Department for International Trade

Department for Business, Energy & Industrial Strategy

Lord Grimstone of Boscobel, Kt
Minister for Investment
Department for International Trade
King Charles Street
Whitehall
London
SW1A 2AH

T +44 (0) 20 7215 5000
E grimstone.correspondence@trade.gov.uk
W www.gov.uk/dit

The Rt. Hon the Lord Goldsmith QC
Chair of the International Agreements Sub-Committee
House of Lords
London
SW1A 0PW

By email: goldsmithp@parliament.uk

21 December 2020

Dear Peter,

Trade negotiations between the UK and New Zealand

Thank you for your letter of 26 November, where you requested additional information as part of your ongoing inquiry into the UK's Free Trade Agreement (FTA) being negotiated with New Zealand. This letter sets out my response in your thematic areas, in addition to an overview and update on negotiations for context.

Update

I laid a Written Ministerial Statement before Parliament on 09 November providing an update on the second round of FTA negotiations with New Zealand. Trade negotiators from the UK and New Zealand held the second round of negotiations for a UK-New Zealand Free Trade Agreement (FTA) between 19 October and 02 November.

Negotiators carried out 46 sessions over two weeks, covering all areas of the proposed FTA, and bringing us closer to agreeing an ambitious FTA. Between round one and round two both sides shared 35 draft texts and 25 position papers, which enabled detailed and constructive talks.

The talks underscored both countries' commitment to removing trade barriers and creating new opportunities for business, and a belief that a deep and dynamic agreement can send a clear signal to the world that both the UK and New Zealand are prepared to fight protectionism and advance free and fair trade.

The UK and New Zealand are both keen to continue the momentum of discussions, and the third negotiating round is expected to take place in January 2021.

Any deal the UK Government agrees will be fair and balanced and in the best interests of the whole of the UK. We remain committed to upholding our high environmental, labour, food safety and animal welfare standards in our trade agreement with New Zealand, as well as protecting the National Health Service (NHS).

Overview

There are few countries with which we could negotiate as advanced an agreement in the areas that matter to the UK as New Zealand, meaning that a trade agreement will allow us to set global standards together, for example in areas of sustainable trade or digital trade. It will help us forge a leadership position among a network of countries committed to free trade – and strengthen the group of like-minded democracies who share our commitment to advance trade liberalisation, fight protectionism and defend international rules.

A trade agreement with New Zealand could increase UK exports to New Zealand by up to £100m, and UK workers' wages by up to £200m. Beverages firms, the automotive industry and professional services among those expected to benefit the most from the trade agreement. New Zealand is already an important partner for the UK and a trade agreement can further increase our trading relationship, worth £2.9bn in 2019. New Zealand and the UK also share a particular ambition to work together to lead the global fight against climate change and promote clean growth through trade – a key contribution to a low-carbon economic recovery. Opportunities for this trade agreement includes additional access for UK services and investment and removing tariffs, allowing consumers to benefit from lower prices and increased choice.

CPTPP crossover

You asked whether the Government's expectation that bilateral talks with New Zealand have to be concluded before the UK's accession to CPTPP can be fully negotiated and agreed. You also asked how the Government will handle parallel negotiations with individual CPTPP member states and with the CPTPP member states as a collective should they overlap.

CPTPP membership will complement and reinforce new and enhanced bilateral trade agreements we have already signed or are negotiating now, including with New Zealand. New Zealand is one of the founding CPTPP member nations, as well as the depositary country to whom we would make our formal application for accession. They have been vocal supporters of the UK joining CPTPP. Whilst strengthening our relationship with New Zealand will support our potential accession into this partnership, we do not believe that our bilateral trade agreement needs to be concluded in advance of the UK's accession to CPTPP. Of course, there are interactions, however, and we will work hard to ensure that our interests in the two negotiations are handled in a way that support and benefit business and consumers across the UK.

Moreover, the Government is seeking a trade agreement with New Zealand that goes beyond CPTPP to achieve ambitious outcomes. In particular, we are seeking provisions on investment, services, business mobility, and cross-cutting issues such as innovation, development and SMEs that go beyond CPTPP.

Animal Welfare

You asked whether New Zealand currently include a standalone chapter on animal welfare. You also asked how the Government anticipates the UK-New Zealand FTA capturing the wide range of animal welfare issues, relating not only to farming but also to product testing, such as of cosmetics.

This Government is proud of the UK's world-leading food safety, health and animal welfare standards. We will not compromise these standards nor put the UK's biosecurity at risk as we negotiate new trade deals.

We are strongly committed to a trade policy which benefits the UK as a whole, secures opportunities for our agricultural sector and does so without compromising our domestic standards.

The Government published its negotiation objectives in July 2020 for a UK-New Zealand free trade agreement. One of the key objectives is to ensure high standards and protections for UK consumers and workers and build on our existing international obligations throughout the agreement. We also set out that we will not compromise on our high animal welfare standards.

New Zealand have put a strong priority on animal welfare that is reflected in their recognition of animal sentience and the regulations and codes of practice issued under the Animal Welfare Act 1999, which set minimum standards for animal care and management. While there are notable differences in welfare provisions, there are also similarities upon which a common approach can be built. During rounds 1 and 2 of negotiations, the UK discussed its approach to animal welfare with New Zealand, for example around obligations on cooperation and collaboration on high animal welfare standards. We will work closely with New Zealand to ensure our high domestic standards are upheld. as we leave the EU.

Market Access

You asked for an update on discussions on the liberalisation of tariffs for agri-food products, and what steps the Government might take domestically to support UK producers to innovate and adapt in the event of liberalisation being agreed with New Zealand that puts pressure on domestic production.

The Government has been clear, including in our public negotiating objectives, that any future deal with New Zealand must work for UK consumers, producers and companies and the Government will stand firm in trade negotiations to ensure any future trade deals support the livelihoods of farmers and the values of consumers across the UK. Getting a good deal for the whole of the UK is a priority and agriculture concerns remain in the front of our minds throughout negotiations.

The Government is considering a range of analysis and evidence to inform its negotiation strategy, including how to manage the impact tariff liberalisation. In Round 2, negotiators provided New Zealand with details on the UK's domestic sensitivities, as well as an indication of the scope of the UK's initial Goods Market Access offer in early 2021. Discussions are ongoing regarding the timing of exchanging Market Access offers.

You also asked what priority the UK Government is giving to new and innovative food products, such as cultivated meats, in negotiations on tariffs and whether a side-letters to the New Zealand deal could provide a mechanism for securing initial political agreement for how to treat such products if and when they come to market.

I can confirm that the Government is negotiating tariff commitments for all products as part of our trade negotiations, and seeking to agree outcomes that work in the best interests of UK producers, consumer and businesses.

The Harmonised System (HS) tariff nomenclature is comprehensive. This means that new products such as cultivated meat would already be defined in the tariff nomenclature. The UK will always work constructively with partners on the implementation of its tariff commitments.

Antimicrobial Resistance

You asked how the Government sees the UK-New Zealand agreement contributing to international efforts to reduce antimicrobial resistance.

The UK Government recognises that reducing the use of antibiotics in animals is an important element in our efforts to countering the rise of anti-microbial resistance (AMR). DIT fully supports efforts led by Defra, Public Health England, and NHS England, and at the international level to tackle AMR including driving increased adherence to appropriate regimes for animal antibiotic treatment. We are seeking to promote and enhance cooperation and information exchange in this area with New Zealand through the FTA.

Mobility and MRPQ

You asked for an update on how talks are progressing regarding business travel, improved visa processes, and mutual recognition of professional qualifications.

I can confirm that we are seeking ambitious commitments to facilitate the recognition of professional qualifications, with the aim of supporting all UK professionals to achieve recognition of their qualifications in New Zealand. We are seeking a broad recognition framework with comprehensive coverage across all regulated professions and professional qualifications.

Business mobility is an integral enabling factor for all ways that services can be traded. Increased business mobility can enable UK and New Zealand businesses to export more services between our two countries, unlocking new opportunities for our modern economies. Business mobility is particularly important for sectors that will not benefit from mutual recognition of professional qualifications. The majority of UK services exports to New Zealand are in unregulated sectors.

There are a range of options that the UK can explore with regards to the temporary movement of service suppliers to and from New Zealand as part of a trade deal, but it is premature to say what the final deal may look like. Both parties are keen to develop innovative and commercially focused outcomes to liberalise and facilitate trade between our service suppliers.

You also asked how involved the professional bodies are in both countries in contributing to talks in these areas.

The UK continues to engage with our professional bodies, where appropriate, to aid our understanding of their interests and barriers faced. The Department for International Trade has created the Professional Advisory Services Trade Advisory Group (TAG) to provide strategic and expert advice to the government as negotiations continue at pace. These TAGs represent this vital sector and expertise will be drawn upon to inform and strengthen the UK's negotiating position and trade policy more broadly.

Digital

You asked whether I anticipated that the digital provisions of this bilateral FTA will incorporate or build on those in recent ambitious digital trade agreements, such as the Digital Economy Partnership Agreement signed by New Zealand, Chile and Singapore in June this year and entering into force in January 2021. You also asked whether there are particular elements of DEPA that the UK Government would welcome seeing included in a deal with New Zealand.

Across all our trade agreements, we want to secure cutting-edge provisions which maximise opportunities for digital trade across all sectors of the economy. We also want to include provisions that facilitate the free flow of data, whilst ensuring that the UK's high standards of personal data protection are maintained and include provisions to prevent unjustified data localisation requirements. Data flows are the basis of today's digitalized economies and are important to consumers and business, especially SMEs. They are a key driver of global trade and the life-blood of our digital economy. They underpin many forms of trade, particularly trade in services. When data cannot flow, it presents significant barriers and risks to trade.

New Zealand has a track record of innovation in digital trade, including in recent agreements such as the Digital Economy Partnership Agreement (DEPA) and an FTA with New Zealand provides a perfect opportunity to reduce barriers to e-commerce and stimulate investment in innovative new technologies. We have considered DEPA alongside several ambitious trade agreements to develop the UK's proposals, which will seek to support the reduction or abolition of business and consumer restrictions relating to access to New Zealand's digital market including ensuring customs duties are not imposed on electronic transmissions. These provisions will help us to promote a world-leading eco-system for digital trade that supports businesses of all sizes across the UK.

Environment

You asked how far environmental concerns contribute to the UK Government's thinking about other areas. For example, how much do greenhouse gas emissions during food production feature in the Government's assessment of how or whether to liberalise tariffs.

You asked given that increased trade can often lead to an increase in greenhouse gas emissions, for example because of increased transportation of goods between countries, what steps the Government will take in negotiating the agreement to seek provisions that might mitigate those increases and help both countries in their aims to achieve net zero.

You asked how advanced is the Government's development of proposals for a possible environment chapter, and what further issues is it taking into account in refining that position ahead of the next round of talks. You also asked what concrete steps does the Government hope a UK-New Zealand FTA might take to support both countries act on environmental and climate change goals, individually and internationally.

With shared ambition in leading the global fight against climate change, a UK-New Zealand trade agreement will support both our countries net zero climate commitments by for example encouraging trade in environmental goods and services in industries that support the transition to a low carbon economy.

As stated in our mandate, we are committed to upholding the UK's high environmental standards and supporting global decarbonisation. We are clear that more trade will not come at the expense of the environment. We are committed to maintaining both parties' right to regulate in pursuit of decarbonisation and reaffirming our respective commitments to the United Nations Framework Convention on Climate Change and the Paris Agreement to reduce greenhouse gas emissions. We have cut tariffs on 104 environmental goods in the UK Global Tariff to promote the deployment of renewable energy generation, energy efficiency, carbon capture, and the circular economy through recycling and reducing single use plastics.

I can confirm that during the first two rounds of negotiations, productive conversations have been held on trade and the environment and promoting clean growth, where both countries are working closely together to support sustainable outcomes both within an environment chapter and across the agreement in areas such as procurement and financial services. An FTA with New Zealand provides the opportunity to set cutting edge global standards on sustainable trade.

You asked whether the UK will be joining New Zealand, and a number of other countries, in pressing to reduce, and ultimately end, fossil fuel subsidies. You also asked what provisions could the two countries bilaterally to help further that goal.

The UK believes that inefficient fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change. For this reason, we are pleased to announce our support for the "Statement on Global Fossil Fuel Subsidy Reform" of the Friends of Fossil Fuel Subsidy reform, a network of nine non-G20 countries, led by NZ, whose governments actively support a global reform of fossil fuel subsidies.

GIs

You asked for an update on talks about securing further GIs through a bilateral deal with New Zealand. You also asked whether there were any lessons to be learned from CEPA about how best to secure GIs protections for British Produce.

The Government is considering the existing framework in New Zealand for the protection of GIs and in negotiations will seek to maintain effective protection in a way that ensures consumers are not misled about the origins of goods while ensuring they have access to a range of products. Whilst we should always look at the lessons learned from each trade negotiation, GIs are generally nuanced in approach from country to country and so one agreement is unlikely to be directly comparable with another. It is particularly worthy of note that GIs are protected differently in New Zealand than in Japan, and so require a different approach.

IP

You asked for an update on the progress of discussions in the area of IP and where the two sides intend to focus in the third round of negotiations.

Productive and positive conversations have been held on IP to date with New Zealand. The UK is committed to seeking a balanced outcome on IP for creators, producers, performers, users and consumers through this FTA.

Thus far, we have discussed Trade Marks and Designs, alongside the more overarching sections of General Provisions and Cooperation. We have identified a number of areas of commonality in how our Trade Marks and Designs regimes operate domestically, and there were encouraging similarities in some of the provisions tabled by both. This is in addition to conversations held at Round 1 on our public negotiating objectives and our respective aims for the IP chapter.

For Round 3, we are intending to exchange text on Copyright and Enforcement ahead of substantive discussions on both areas.

Gender Equality

You asked how central Gender Equality will be as an issue to the UK's trade policy, in negotiations with New Zealand but also across the board, noting that trade and gender chapters in FTAs tend to be of a non-binding and general nature. You also asked for reflections on what provisions are most effective in such chapters.

We are firm in our belief that the benefits of this agreement should be felt by all. In recognition of the disproportionate barriers that women can face in economic participation, we are seeking to include provisions which promote women's ability to access the benefits of the UK-New Zealand agreement. We have had productive discussions during Rounds 1 and 2, where I can confirm that the UK put forward proposals to advance women's economic empowerment across the agreement as a whole.

The inclusion of Women's Economic Empowerment provisions in FTAs features in the Government's manifesto as part of our broader agenda for 'free and fair trade' as well as in our public negotiation objectives for the USA, Australia and New Zealand agreements demonstrating the centrality of this issue for the UK in our future trade policy. Specifically, the UK-Japan Comprehensive Economic Partnership Agreement (CEPA) contains the UK's first Trade and Women's Economic Empowerment Chapter and should be celebrated. It has also established a Working Group responsible for translating cooperation commitments into actions which have tangible impact, enabling the Parties to work together to monitor and encourage best practice over time.

Anti-corruption

You asked for more detail about how the UK is approaching Anti-corruption in negotiation with New Zealand.

The UK is seeking robust anti-corruption provisions as set out in our negotiation objectives. We will build on our high standards in this area, by securing provisions that address the trade-distorting effects of corruption, and ensuring that there are appropriate mechanisms for their implementation, monitoring and dispute resolution. During rounds 1 and 2, both parties have had positive and constructive discussions about the importance of tackling corruption, and are working through proposals in the FTA negotiations.

Transparency with Parliament

You asked the Government to consider the New Zealand Government's process for updating Parliament and the public on talks in more detail and consider whether any lessons might be learned from them for Government communications in the future.

This Government is committed to transparency and will ensure that UK Parliamentarians, elected representatives from the Devolved Administrations, UK citizens, businesses and other stakeholders have access to information on our trade negotiations. On Monday 7 December, SoS made a Written Ministerial Statement to Parliament, setting out the transparency and scrutiny arrangements for international trade deals with the US, Australia, New Zealand and for the UK's proposed accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

We have also provided extensive information to Parliament on our negotiations, including publishing our objectives and economic scoping assessments prior to the start of talks. I can confirm that we will continue to keep Parliament updated on negotiations as they progress, including close engagement with the International Trade Committee (ITC) in the House of Commons and the International Agreements Sub-Committee (IAC) in the House of Lords. We have written to the chairs of both committees at every key stage, and facilitated private briefings for the committees with Ministers and our chief negotiators. At the end of negotiations, we will lay the final agreement text in Parliament under the CRaG scrutiny procedure for 21 sitting days alongside an explanatory memorandum and a final impact assessment. We have also said that we will allow time for the ITC and IAC to produce an independent report on the agreement before the start of CRaG, as we have demonstrated with the recent Japan Agreement.

In formulating our approach to scrutiny of international trade agreements we have considered the approach of international comparators and drawn on international best practice. When similar parliamentary democracies are compared to the United Kingdom, it is clear our practice is very strong and entirely appropriate to our constitutional arrangements. For example, the United Kingdom is one of the few jurisdictions to publish economic scoping assessments at the outset of negotiations. Additionally, we engage with business/civil society/sectoral/local Government stakeholders via Trade Advisory Groups during negotiations. Our approach, which includes engaging Parliament throughout all negotiating stages, strikes the right balance between allowing Parliament to effectively scrutinise our trade policy, respecting the UK Constitution, and ensuring the Government can negotiate in the best interests of the UK.

Conclusion

I hope the above responses are useful for you. My Department's regular reporting, including through Written Ministerial Statements, updates to Trade Advisory Groups and the Strategic Trade Advisory Groups, and to devolved administration, will ensure that stakeholders continue to be informed on the progress of negotiations.

Yours sincerely,

Lord Grimstone of Boscobel, Kt
Minister for Investment
Department for International Trade
Department for Business, Energy and Industrial Strategy