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New Zealand Trade Agreements and Their Economic and Societal Impacts: A Review

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Abstract

Trade agreements are necessary for New Zealand because of the country's population size and the need to grow its economy via export trade and foreign direct investment. This study reviews three of New Zealand's trade agreements, New Zealand-Australia Closer Economic Relations (CER); New Zealand-China Free Trade Agreement (NZCFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

It presents qualitative in-depth review of the economic and social impacts of the New Zealand-Australia Trade Agreement (CER) and The New Zealand-China Free Trade Agreement (NZCFTA). It evaluates the expected economic and social contributions of The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to New Zealand's economy and society. It concludes that CER and NZCFTA as most beneficial to New Zealand's economy and society, CPTPP is expected to provide a market of 480 million people, 13.5% of world GDP worth US$10tn of trade expected to make greater contribution to the economy.

Key words: Tariffs; Economic; Trade agreement; Bilateral; Multilateral

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INTRODUCTION

The genesis of modern day trade agreements can be traced to the coming into force of the General Agreement on Tariffs and Trade (GATT) on January 1, 1948. This marked the beginning of a sequence of multilateral and bilateral trade agreements.

Trade agreements are formal expressions of willingness of two or more governments to cooperate on trade, relinquishing their own trade policies in exchange for similar concessions by partner countries. Trade agreements bring many benefits, economic, social and political to partner countries. Countries can be motivated towards trade agreements because of their own individual characteristics. New Zealand is a relatively a small country with a population of 4.87m. (Stats NZ, 2018). It is also geographically distant from its trade or potential trade partners. Its economy is highly liberalised with a comparative advantage in primary products. New Zealand has signed many bilateral free trade agreements among which are NZ-Australia CER, NZ-China FTA, NZ-Hong Kong, China CEP, NZ-Malaysia FTA, NZ-Singapore CEP, NZ-Thailand CEP, NZ-Korea FTA. February 2016 New Zealand signed a multi-lateral trade agreement, The Trans-Pacific Partnership Agreement comprising 12 countries involving four countries (Australia, Malaysia, Brunei, and Chile) which New Zealand already had close trade ties. This paper explores what the following free trade agreements mean to New Zealand: the New Zealand-Australia Closer Economic Relations (CER), the New Zealand-China Free Trade Agreement (NZCFTA) and the recently signed Trans-Pacific Partnership Agreement (TPPA). a multilateral trade agreement. This study will evaluate how these trade agreements have created economic growth for New Zealand, especially from the perspective of international trade. It will further assess what impacts CPTPP will have on the New Zealand economy society.

The structure of the paper is as follows: chapter 2 will present a literature overview on the two existing FTAs, CER and NZCFTA, and Chapter 3 will discuss the geneses and evaluate the economic and social importance of CPTPP to the New Zealand economy.

1. LITERATURE REVIEW

According to Amadeo (2017), a trade agreement occurs when two or more countries agree on terms of trade between them. The agreement determines tariffs and duties payable on imports and exports among the agreeing countries. Usually trade agreements aim to eliminate tariffs, quotas and preferences on some if not all goods and services between member countries (Indian Merchant Chamber, (n.d). Trade agreements ultimately aim to give easy access to member countries' markets through the removal of various border protection measures and other barriers. However, some trade agreements go beyond this to include items such as intellectual property rights, investments and government procurement and competition policy.

1.1 The Need for Free Trade Agreements Between Countries

Sometimes countries argue for trade barriers and subsidies to protect domestic producers and infant industries from international trade competition. However, this argument places a limitation on the protected industries' ability to navigate international markets. Trade agreements attempt to remove artificial barriers put in place by governments to restrict the flow of goods and services among the trading countries. Free trade agreements enhance participating countries' opportunities to increase production. This is possible because hitherto production and supply were limited to one country, but once two or more countries start to trade together, the supply destination increases, generating greater production to meet the demand from participating countries. In this situation each country will specialise in the production of goods and services where they have a comparative advantage, leading to economies of scale resulting from access to bigger markets. Trade between two or more countries often leads to improvement and efficiency in resource allocation, leading in turn to an increase in the domestic output of goods and services. Competition, innovation, use of modern technology and improvement in the logistic supply chain will lead to improved distribution of goods.

Consumers bear the brunt of trade barriers because import costs are transferred to them, leading to higher prices. Contrary to this, consumers benefit when a trade agreement is signed as they will be able to access goods and services in the domestic economy more cheaply.

Countries often sign trade agreements in anticipation of future economic growth. Trade agreements enhance competition and increase productivity so producing countries will experience higher economic growth, an increase real income and improved living standards.

Export and import activities among trading countries generate hard currency used to finance societal needs and further develop and grow the economy. While trade agreements create employment, they can also kill jobs. For instance, export based industries will hire more workers to produce more goods and services to meet the increased demand.

1.2 Disadvantages of Trade Agreements

Sometimes, signing **a** trade agreement draws protest from the public because of fear of job loss. There were protests in New Zealand in February 2016 when the TPPA agreement was signed. Free trade agreements often draw protests in the US for same reason. While trade agreements encourage competition, the same competition leads to winners and losers. Being a loser means industry job loss and firm closures leading to ghost communities. Winning might indicate survival, but this could depend on payment of lower wages to lower production costs. This can cause job insecurity.

Trade is intended to be equal among the trading partners, at least in terms of revenue, as partners have the right to demand goods and services produced by members. In most cases free trade results in a trade imbalance which may be detrimental to the country and cause a negative trade balance in the long run (OECD, n.d.). This mostly occurs in poorer countries with less diversified economies (Confronti, Salvatici, 2004).

Free trade agreements may affect the economic development of certain sectors and or regions positively, especially those from which internationally traded goods and services originate. However, underdevelopment could occur in other sectors or regions.

Free trade can harm the environment through pollution and environmental degradation through excessive use of natural resources for export production. However, most counties try to curb pollution through environmental law. Strict pollution control may cause producers to move offshore, and lead to the importing of goods from countries with more relaxed environmental laws (Economics help. 2010).

1.3 New Zealand-Australia CER

The World Trade Organisation (WTO) quoted by Sutton J (2018) in Ministry of Foreign Affairs and Trade (2018) rated the CER as the "the world's most comprehensive, effective and mutually compatible free trade agreement". Prior to the CER treaty there was a trade agreement between New Zealand and Australia called New Zealand Australia Free Trade Agreement (NAFTA). The agreement was signed 31 August 1965 and became operational on 1 January 1966. While it removed most of the existing tariffs between the two countries, the agreement was complex and bureaucratic in nature. In March 1980, a joint Prime Ministerial communiqué was released calling for "closer economic relations" between the two countries

(Wikipedia, n.d.).

The CER agreement came into force in January 1983 but was not signed until 28 March 1983. Its objectives were:

Its objectives were:

- To strengthen the broader relationship between Australia and New Zealand.
- To develop closer economic relations between the member states through a mutually beneficial expansion of free trade between New Zealand and Australia.
- To eliminate barriers to trade between Australia and New Zealand in a gradual and progressive manner under an agreed timetable and with a minimum of disruption.
- To develop trade between New Zealand and Australia under conditions of fair competition.

The agreement aimed to achieve mutual economic growth through elimination of trade tariffs, quotas and import restrictions on goods and services between the two countries. Trade barriers were to be removed progressively, minimising disruption.

However, CER goes beyond trade in goods and services; it allows citizens of each country the right to work and live in either country and the right for professionals to practise in either country by mutual recognition of occupational registration and qualifications. The Trans-Tasman Travel Arrangement (TTTA) and the Trans-Tasman Mutual Recognition Arrangement (TTMRA) gave citizens of both countries equal recognition of their skills.

1.4 The New Zealand – China Free Trade Agreement

The NZCFTA was signed in April 2008 and became operational in October 2008. It was the biggest trade agreement to be signed by New Zealand since CER, and the first free trade agreement between China and a developed country. The agreement is being implemented in gradual phases over twelve years, and will be in full force in 2019 i.e. by then 96% of New Zealand exports to China will be tariff free (The Diplomat 2014). The objectives of the treaty are to:

(a) encourage expansion and diversification of trade between the Parties;

(b) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the Parties;

(c) promote conditions of fair competition in the free trade area;

(d) substantially increase investment opportunities between the Parties;

(e) provide for the protection and enforcement of intellectual property rights in each Party's territory in accordance with the provisions of the TRIPS Agreement and enhance and strengthen cooperation on intellectual property rights; and

(f) create an effective mechanism to prevent and resolve trade disputes.

The fundamental aims of the agreement are to effect trade liberalisation and enhance direct investments between the two countries through reduction or elimination of tariff and non-tariff trade barriers, and to expand free trade between the two countries. To ensure a smooth trade relationship, the agreement includes intellectual property rights and a dispute settlement process.

1.5 The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Negotiations between Brunei, Chile, New Zealand and Singapore began in 2005. In 2015, the four countries agreed to include eight other countries. The original 12 member countries of the then Trans-Pacific Partnership Agreement (TPPA) were New Zealand, Japan, Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, Peru, Singapore, the United States and Vietnam. The agreement was signed in Auckland, New Zealand in February 2016, and was ratified by New Zealand in August 2016. However, on January 23, 2017 President Trump of the United States signed a Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreements (White House, 2017). The US withdrawal reduced the membership to 11, necessitating a new round of negotiations.

On May 21, 2017 11 TPP countries agreed to pursue a new trade deal without the US (CNBC, 2017) and reached an agreement on January 23, 2018. On 8 March 2018 in Chile, member countries signed a new Comprehensive and Progressive Agreement for trans-Pacific partnership.

The new agreement aims to lower tariff and non-tariff barriers to the trade of goods, services and investments between participating countries and to open new markets for trade. The Ministry of Foreign Affairs and Trade (2018) presented the five key objectives that guided New Zealand negotiations for the trade agreement:

- To generate a better standard of living for all New Zealanders by helping businesses succeed internationally and grow jobs and opportunities locally.
- To safeguard the Government's right to regulate and decide what is best for New Zealand and our people.
- To ensure that tangible benefits are delivered for Māori, and that the Crown's obligations under the Treaty of Waitangi are in no way compromised.
- To raise labour and environmental standards in the region and reduce the impact of unfair practices.
- To create a set of uniform rules that provides certainty for businesses of all sizes – big and small – who export to CPTPP economies.

1.6 Impacts of CER and NZCFTA on the New Zealand Economy and Society

Trade agreements aim to provide economic and social benefits for the participating countries. CER and NZCFTA have done this, and have provided significant economic growth and investment opportunities. This review outlines how these agreements have benefited New Zealand.

1.6.1 New Zealand-Australia Trades

CER and NZCFTA have benefited New Zealand and Australia both from economic and societal perspectives. Removal of trade tariffs has created opportunities for stronger economic growth and social relationship between the partners. CER has enabled economic integration of New Zealand and Australia, and Australia has been one of New Zealand's largest trading partners for goods and services since 1983. Main goods and services exported to Australia are:

Goods		Services	
Milk powder, butter and cheese	$604m	Personal travel	2,014m
Precious metals, jewellery, and coins	$597m	Other business services	$845m
Miscellaneous edible preparations	$587m	Transportation services	$740m

Source: Australia has consistently been a revenue-generating source for New Zealand. (New Zealand Statistics, 2017).

The value of New Zealand's exports to Australia and imports from Australia of goods and services in the 2012 and 2017 financial years is set out below in Table 1.

This indicates that CER is more beneficial to New Zealand than to Australia, and that New Zealand's economy is more dependent on Australia than vice versa. Australia's economy is over seven times larger than New Zealand's, so it is of commercial importance to New Zealand even though New Zealand is a small market to Australia. However, New Zealand constitutes a major market for Australia's manufactured goods and its tourism industry, and Australians hold substantial investments in New Zealand.

Table 1
International Trade New Zealand-Australia

		2012			2017		
		Value	Rank	% of total	Value	Rank	% of total total
Exports to Australia (NZ$ million)	Goods (fob)	$10,460	1	22.1	$8,346	2	16.7
	Services	$4,465	1	26.6	$4,697	1	21.4
	Total	$14,925	1	23.3	$13,043	2	18.1

		2012			2017		
		Value	Rank	% of total	Value	Rank	% of total
Imports from Australia (NZ$ million)	Goods (vfd)	$6,917	4	15.0	$6,284	4	11.9
	Services	$5,277	1	34.5	$5,164	1	29.3
	Total	$12,194	1	19.8	$11,448	2	16.2

Source: New Zealand Statistics, (2017) .

1.6.2 New Zealand-Australia Cross-border Investments

Foreign direct investment between New Zealand and Australia was almost NZ$66bn as at March 2017. New Zealand is Australia's top destination for overseas investment and holds major direct investments in Australia. CER has created opportunities that led to two-way government, business and private investments in Australia and New Zealand. The value of the two-way investments is shown in Table 2 (below).

Table 2
Two-Way Investment, 2012 and 2017

International investment

New Zealand's investment in Australia (NZ$ million)

	2012	2017	Rank	% of total
ODI	$14,218	$12,647	1	49.7
Total	$47,799	$58,244	2	30.0

Australia's investment in New Zealand (NZ$ million)

	2012	2017	Rank	% of total
FDI	$50,749	$54,296	1	52.3
Total	$111,664	$116,527	1	36.7

Source: New Zealand Statistics, (2017).

2.6.3 New Zealand- Australia Tourism and Migration

Australia has been a major contributor to New Zealand's tourism revenue. Table 3 (below) shows numbers of visitors and migrants moving from New Zealand to Australia and vice versa, and the value of visitor spending in each country.

Table 3
Visitors and Migrants 2016 and 2017

Visitors and migrants

	New Zealand to Australia		Australia to New Zealand	
	2016	**2017**	**2016**	**2017**
Visitors (% of total)	1,145,240 (46.8%)	1,207,260 (44.6%)	1,365,440 (41.2%)	1,450,624 (39.9%)
Visitor spending (NZ$ million)	$2,124 (38.4%)	$2,181 (36.3%)	$2,486 (18.0%)	$2,488 (17.9%)
Permanent migration	23,770 (42.5%)	24,881 (42.1%)	25,703 (20.6%)	25,441 (19.4%)

Note: fob = free on board, vfd = value for duty, ODI = outward direct investment, FDI = foreign direct investment.

Source: New Zealand Statistics, (2017).

2.7 New Zealand-China Free Trade Agreement and Its Importance

The trade agreement with China has increased trade opportunities for New Zealand exporters through reduction or elimination of trade barriers. It has helped in the transformation of the New Zealand economy and has enhanced sustainable economic growth through increased trade volume, improved flows of investment, skills and technology between the two countries.

2.7.1 New Zealand-China Trades

The trade agreement has enabled New Zealand with a population of 4.87 million (Stats NZ 2018) to gain access to a market of 1.4 billion. It has enabled New Zealand exporters to gain better access to China for trade, service and investment, a massive market of US$8tn GDP through removal of trade barriers from goods, services and investments. According to the Ministry of Foreign Affairs and Trade (2012), the trade agreement has allowed 96% of goods categories New Zealand exports to China to become duty free, representing $115.5m annual savings to New Zealand exporters at the beginning of the trade agreement. The main exports to and imports from China in 2012 and 2017 are set out in Table 4.

Table 4
New Zealand Exports to China and Imports From China 2012 and 2017

		2012			2017		
		Value	Rank	% of total	Value	Rank	% of total total
Exports to Australia (NZ$ million)	Goods (fob)	$6,106	2	12.9	$10,412	1	20.8
	Services	$1,273	4	7.6	$2,820	4	12.9
	Total	$7,379	3	11.5	$13,232	1	18.4

		2012			2017		
		Value	Rank	% of total	Value	Rank	% of total total
Exports to Australia (NZ$ million)	Goods (fob)	$7,268	1	15.7	$10,162	1	19.2
	Services	$364	5	2.4	$699	5	4.0
	Total	$7,632	4	12.4	$10,861	3	15.4

Main goods exports:	Main servies exports:
Milk powder, butter, and cheese ($3,252 million)	personal travel ($1,452 million)
Logs, wood, and wood articles ($2,068 million)	education travel ($936 million)
Meat and edible offal ($1,179 million)	Transportation services ($184 million)

Source: New Zealand Statistics (2017).

2.7.2 New Zealand-China Cross-border Investments

The trade agreement has further strengthened New Zealand's relationship with China and has resulted in significant cross border investment. According to the Ministry of Foreign Affairs and Trade (2016) high profile Chinese investments in New Zealand are in Dairy (Synlait), Envirowaste and Waste Management, Fisher and Paykel, and PGG Wrightson. New Zealand investments in China are in dairy (Fonterra), Fletcher Building and the Formica Group. The Ministry of Foreign Affairs and Trade affirms that investment between the two countries is growing positively every year. As at 2016 investment growth was $6.2 billion across the sectors stated above. New Zealand Statistics (2017) has compared the international investment between the two countries in (See Table 5 below which shows investment totals in 2012 and 2017. This analysis indicates that the pattern of investment between the two countries is favourable to New Zealand.

Table 5
Two Way Investment 2012 and 2017

International investment

New Zealand's investment in China (NZ$ million)

	2012	2017	Rank	% of total
ODI	$189	$47	10	0.2
Total	$1,006	$2,465	7	1.3

China's investment in New Zealand (NZ$ million)

	2012	2017	Rank	% of total
FDI	$295	$1,247	9	1.2
Total	$2,222	$6,774	7	2.1

Source: New Zealand Statistics, (2017)

2.7.3 New Zealand-China Education, Tourism, and Migration

Education and tourism in New Zealand have grown steadily with increased numbers of Chinese students. China is New Zealand's largest source of foreign students with over 34,000 Chinese student enrolments in 2016 (New Zealand Foreign Affairs and Trade, 2016).

International Students contribute to the economy by spending as well as paying fees, which expands the money in circulation. Ministry of Foreign Affairs and Trade (2016) evaluated the economic impact of international students and found that there had been a big jump in student spending in New Zealand. The value of international education rose to NZD$4.8bn in 2015/2016. NZD$4.04bn of this constituted direct spending in New Zealand by international students. Chinese students in New Zealand are the biggest contributors to the spending, accounting for about 35% of the sector revenue.

There has also been an increase in tourism between the two countries since the start of the trade agreement resulting in more than 80 direct flights between China and New Zealand, making China New Zealand's second source of tourist revenue, with over 400,000 tourists in 2016 and a marginal increase in 2017.

The spending by Chinese visitors in 2016 and 2017 is set out in Table 6 below. The analysis indicates that visiting, spending and permanent migration between the two countries is positive for New Zealand.

Table 6
Two Way Migration and Visitor Spending

Visitors and migrants

	New Zealand to China		China to New Zealand	
	2016	**2017**	**2016**	**2017**
Visitors (% of total)	91,220 (3.7%)	108,940 (4.0%)	396,928 (11.9%)	398,000 (10.9%)
Visitor spending (NZ$ million)	$229 (4.1%)	$262 (4.3%)	$2,620 (19.0%)	$2,440 (17.5%)
Permanent migration	2,121 (3.8%)	2,243 (3.8%)	11,809 (9.4%)	12,594 (9.6%)

Note: fob = free on board, vfd = value for duty, ODI = outward direct investment, FDI = foreign direct investment.

Source: New Zealand Statistics, (2017)

2.7.4 Negative Impacts of CER and NZCFTA on New Zealand Economy and Society

The benefits of trade agreements to New Zealand override the disadvantages. However, disadvantages exist. According to Strutt, Poot, and Dubbeldam (2008), CER has created unequal distribution of economic benefits, asserting that the free movement of people between the two countries has resulted in shortage of skilled labour in New Zealand, forcing New Zealand to source skilled labour from other parts of the world. CER allows for immigration requirements in New Zealand to cause a flow of backdoor migration to Australia after migrants have obtained citizenship in New Zealand (Strutt; Poot; & Dubbeldam, 2008). Since 2001 New Zealand citizens with special category (temporary) visas must apply for and and obtain permanent visas before they can apply for Australian citizenship. According to Poot and Sanderson (2007), this policy reduces backdoor migration. However, more people continue to migrate from New Zealand to Australia than the other way round (Statistics New Zealand, 2015). According to the Australian Bureau of Statistics (2015), as at June 2015, 611,400 New Zealand-born people, and 653,800 New Zealand citizens were living in Australia. This is a yearly occurrence, and from the researcher's perspective it constitutes brain drain (skilled migrants) from New Zealand.

Some New Zealanders view Australian control of investments in New Zealand as another disadvantage of CER. According to Rosenberg (2016), 47% of shares in New Zealand firms are owned by Australians. This is mostly evident in the financial sector where Australians own major shares in almost all banks in New Zealand.

New Zealand imports from China, primarily machinery and apparel, accounted for $10.3bn in 2016. Imports have affected the growth of small-scale industries in New Zealand which manufacture products similar to those imported. Firms have closed because they could not compete with foreign firms with cheaper production costs which export to New Zealand through trade liberalisation. According to Cullen (2008), some economic and social effects of NZCFTA were loss of 430 jobs by Fisher and Paykel's Mosgiel dishwasher plant traced to the trade agreement. The closure of the Tamahine Holdings knitwear factory in Dunedin cost 50 jobs due to cheaper imports from China. As at September 2009, manufacturing activities fell by 1.4%, resulting in heavy redundancy payouts, negatively affecting firms' reserves.

China's increasing foreign direct investment in New Zealand and acquisitions of New Zealand existing assets or companies, especially houses, could lead to average New Zealanders becoming tenants in their own land. Also, New Zealand could be vulnerable to any collapse in the Chinese demand for New Zealand products. Gibson (2015) reported that uncontrollable increases in housing prices in New Zealand over the past 15 years compared with stagnant incomes were caused by foreign investment in the real estate sector, preventing many New Zealanders from purchasing homes, especially first homebuyers, though debatable.

2. GENESIS AND IMPORTANCE OF CPTPP TO THE NEW ZEALAND ECONOMY AND SOCIETY

After the withdrawal of the United States from the trade agreement, the remaining 11 countries unanimously changed the trade agreement's name to The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The 11-member countries called the trade agreement comprehensive and progressive because they saw it as going beyond business cost reduction.

Though the CPTPP agreement contained almost all that was agreed upon when the membership comprised twelve countries, the new CPTPP suspended 22 items. A suspended item is a provision in the original TPP Agreement, which will not take effect under CPTPP. For any of these items to be active in future, effective agreement of all CPTPP members will be required. The new CPTPP agreement as amended appears to be more beneficial to New Zealand because it eliminates New Zealand's concerns in the areas of investment, intellectual property and pharmaceuticals.

CPTPP is of major significance to New Zealand. it depends heavily on international trade. Trading countries need good international rules of trade to realise adequate benefits. The CPTPP provides a platform for its 11-member countries, and the trade agreement will help member countries sustain their economies through trade (import and export), create jobs and improve living standards.

The Ministry of Foreign Affairs and Trade (2018) has estimated potential impacts of the CPTPP on New Zealand

The CPTPP agreement provides access to 13.5% of world GDP worth US$10tn of trade. It is opportune for New Zealand to trade with 10-member countries which will become destinations for 30% of New Zealand's exports in goods worth NZ$15bn. At the same time, New Zealand can export 31% of its service exports worth NZ$6.8bn annually. Trading with member countries will enable New Zealand exporters to access markets of 480 million people who will consume close to a third of New Zealand's exports. The CPTPP presents a platform for integrating New Zealand business into global/regional supply chains. This provides greater certainty to traders and investors in the FTA.

CPTPP also gives New Zealand preferential access to the Japanese market, and to markets in Canada, Mexico, and Peru, opening new export destinations to New Zealand's small, medium and large businesses. Exports from New Zealand to new FTA partners (CPTPP inclusive of Japan, Canada, Mexico and Peru) will be about $4.2bn in goods exports and $1.3bn in services.

Figure 3
Projected Value Of Exports to New FTA Partners
Source: Ministry of Foreign Affairs and Trade (2018)

2.1 Estimated Economic Impact

It is estimated that once CPTPP becomes fully operational, the New Zealand real GDP will rise by a minimum of 0.35% OR NZD$1.2bn, and possibly up to 1.0% or NZD$4.0bn. The Ministry of Foreign Affairs and Trade (2018) estimated the impacts of CPTPP on the New Zealand economy as in the Table 7 below.

Table 7
Estimated impact of CPTPP on New Zealand

Area	Increase in NZ GDP when fully in effect (NZ$)	Notes
Reductions in tariffs and quota barriers on goods trade.	$760 million	Around half of the tariff elimination for New Zealand exports is from entry into force.
Reductions in non-tariff measures (NTMs) on goods trade.	From $363 million to $1.2 billion	
Improved trade facilitation measures.	From $0 to $360 million	
Reductions in barriers on services trade.	From $47 million to $1.6 billion	

Source: Ministry of Foreign Affairs and Trade (2018)

Table 8
Executive summary on the estimated impact of CPTPP on the New Zealand economy and society

Impact on New Zealand		
Employment	Net positive	No industry is expected to experience significant declines in average wages or job numbers.
Social regulation	No negative impact expected	Does not inhibit the right to regulate for legitimate public policy purposes.
Health	No negative impact expected	Does not inhibit the right to regulate for legitimate public health purposes. PHARMAC model preserved with no additional costs.
Immigration	No negative impact expected	Commitments do not apply to categories of visitors related to immigration.
Human rights	No negative impact expected	May help improve labour standards across CPTPP region.

To be continued

Continued

	Impact on New Zealand	
Treaty of Waitangi	No negative impact expected	Nothing in the CPTPP prevents the Crown from meeting its obligations to Māori. The importance of traditional knowledge and indigenous plant varieties is acknowledged.
Culture, including digital economy	No negative impact expected	Government retains ability to support New Zealand creative content.
Environment	No impact on New Zealand, but may help improve environmental standards across CPTPP region, including disciplines on fishing subsidies and transhipment of engendered species.	Does not inhibit the right to regulate for legitimate public policy purposes, including environmental protection.

3.2 Benefits for Goods Exporters

CPTPP will eliminate tariffs on all New Zealand exports to member countries within 16 years, making it easier for New Zealand exporters to export goods to 10 member countries without tariffs. Some exports from New Zealand to countries like Japan, Canada, and Mexico are not duty free yet, but duties have been significantly reduced. For instance, duty on beef exports to Japan is to be reduced and access of some dairy products exported to these countries will be improved with partial reductions in tariff and duty-free quotas.

The trade agreement is expected to deliver NZ$222.4m of tariff savings annually when fully implemented, NZ$95m realisable at the start of the CPTPP. According to the Ministry of Foreign Affairs and Trade, New Zealand goods for export will realise the following benefits from CPTPP:

Elimination of tariffs on kiwifruit. This will give New Zealand kiwifruit exporters free access to the Japanese market leading to tariff related savings of NZD$26m.

Elimination of tariffs on wine, allowing New Zealand wine free access to Canada.

Elimination of tariffs on sheep meat, with a preferential rate on beef exports to Canada.

Elimination of tariffs on forestry and forestry products.

Elimination of tariffs on apples within 11 years.

Reduction of tariffs on beef exports to Japan from 38.5% to 9% over 16 years.

Dairy exporters are expected to benefit NZ$88.5m from tariff savings, elimination of tariffs on some dairy products, and preferential access to new quotas into Japan, Canada and Mexico.

All of New Zealand's fish and fish products exported to Japan currently face tariffs. 99% of tariffs on fish exports to Japan will be eliminated within 11 years, and within 16 years fish and fish products to Japan will be tariff free.

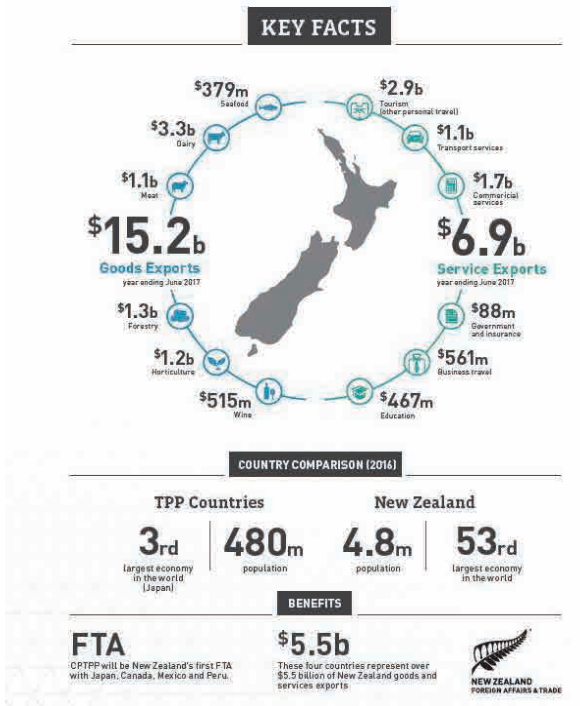

Figure 4
Key facts about CPTPP
Source: Ministry of Foreign Affairs (2018).

CONCLUSION

As a small country, New Zealand needs to access bigger markets for its products. CER was the cornerstone of New Zealand's trade agreements. Implemented to improve New Zealand's economy through lowering and elimination of trade barriers and improving bilateral cooperation, the agreement aimed to minimise market distortions in trade in goods, and harmonise Trans-Tasman food standards, recognition of goods and occupation, and investment protocol,. Investors from both countries have benefited from lower compliance costs, higher screening thresholds and greater legal certainty.

The Ministry of Foreign Affairs and Trade (2010) cited the World Trade Organization's description of CER as "the world's most comprehensive, effective and mutually compatible free trade agreement". CER has created a single economic market by addressing standardisation of processes, trade barrier elimination, and maintenance of border cooperation between the two countries. The Trans-Tasman Travel Arrangement (TTTA) and the Trans-Tasman Mutual Recognition Arrangement (TTMRA) have given rights to citizens of both countries. CER has created bigger markets and export opportunities for exporters, job opportunities, better income levels and improved quality of life for New Zealanders.

China with a population of 1.4 billion people (Worldometer, 2018) will continue to be a good partner in the NZCFTA. The agreement enabled New Zealand to access the biggest market with products from dairy, forestry and beef to mention a few. Most importantly, the agreement enabled the New Zealand dairy sector to provide about 90% of China's dairy products and New Zealand dairy companies now have regional offices in China, However, New Zealand must be guided and possibly prepared for the possible outcome of a trade war between China and America.

The New Zealand government needed to enter the Comprehensive and Progressive Trans Pacific Partnership Agreement because of the immense benefits it will provide to a small country. CPTPP has given New Zealand multilateral relationships with 10 countries although some of them already had trade agreements with New Zealand. Most projected benefits to New Zealand are based on assumption. However, this review has defined the projected economic benefits to New Zealand from the trade agreement. Growth of the New Zealand economy has been mostly facilitated by existing agreements, especially CER and NZCFTA. This growth is visible throughout all trade sectors.

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