



New Zealand Europe Business Council (NZEBC) position on FTA negotiations between European Union and New Zealand.

1. New Zealand Europe Business Council Membership

New Zealand Europe Business Council was established 2005 in order to raise the profile of Europe in New Zealand and to promote trade, cultural and other exchange. Its members are the various EU member countries' trade organizations in New Zealand as well as the Auckland Consuls from the European Union. Thus we count among our members the German NZ Chamber of Commerce, The British NZ Business Association, The French NZ Chamber of Commerce, The NZ Italian Chamber of Commerce, The Netherlands Business Association, The Scandinavian Business Association, The Czech Business Association, the Polish Business Association as well as representatives from most other EU member states and representatives from the three major NZ universities as associate members.

2. Our discussions on FTA negotiations between Europe and New Zealand

During the last twelve months our key focus has been to discuss and research the benefits of a free trade agreement (FTA) between Europe and New Zealand. We believe there would be significant benefits for further trade and investments given an FTA between the two parties, for the 200 plus European subsidiaries already established here. With New Zealand's geographic position in the South Pacific Ocean, closer ties with New Zealand would also achieve better access to the Pacific Islands and other Pacific Nations through European companies operating out of New Zealand or through partnerships with NZ entities.

EU presidents in discussions with New Zealand - a meeting which took place in March 2014 between John Key, PM of NZ, and European Council President Herman van Rompuy and European Commission President Jose Manuel Barroso - have expressed a willingness to reflect on ways to strengthen the trade and economic relationships between the two parties. In her visit in November 2014 to New Zealand, the German Chancellor, Angela Merkel, expressed support for further in depth discussions as well. Similar positive statements have been made by other

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European leaders and diplomats visiting New Zealand the last year. We, NZEBC, believe it is now time to progress the thinking towards formal FTA negotiations.

Through our contacts with government and business in New Zealand we have understood that New Zealand's private sector is also favourable to a free trade agreement. The rules governing trade between New Zealand and EU largely hail from the nearly 30-year old WTO Uruguay Round of trade negotiations whereas most other trading partners of the EU are working under more preferential trade agreements. We have no doubt as to the commitment by New Zealand to seek to bring negotiations to a successful conclusion.

3. Europe - New Zealand Trade

Two way trade in goods and services between EU and New Zealand reached NZ \$19 billion for the year ending December 2014. The EU is NZ's third largest single trading partner (behind Australia and China), the third ranked export market and first ranked source of imports. New Zealand ranked only 56th as trading partner for EU. Key member state trading partners include the UK, Germany, France, The Netherlands, Denmark, Belgium and Italy. Europe is the second largest source and destination of overseas investment. The relative decline in two way trade between EU and NZ could be arrested by a new FTA. Nearly 40% of all New Zealand's international research collaboration is with EU based entities. Europe enjoys a trade surplus with New Zealand of around 25% with main exports being aircraft, motor vehicles, medicaments, tractors, and telephone equipment. Main imports from New Zealand have included sheep meat, fresh fruit, wine, apples, wool and busser.

We believe there is further scope for European products, services and investments and that this would be supported and enhanced by an FTA.

4. Similar culture and commitment to the rule of law

New Zealand, well known for the absence of corruption and a country that follows the rule of law, is a safe and reliable partner for European business. European businesses invest in New Zealand due to its safety and the ability to achieve good returns.

We understand that an FTA requires negotiations on many points of interest but we, business representatives of Europe in New Zealand, would endorse the need and mutual benefits of an FTA between Europe and New Zealand. We believe it would be an easier and quicker process than negotiating with many other countries. The fact that New Zealand is a small country geographically distant from Europe is no reason to overlook the importance of creating a level playing field for European commercial interests here, to match the ambitious steps now underway or completed with the two other main global trade blocks. A high quality cutting edge FTA, incorporating advanced regulatory co-operation, between EU and NZ could be the benchmark for further FTAs with other nations and lift the

game of international trade. With EU being the number one trading block in the world European standards will often be the *de facto* world standard.

5. Business Survey regarding FTA benefits

In June/ July 2015 the NZEBC conducted a FTA exploratory survey among European companies operating in New Zealand. The respondents were both large multinational companies/subsidiaries and many small and medium sized enterprises including a large number of importers of European products. They have links with many EU countries, and mention: Austria, Denmark, Finland, France, Germany, Italy, Spain, Sweden, and the UK. Some important findings include the range of goods and services in which respondents are active, and that links with the EU are well-established (the vast majority of them have been in place for more than 5 years).

The key strengths of business relationships with their EU partners relate to the sophistication of the EU market, including product quality, R & D, maintaining competitiveness through customer responsiveness and long-term connections with innovative companies. The respondents also stressed good cultural fit, long term and historical relationships, deep personal relationships and overall good co-operation without major frictions. Other strengths included reliable and continuous service to European exporters and globally recognised professional qualifications.

The overall impression is of positive benefits from trade links between the EU and New Zealand, with some regulatory issues to address. In summary, our survey is important for highlighting the wider benefits which would accrue to NZ-based European organisations from deeper links between the EU and New Zealand.

6. Ability to gain closer relations to Asia and Pacific Islands

The centre of gravity of world trade has moved significantly towards the Pacific in the last few decades with the two major world nations vying for leadership. It is imperative for Europe to retain its interest in the region and have a proportionate influence geopolitically as well as from a trade perspective. A closer integration between Europe and New Zealand, both economically and culturally, would enhance Europe's position in the area as well as keeping New Zealand supported and open to the inevitable expansion of global interchange and co-operation. American and Chinese interest in New Zealand is very significant and lifting the profile of Europe in the area, the aim of which would be enhanced by an FTA, is likely to serve the long term interest of both Europe and New Zealand.

7. Closer co-operation between likeminded parties and greater market access

We are aware that Europe already has FTA agreements with a number of countries which on the face of it seem no more important to Europe than New Zealand, making New Zealand look a bit like a laggard in this process, forcing exporters and importers to pay more and be subjected to harsher rules than others. We think

there is every reason to close this gap and bring New Zealand and indirectly the Pacific into the realm of Europe's close partners for trade and business.

In terms of what benefits an FTA can offer the obvious aspect is greater market access for both parties. We recognise that the size and scale of markets are quite different but in monetary terms benefits could be significant and equal on both sides. There would be greater scope for foreign direct investments both ways. An FTA would also present both sides with the opportunity to strengthen participation in value chains within and across regions. New Zealand's FTA with China benefits also European exporters out of New Zealand to China. A new FTA which strips out cost and other barriers between the two parties would have great mutual value.

8. Summary

To sum up, NZEBC is supportive of an EU/NZ free trade agreement and believes there will be advantages to European businesses in New Zealand. New Zealand represents a safe and secure investment climate for business. Until recently the EU was the New Zealand's second biggest trading partner and remains a major source of New Zealand's imports and investment. In addition, New Zealand is well placed to assist EU businesses in the Asia/Pacific region. We consider that EU business can partner with New Zealand business further in the Asia/Pacific region.

On behalf of New Zealand Europe Business Council
Auckland 23 August, 2015

Frank Olsson, President

Attachment - Report on a NZEBC member survey on NZ - EU trade issues

Preliminary report on a NZEBC Survey of member views on New Zealand-EU trade and business issues to the NZEBC Meeting on Tuesday 18 August 2015

1. Introduction

In June 2015 the NZEBC sent out an email to its members with a link to a short survey on *Survey Monkey* to gather member insights on New Zealand-EU issues which they think are important in the context of a possible NZ-EU FTA. This short report presents the preliminary findings from an initial analysis for consideration at the next meeting to be held on Tuesday 18th August, 2015, at 5pm at the New Zealand German Business Association, PwC Tower, Level 14, 188 Quay St, Auckland.

The overview of responses below is anonymised and is in no way to be considered generalisable or statistically valid. There were multiple responses to some questions and missing data from others. The intent here is to provide some qualitative exploratory insights into the issues member organisations are motivated to raise. Our impression is that SMEs were strongly represented among the respondents. Given the nature of the membership of the Business Councils, there may be a slight importer bias, and there are a few wholly-owned subsidiaries which may also bias their views. The respondents have links with many EU countries, and mention: Austria, Denmark, Finland, France, Germany, Italy, Spain, Sweden, and the UK. The following points add insights into the **richness and diversity of business and trade links between NZ and the EU** and complement the MNC-based view of the NZ International Business Forum.

Some important findings include the range of goods and services in which respondents are active, and that links with the EU are well-established (the majority have been in place for more than 5 years). The key strengths of NZ business relationships with their EU partners **focus strongly on the sophistication of the EU market**, including product quality, R & D, maintaining competitiveness through customer responsiveness and long-term connections with innovative companies. The overall impression is of positive benefits from trade links with the EU, with some regulatory issues to address. In summary, our survey is important for highlighting the **wider benefits** which would accrue to NZ-based organisations from deeper links with the EU market.

2. Action required

Whilst more analysis and policy suggestions need to be teased out of the survey, and we will be doing in-depth case study interviews later in the year, the Board is asked to note our initial draft and to let us have their comments and views on next steps.

3. Company background: Trade or business links with Europe and length of these links.

The companies responding covered a range of trade and business links with Europe, including:

- Translation services to European companies
- Overseeing translation services from European translators
- Manufacturing facility in Europe
- Import of finished products for sale in NZ
- Imports of parts for manufacturing of products for sale in NZ and further export
- Purchase of stock from Danish and French suppliers to wholesale in NZ and Australia
- Professional - member of a European professional body, headquartered in the UK
- Education and tourism
- Buy and import a wide range of scientific and technical instruments, reagents and consumables for EU, for the NZ market
- Sell a narrow range of neuroscience devices manufactured in NZ to the EU market
- Motor industry
- Professional - colleagues, former colleagues and current clients
- Import of packaged food products from NZ to Europe

☒ Regular business with France, Germany and Sweden exchanging services and products - selling and buying

- Global shipping company engaged in trade to NZ from Europe for more than 50 years, focusing on outbound logistics

- Import product

- Broad, education

- Importer of European goods, our major shareholder is a European company

- Represent a number of companies out of France , Denmark, Germany, Sweden, Finland and Spain

- Importation of magazine paper from Germany and Austria

- Shipping logistics services for new factory built vehicles, machines and project cargo from Europe

- Insurance providers

- Professional – journalism

- Part of a global organisation which has operations within the EU.

Age of trade or business links with Europe

Age Respondents

Less than 1 year 1

1-3 years 4

3-5 years 2

More than 5 years 20

4. Key strengths of the company's trade or business links with Europe.

- In-depth knowledge of the EU business environment, systems familiar to EU companies at comparable prices, ability to respond overnight when necessary

Product quality and R&D

- Long relationship

- Strong distribution channel into Europe for export and good supplier base, specifically quality of products, for import

- Small importer of Italian food and wine products

- Exclusivity, unique and high quality design. Great trading terms

- Brands, brand power

- Globally recognised professional qualification

- Long term and historical relationships, no language barriers [English used by all]

- Quality products

- Deep personal relationships

- Staying competitive by adjusting to different customer needs. Our international network helps us identify new business opportunities and global trends

- Reliable and continuous service to European exporters of agricultural equipment, trucks, buses and cars

- Good co-operation, cultural fit

- Long term connections with innovative companies

- Common ownership - we import from a sister company

- Best product offers to the trade in terms of non-containerised cargo carrying and servicing from Europe

- Special products offered by a provider in Europe

- Access to new distribution channels

- Access to the EU market.

5. Trade or business problems encountered in the European market.

- Long payment terms and necessity in chasing up payments. Competition from low-cost suppliers who provide work of poor quality, but which European clients are unable to judge. Lack of respect for our services/skills, despite the need for translations into English

- Regulatory, understanding the different regulations that are in place

- Mainly tax related - VAT/GST

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- Italian response times not the same as NZ response times
- High duties and freight costs, different sizing
- Supply and pricing
- Lack of information regarding NZ destination and opportunities
- Been terribly let down by an Italian supplier which has caused financial detriment
- Sometimes, quality of complexity of the offered products has been a problem
- Bureaucracy
- A slowness to engage
- EU duties on NZ products
- “Customs is a pain and delays all dealings of products - especially when we import and then export a product to another markets - for example Australia - after upgrades or repairs”
- Not many, several responded ‘none’, nothing of criticality, zero
- Competition from container carriers offering unsustainable pricing
- Access to key people

6. Company partnerships or collaborations with firms in the European region.

- Working with European translators on multi-language projects. Exchanging translation services
- Professional relationships
- NZ entity part of a group - HQ in Switzerland and affiliated companies throughout Europe
- Close relationships with suppliers and brokers
- We are business partners with our suppliers providing design feedback and building their brands in our territory with them
- Membership of international legal network, personal relationships, and special interest groups
- As a global logistics provider, work closely with our European customers helping them to make their outbound logistics more efficient
- Main shareholder is a European company We hold a license to market their brand in Australasia
- Technical know-how exchange
- Common ownership means we do our best to optimise for both parties
- Head office is in Europe and also various branches
- Affiliations with media organisations via especially International Association of Press Clubs.

7. Any particular issues the NZ-EBC should pursue.

- Very long (60, 90, 120 days) payment terms and non-payment as an accepted business practice within the EU. I have heard many EU companies blame the GFC for their payment practices, but it is a region-wide problem that existed before the GFC
- Access and other border barriers
- Mainly streamlining of documentation requirements - and ease / equalization of tariffs and tax (VAT/GST) framework
- Removal of duties from packaged consumer food products
- Several could not think of any
- Not from my industry point of view
- push for immediate action
- Emphasis New Zealand's links with Europe

8. Companies interested in case study on their firm, industry or sector.

In addition to some companies we have already identified, we will be approaching **6 companies** from this survey, across a range of products and services, who have agreed to talk to use about a case study.

MBR and PZ
UABS
13 August 2015