

Government Relations

Barton Deakin Brief: New Zealand-Australia Economic Relationship

16 December 2015

The New Zealand Government yesterday released the Half Year Economic and Fiscal Update (**HYEFU**) 2016. New Zealand is one of Australia's a major trading partners, with a similar business and political culture. This Barton Deakin Brief outlines significant elements in the New Zealand-Australia economic relationship.

New Zealand-Australia Relationship

Australia and New Zealand share a very similar business cultural within the Asia-Pacific region, and there are strong relationships both in the political and business spheres. These are comprised of developed person-to-person ties and agreements between institutions and corporations in both countries. The capital city of New Zealand is Wellington, although Auckland is a major commercial hub. Both are located on the countries North Island. Like Australia, China and the United States are its key trading partners (along with Australia itself).

Key exports to Australia from New Zealand include (2013 estimates):

- Crude petroleum (\$1,396 million);
- Gold (\$549 million);
- Tobacco (\$450 million); and
- Personal travel costs (\$1,349 million).

Key imports from Australia to New Zealand include:

- Medicines and medical equipment (\$456 million);
- Computer parts and accessories (\$289 million);
- Passenger vehicles (\$279 million); and
- Personal travel costs (\$1,870 million).

Australia's total investment in New Zealand is worth approximately \$99,927 million, while New Zealand has an estimated \$38,523 million invested in Australia.

Key Businesses

Agriculture

New Zealand has a developed agricultural sector, particularly in the dairy industry. Agriculture accounts for approximately 5 per cent of New Zealand's gross domestic product (**GDP**). The dairy industry is worth approximately \$13.7 billion each year, 29 per cent of all of New Zealand's merchandise exports. New Zealand also has a robust beef and lamb industry that competes with Australia's in international markets.

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Food and Beverages

There is significant potential in the New Zealand market for Australian exporters, particularly in products that are not produced on a large scale in country, like tropical seasonal fruit. Under a proposal recently submitted to the New Zealand Ministry of Primary Industries, the number and varieties of fruit and vegetables can be imported under the irradiation treatments would be expanded to include apples, apricots, cherries, honeydew melons, grapes and strawberries. Approval of this proposal would likely generate considerable export opportunities for Australian agricultural firms. There are also opportunities in the organic, gluten free and vegan goods areas.

Infrastructure

As New Zealand invests in larger and more complex infrastructure projects the opportunities for Australia firms with expertise in this area will expand. This is particularly relevant after the announcement of New Zealand's <u>Business Growth Agenda</u>, which outlines significant planned infrastructure programmes. These include the Canterbury rebuild, the Auckland infrastructure plans and the Roads of National Significance plans. Australian engineering and project management firms are well placed to benefit from these projects, as are financing firms.

To access AusTrade's 'Doing business in New Zealand' webpage, click here.

International Agreements

Australia and New Zealand have historically had very strong bilateral relationships. Both are party to a number of bilateral and multilateral treaties.

ASEAN-Australia New Zealand Free Trade Agreement

Australia and New Zealand are party to a Free Trade Agreement (FTA) with Association of South East Asian Nations (ASEAN). ASEAN is made up of Brunei Darussalam, Cambodia, Indonesia, Loa, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The First Protocol of the ASEAN-Australian-New Zealand Free Trade Agreement (AANZFTA) was signed on 26 August 2014, and entered into force on 1 October 2015 for all countries excluding Cambodia and Indonesia (these countries will implement the AANZFTA on 1 January 2016).

The AANZFTA was Australia's first multilateral FTA. The combined gross domestic product (**GDP**) of the countries party to AANZFTA was estimated at US\$4.1 trillion in 2013 and their combined population was more than 650 million.

To access Department of Foreign Affairs and Trade's website on the AANZFTA, click here.

To access the AusTrade website on the AANZFTA, click here.

Trans-Pacific Partnership

Australia and New Zealand are also party the Trans-Pacific Partnership (**TPP**). Negotiations on the TPP concluded in October 2015. A number of members of ASEAN are also parties to the TPP, as well as the United States.

To view Barton Deakin's Brief on the Conclusion of Trans-Pacific Partnership negotiations, click here.



Australia-New Zealand Close Economic Relations Trade Agreement

The Australia-New Zealand <u>Close Economic Relations Trade Agreement</u> (**ANZCERTA**) is a significant bilateral agreement covering traded good and services between the two countries. ANZCERTA follows a series of trade agreements between Australia and New Zealand, including the New Zealand-Australia Free Trade Agreement (**NAFTA**), which entered into force in 1966. ANZCERTA expanded and refined the NAFTA framework. The most recent Protocol on Investment entered into force on 1 March 2013. The ANZCERTA also contains mechanisms that minimise the market distortion in trade and goods through aligning export subsidies and incentives, the Trans-Tasman food standards provisions which has aligned and reduced the regulatory burdens on food producers in Australia and New Zealand and mutual recognition of accreditation for trades and technical qualifications.

Further information

To view the Barton Deakin Brief on the New Zealand HYEFU 2015, click here.

To access the Department of Foreign Affairs and Trade's New Zealand country and economy factsheet, click <u>here</u>.

Barton Deakin has published several Briefs on Australia's economic relationships with its major trading partners including Briefs detailing:

- The China-Australia Economic Relationship, which is available here;
- The Germany-Australia Economic Relationship, which is available here;
- The Singapore-Australia Economic Relationship, which is available <u>here</u>;
- The Korea-Australia Free Trade Agreement, which is available here; and
- The Australia-India Economic Relationship, which is available here.

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