

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Zealand and China Sign FTA Upgrade

Country: New Zealand

Post: Wellington

Report Category: Agricultural Situation, Agriculture in the News, Country/Regional FTA's

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Report Highlights:

On January 26, 2021, New Zealand and China signed an Upgrade to the 2008 Free Trade Agreement (FTA). For New Zealand, the FTA Upgrade retains all existing tariff reduction schedules for exports of goods to China. It also provides for additional tariff elimination on 12 wood and paper products over a 10-year implementation period. In addition to these tariff reductions, other areas that are covered in the FTA Upgrade and that apply to agricultural products include: technical barriers to trade; e-commerce; customs procedures; cooperation and trade facilitation; and rules of origin.

New Zealand and China FTA Upgrade

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For dairy, New Zealand's largest export to China, the Upgrade does not change existing conditions agreed as part of the original FTA. By January 1, 2024, all New Zealand dairy exports to China will be tariff free. Safeguard volumes and tariffs are to be eliminated in 2022 for liquid milk, cheese, and butter and 2024 for milk powders.

In addition to the tariff reductions for select wood and paper products, other areas that are covered in the FTA Upgrade and that apply to agricultural products include: technical barriers to trade; e-commerce; customs procedures; cooperation and trade facilitation; and rules of origin.

An example that is given on operational improvements as part of this Upgrade are procedures for the handling of 'perishable goods' like fresh seafood or airfreighted cherries. There is now an expectation that goods will be released by customs within six hours wherever possible and can be released outside normal business hours. There is also to be an extension of the scope of advance rulings in the existing free trade agreement.

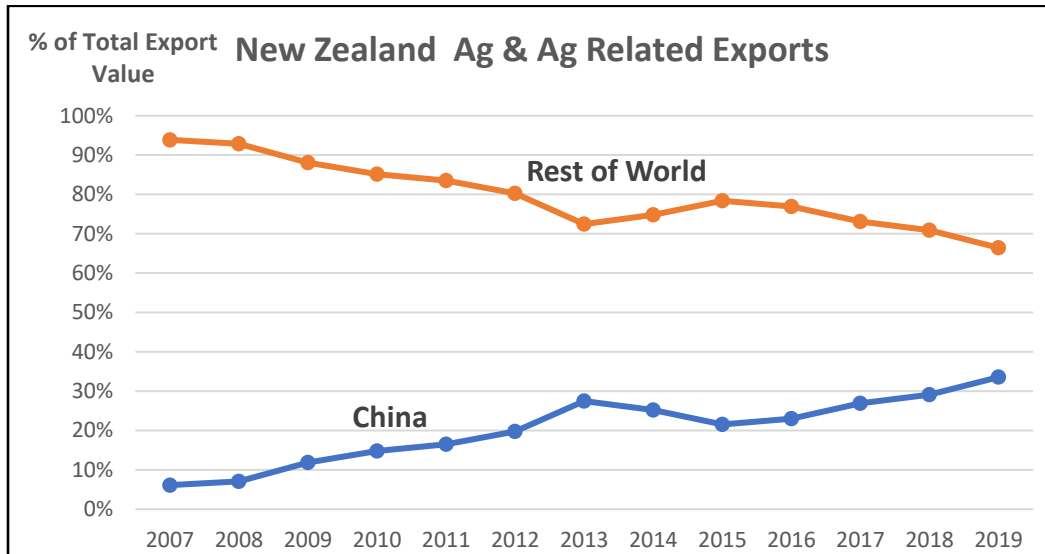
The FTA Upgrade also aims at improving transparency and reducing red tape in areas such as certificates of origin (introducing the option for 'approved exporters' to self-declare the origin of their goods) and goods in transit (through simplifying processes and highlighting alternatives to 'certificates of non-manipulation').

More information on this FTA upgrade is available at the New Zealand Foreign Affairs & Trade website - <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/nz-china-free-trade-agreement-upgrade/>

Background on New Zealand – China Agricultural Trade

During the past decade, China has rapidly increased in its importance as a market for New Zealand agricultural and related products. While in 2009 China overtook the United States and Australia as the largest destination for New Zealand agricultural and related products, by 2019 shipments to China by value had reached quadruple the level of shipments to each of these next largest markets. Overall export growth during this time to China was over 18 percent annually, and while a decade ago China accounted for only about 12 percent of New Zealand exports of these products, last year this had reached 34 percent. This rapid growth has been among a wide range of commodities ranging from dairy products,

meat and seafood, to fresh fruit. Exports to China in 2020 have continued strong and are only down marginally from the record levels of 2019.



Source: TDM LLB

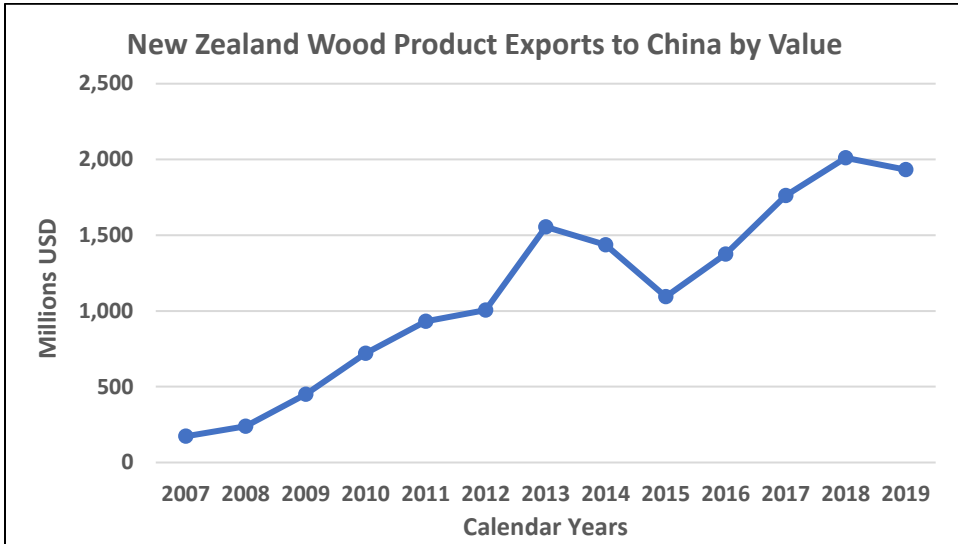
Dairy is the number one export from New Zealand to China of any product, agricultural or non-agricultural. New Zealand dairy shipments are estimated to have reached another record in 2020, and during the first 11 months of 2020 were up another 13 percent by value from the same period in 2019. There is a fundamental deficit between Chinese domestic supply and rising demand for dairy products, and New Zealand has been able to fill this gap. New Zealand whole milk powder (WMP) is widely used by Chinese food processors as an ingredient, and WMP is the largest New Zealand dairy product exported to China, accounting for nearly half of total dairy product exports by value.



Source: TDM LLB

For forestry and wood products, New Zealand is more reliant on the Chinese market than for any other major agricultural export. By 2009, China was already the dominant market for wood products

responsible for 30 percent of the total shipments, but a decade later it has risen to nearly 60 percent. This has been dominated by raw logs that are shipped and then processed in China.



Source: TDM LLB

Attachments:

No Attachments.