

New Zealand – Hong Kong Closer Economic Partnership

Q&A

What is the value of New Zealand's trade with Hong Kong?

Hong Kong is currently New Zealand's **sixteenth** largest export market for merchandise goods (worth NZ\$616 million in the year to June 2008). It is also our 13th largest source of overseas visitors and a valuable source of overseas students.

What are our major exports to Hong Kong and what sort of tariff barriers do exporters currently face?

New Zealand goods exports to Hong Kong are dominated by seafood, live horses, beef and sheepmeats, fresh fruit and dairy. Hong Kong currently maintains zero tariffs on all imports, so there are no immediate commercial gains from tariff elimination, but a Closer Economic Partnership would provide New Zealand with a commitment that our goods exports will continue to face zero tariffs on a permanent basis. The other main benefits being sought would be in areas such as services, investment, non-tariff barriers and government procurement.

What is the extent of Hong Kong sourced investment into New Zealand?

Hong Kong is our 8th largest source of Foreign Direct Investment, amounting to \$917 million as of 31 March 2008.

What is the history of the negotiations?

New Zealand first entered CEP negotiations with Hong Kong in 2001 but negotiations were suspended after five rounds in late 2002. Following informal discussion both Parties are now hopeful that it will be possible to find a way through the difficulties which led to that suspension and preparatory talks will take place in Hong Kong in March 2009, with a view to resuming negotiations in late April/early May 2009.

Is there a difference between an FTA and a CEP?

The content can be very similar. The choice of title has been based on the preferences of the negotiating partners at the time that negotiations were commenced. Some of New Zealand's early agreements seeking to strengthen trade and economic links and improve access opportunities with other partners took the form of Closer Economic Partnership agreements (e.g. the

New Zealand-Singapore Closer Economic Partnership, the New Zealand-Thailand Closer Economic Partnership and the Trans-Pacific Strategic Economic Partnership (TPP). Some of our more recent ones have been called Free Trade Agreements (e.g. the New Zealand-China FTA and the ASEAN-Australia-New Zealand FTA agreement).

When will the agreement be concluded?

Since some progress had been made toward the development of a draft text at the time of suspension of negotiations, it is hoped that good progress will be possible toward the expeditious conclusion of these negotiations.

What areas will be covered under the CEP?

The New Zealand-Hong Kong Closer Economic Partnership agreement is expected to cover areas such as goods and services trade, trade facilitation, liberalisation of investment, competition, customs co-operation, government procurement, intellectual property, labour and environment, transparency and disputes settlement.

When will the details of the agreement be made public?

The text of the agreement will be made publicly available once the negotiations are completed and signature by Ministers has taken place.

Why does New Zealand want a CEP agreement with Hong Kong?

Hong Kong is not only an important market in its own right but is a key services and investment hub for the North Asia region. Indeed, Hong Kong is the world's 12th largest trading economy. It is also the second largest source of Foreign Direct Investment (FDI) in Asia.

North Asia is an area of increasing focus and opportunity for New Zealand business. More secure and open access to the Hong Kong market will place New Zealand in a good strategic position to capitalise on new trade and investment opportunities in this region, including into China.

Why is Hong Kong interested in a CEP agreement with New Zealand?

We expect that Hong Kong sees New Zealand as a valuable trading partner which, like it, is committed to open markets and willing to negotiate bilateral trade agreements which are high quality and support the WTO system.

Why are we negotiating a CEP agreement with Hong Kong when we already have an FTA with China?

The New Zealand / China FTA does not apply to our trade with Hong Kong. As Hong Kong is a strategically important trading partner in the Asian region, and one which furthermore can serve as a platform for trade into China, a separate agreement to cover our relationship with Hong Kong will be beneficial.

What consultation has taken place around the CEP agreement?

A submissions process was initiated when CEP negotiations with Hong Kong first commenced in 2001. 38 submissions were received at that time. In the lead up to preparatory talks and negotiations, feedback is being invited from any interested parties and these may be followed up by consultation talks where there are significant interests at stake.

Has Hong Kong entered into similar FTAs with other countries?

Hong Kong has concluded a Closer Economic Partnership Arrangement with China.

What are the key commercial benefits from FTAs and CEPs?

The overriding commercial objective of this CEP is to open up economic opportunities for New Zealand business in Hong Kong, and to boost commercial ties with this important trading partner.

The CEP would improve access for and facilitate trade in goods, services and investment between Hong Kong and New Zealand. It would also establish a framework for economic cooperation and assist in raising the commercial profile for New Zealand companies in the region.

The CEP would support New Zealand's objective of broadening and deepening relations in Asia and its wider trade policy interests in strengthening economic integration in the Asia-Pacific.

What does the average NZ family stand to gain through a CEP agreement with Hong Kong?

As with all of New Zealand's FTAs, the Hong Kong CEP agreement could help to increase our trade with the Asian region and thereby help to promote positive economic growth in New Zealand. This should result in higher living standards on average for all New Zealanders.

Would the CEP agreement affect New Zealand's manufacturing base?

New Zealand businesses have operated in a relatively open economy for a number of years and have worked to shape their businesses to compete in a competitive global economy.

When we first initiated negotiations, some manufacturers were concerned about the prospect of increased competition from Hong Kong in the New Zealand market. The way New Zealand has looked to take these concerns into account in previous agreements has been through the phased removal of tariffs over time, to help smooth any adjustment process.

It is also important to note that, outside of FTAs, New Zealand is committed to a programme of unilateral tariff reductions in areas where tariff barriers remain in place.

How is the Treaty of Waitangi addressed in FTAs/CEPs?

In New Zealand's previous FTAs, a Treaty of Waitangi clause has been included which has been aimed at ensuring that the FTA will not prevent the New Zealand government from taking measures to fulfil its obligations to Maori, including under the Treaty of Waitangi. This provision has been incorporated in the New Zealand-Singapore Closer Economic Partnership, the New Zealand-Thailand Closer Economic Partnership and the Trans-Pacific Strategic Economic Partnership (P4), the New Zealand-China FTA and the ASEAN-Australia-New Zealand FTA agreement. The same provision is being sought in the Hong Kong CEP negotiations.

How do FTAs deal with labour and the environment?

In other recent FTAs, we have negotiated agreements designed to enhance communication and cooperation on labour and environment matters.

Together with the FTAs, these associated instruments help to mutually reinforce the objectives of raising working standards and environmental protection in the partner countries.

Hong Kong applies many of the same labour conventions as New Zealand (right to organize and bargain collectively, prohibition against forced labour, employment of children etc) and many of the key global environmental agreements.