) ought to be accompanied by a declaration that an inspection of wooden packaging in which the goods are transported (pallets, crates, etc.) has been performed prior to their dispatch. These containers must be free of any traces of fungus, mould, insects, etc. Health certificates are required for seeds, fruit and plants. Moreover, these products undergo quarantine in New Zealand [MSZ 2020].

procedures than investors from other countries that have already finalized FTAs with NZ. Further significant efforts are needed to reduce the remaining barriers in accessing the government procurement markets. High transport costs resulting from the geographical distance also constitute a barrier [European Commission 2015b; Lee-Makiyama 2015; Sierańska 2017: 176].

Table 7. Active key barriers in EU exports to NZ (as of April 2020)

| Title | Measure | Sector | Creation date |
|--|---|---------------------------|---------------|
| Poultry meat – infectious bursal disease (Gumboro disease) | Infectious bursal disease (Gumboro disease) Animal health reasons Other SPS import restrictions | Agriculture and Fisheries | 10 Sep 2004 |
| Geographical indications | Legislation on Appellations of Origin and Geographic Indications | Wines & Spirits | 05 Sep 2016 |

Source: [MADB 2020b].

The planned agreement with New Zealand is intended, above all, to further reduce trade barriers, eliminate customs duties on goods and facilitate access to the market of services and public procurement in this country. The sectors which gain most from concluding a free trade agreement will be the sector of motor vehicle fittings, machines, chemicals, food processing and services. The agreement, as it is the case in the majority of the currently concluded bilateral agreements, will regulate not only the standard elements of the international trade in goods but will also address issues related to the broad definition of economic and trade cooperation, in line with the approach adopted in WTO+, and even WTO-x agreements.¹² The negotiations strategy includes the Union's agricultural sensitivities,¹³ hence, a complete liberalization of trade in this sector will not be feasible. These products will be subject to special treatment, i.e. longer periods for reducing tariffs as well as tariff quotas or even not undertaking any commitments in the most sensitive sectors or applying protective measures to prevent a sudden rise of imports [European Commission 2017b; European Parliament 2016].

Given the fact that the United Kingdom accounted for a meaningful share of not only EU's trade, but also services and investment, the problem of the UK's withdrawal from the EU may be of considerable consequence to the mutual rela-

¹² Apart from the classic liberalization, an EU–NZ FTA will include, among others, issues such as public procurement, energy, competition, combating corruption, regulatory issues (such as sanitary and phytosanitary barriers), technological research and, above all, needs of SMEs [European Commission 2017a; European Parliament 2016].

¹³ It has to be borne in mind that NZ's trade is focused on several products and is rather limited, it does not include the most sensitive products, e.g. grains and sugar. It is a case of significant complementarity in this regard since New Zealand exports mainly whole milk powder and the seasonal production of kiwi fruit does not pose a threat to the local crops in France or Italy [Lee-Makiyama 2015].

tions. Brexit will, above and beyond all other consideration, decrease the economic robustness of the trading bloc (the UK was the second-largest economy of the EU, responsible for 1/6 of its GDP). Thus, the EU's attractiveness to its foreign partners may fade and its negotiating position in the potential future trade talks may be weakened. Especially given the fact that New Zealand has also put in its negotiations schedule a bilateral free trade agreement with the UK. The talks between partners formally started on 17 June 2020¹⁴ [MFAT 2020b].

Taking into consideration the above-mentioned issues, from the perspective of the EU's trade policy, an FTA with New Zealand will ensure better market access and will allow for eliminating or mitigating the possible trade diversion effects emerging as an effect of RTAs in the Asia-Pacific region.

CONCLUSIONS

The analysis carried out in the paper allows for making a statement that the effects of implementation of a possible FTA will definitely be noticeable for New Zealand. It primarily results from the fact the European Union is a key partner for NZ, and New Zealand's share in the total EU trade oscillates around 0.2%. Furthermore, the barriers on agricultural products put by the Union are incomparably higher. Given that fact that NZ exports chiefly agricultural products to the EU and access to the Union market is currently limited, elimination or even partial reduction of restrictions will be perceptible to New Zealand's exporters and, in turn, will definitely contribute to an increase in exports to the EU market. However, taking into consideration the share of NZ's imports of agricultural products to the Union in the total imports, it will not pose a serious threat to EU farmers, even more so because the deal will account for the sensitive goods. The issue of agriculture, being a crucial sector for both partners, which are net exporters of agricultural products, may be a source of potential misunderstandings. Agriculture is a very sensitive sector and the ultimate, finely balanced shape of chapters relating to agriculture and fisheries must provide for interests of both parties.

Nevertheless, despite the limited significance of New Zealand in the EU's foreign trade, signing an FTA with NZ lies within interests of the European Union for multiple reasons and should not be perceived by having regard only to an increase of exports but rather through the possibilities which the new agreement would open up for the overarching EU trade strategy. Firstly, taking into account the structure of the mutual trade, the EU is counting for liberalization of barriers, predominantly those of the non-tariff nature, related to access to non-agricultural products market (these barriers are a particular hindrance to trade, thus, their elimination may bring about considerable results), facilitation in sector of services

¹⁴ The United Kingdom has identified New Zealand as a priority partner for a new FTA after Brexit.

as well as access to public procurement. Secondly, the result of negotiations may serve as a model for future free trade agreements, in particular with regard to high-quality agreements in the Asia-Pacific region, which may shape rules for international trade against the backdrop of the serious crisis on the WTO forum. Thirdly, such a deal will create opportunities for greater access to the market as well as give possibilities of combining it with the existing trade agreements, particularly in the context of broader trade cooperation between regions. New Zealand is involved in numerous FTAs in this region, which makes it a potentially attractive partner for the EU. Moreover, such an agreement will allow European economic operators to compete, on equal terms, against enterprises from countries which have signed trade deals with New Zealand.

Concluding a modern, ambitious, balanced and comprehensive agreement would enable stepping up to a new, higher level of economic relations. New Zealand is one of the selected few members of the WTO without any preferential access to the market of the EU [European Parliament 2016]. Significant reduction of trade barriers under the agreement will contribute to increasing the volume of reciprocal trade and thus will strengthen the position of the EU weakened by Brexit toward the NZ's partners in the Asia-Pacific region.

Stronger economic ties between the EU and NZ may serve as grounds for even deeper integration with the Asia-Pacific region, particularly since the EU acknowledges its importance to world economy, which is evidenced by negotiating and concluding trade deals with countries of the region. The agreement will enable the EU to intensify relations with one of the most vibrant economic regions of the world, strengthening the alliance of those who advocate open trade and stand against protectionism.

Tytuł: Stosunki handlowe UE z Nową Zelandią – w kierunku nowej umowy handlowej

Streszczenie: Trudności w zakończeniu negocjacji w ramach Rundy Rozwoju z Doha oraz dynamicznie zmieniające się środowisko międzynarodowe (w tym polityka USA i Chin) sprzyjają zacieśnianiu współpracy UE z innymi partnerami. Dlatego też Regionalne Porozumienia Handlowe (RTAs) stanowią coraz bardziej istotny element zagranicznej polityki handlowej UE, a szczególnie zauważalne jest w tym kontekście zainteresowanie regionem Azji i Pacyfiku. W przedstawionej w 2015 r. strategii handlowej i inwestycyjnej UE „Handel z korzyścią dla wszystkich” wyraźnie podkreślono znaczenie Nowej Zelandii jako partnera handlowego UE, co stało się punktem wyjścia do podjęcia konkretnych działań w zakresie pełniejszego uregulowania dwustronnych stosunków handlowych w postaci przyszłej FTA.

Słowa kluczowe: handel międzynarodowy, Nowa Zelandia, regionalizm handlowy, RTA, UE

REFERENCES

1. ADB. (2019), *Key Indicators for Asia and the Pacific 2019*, 50th edition, Asian Development Bank, <https://www.adb.org/publications/key-indicators-asia-and-pacific-2019> [access: 15.06.2020].
2. ARIC. (2020), Asia Regional Integration Center, <https://aric.adb.org/> [access: 10.06.2020].
3. Council of the European Union. (2018), *Negotiating Directives for a Free Trade Agreement with New Zealand*, Brussels, 25 June 2018, <https://data.consilium.europa.eu/doc/document/ST-7661-2018-ADD-1-DCL-1/en/pdf> [access: 15.06.2020].
4. EEAS. (2020a), *Joint Declaration on Relations Between the European Union and New Zealand*, https://eeas.europa.eu/sites/eeas/files/joint_declaration_on_relations_between_the_european_union_and_new_zealand_1999.pdf [access: 15.06.2020].
5. EEAS. (2020b), *New Zealand and the European Union: Priorities for Future Cooperation*, https://eeas.europa.eu/new_zealand/docs/agenda_coop_2004_en.pdf [access: 20.06.2020].
6. EEAS (2020c), *The European Union and New Zealand Joint Declaration on Relations and Cooperation*, 21 September 2007, http://eeas.europa.eu/archives/docs/new_zealand/docs/joint_declaration_2007_en.pdf [access: 20.06.2020].
7. EEAS. (2020d), *Partnership Agreement on Relations and Cooperation Between the European Union and its Member States, of the One Part, and New Zealand, of the Other Part*, https://eeas.europa.eu/sites/eeas/files/eu_new_zealand_partnership_agreement_on_relations_and_cooperation.pdf [access: 28.05.2020].
8. European Commission. (2015a), *Trade for All – New EU Trade and Investment Strategy*, http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/index_en.htm [access: 22.05.2020].
9. European Commission. (2015b), *Inception Impact Assessment EC*, http://ec.europa.eu/smart-regulation/roadmaps/docs/2015_trade_040_aus_nz_trade_agreement_en.pdf [access: 20.06.2020].
10. European Commission. (2017a), *Ex-ante Study of the EU–Australia and EU–New Zealand Trade and Investment Agreements – Executive Summary*, prepared by LSE Enterprise Ltd., April, <https://publications.europa.eu/en/publication-detail/-/publication/555bc8bf-92af-11e7-b92d-01aa75ed71a1/language-en> [access: 12.05.2020].
11. European Commission. (2017b), *Launching Trade Negotiations with Australia and New Zealand*, https://eeas.europa.eu/sites/eeas/files/ausnz_11_3.pdf [access: 12.06.2020].
12. European Commission. (2019), *DG Trade Statistical Guide*, June, http://trade.ec.europa.eu/doclib/docs/2013/may/tradoc_151348.pdf [access: 10.05.2020].
13. European Commission. (2020), *Countries and Regions – New Zealand*, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/new-zealand/> [access: 16.06.2020].
14. European Parliament. (2016), European Parliament resolution of 25 February 2016 on the opening of FTA negotiations with Australia and New Zealand, <http://www.europarl.europa.eu> [access: 10.06.2020].
15. European Union. (2016), Official Journal of the European Union, C 202, Volume 59, 7 June 2016.
16. IMF. (2020), World Economic Outlook Database, October 2020, www.imf.org [access: 10.06.2020].
17. Lee-Makiyama H. (2015), *New Zealand: The EU’s Asia-Pacific Partnership and the Case for a Next Generation FTA*, ECIPE, https://ecipe.org/wp-content/uploads/2015/07/ECIPE_Policy-Brief_New-Zealand.pdf [access: 18.05.2020].
18. MADB. (2020a), Market Access Database, http://madb.europa.eu/madb/statistical_form.htm [access: 10.06.2020].

19. MADB. (2020b), Market Access Database, http://madb.europa.eu/madb/barriers_result.htm?isSps=false&countries=NZ [access: 15.05.2020].
20. MFAT. (2020a), Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/nz-trade-policy/> [access: 15.06.2020].
21. MFAT. (2020b), Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/agreements-under-negotiation/new-zealand-united-kingdom-free-trade-agreement/> [access: 30.06.2020].
22. MSZ. (2020), <https://www.gov.pl/web/nowazelandia/ie> [access: 05.06.2020].
23. Sierańska J. (2017), *Wyzwania polityki handlowej Nowej Zelandii*, „Stosunki Międzynarodowe – International Relations”, Vol. 53(3), 163–188. DOI: <https://doi.org/10.7366/020909613201709>.
24. The World Bank. (2020), World Development Indicators, <http://datatopics.worldbank.org/world-development-indicators/themes/economy.html> [access: 30.06.2020].
25. World Tariff Profiles. (2019), https://www.wto.org/english/res_e/booksp_e/tariff_profiles19_e.pdf [access: 22.06.2020].
26. World Trade Statistical Review. (2019), https://www.wto.org/english/res_e/statis_e/wts2019_e/wts2019_e.pdf [access: 05.06.2020].
27. WTO. (2015), *Trade Policy Review: New Zealand*, Revision, WT/TPR/S/316/Rev.1, 12 October 2015, https://www.wto.org/english/tratop_e/tp_r_e/tp416_e.htm [access: 25.05.2020].
28. WTO. (2020a), RTA-IS, <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> [access: 20.06.2020].
29. WTO. (2020b), Regional Trade Agreements and the WTO, https://www.wto.org/english/tratop_e/region_e/scope_rta_e.htm [access: 25.05.2020].