



# 12

*Trade and Investment Opportunities  
Between New Zealand and RCEP Countries*

*Chapter*

# Chapter 12 Trade and Investment Opportunities Between New Zealand and RCEP Countries

## Section 1 Trade in Goods

According to the Schedule of Tariff Commitments, RCEP Parties will eventually achieve zero tariffs on more than 90% of goods in the regions. The mutual tariff concessions by RCEP members, the opening of market access, the removal of barriers affecting trade, and the simplification of customs procedures will further reduce trade costs and promote trade facilitation in the RCEP region, which will have a positive effect on the growth of trade and investment in the region. This section will provide information on New Zealand's agreed preferential tariffs on each type of product from other RCEP Parties, categorized by sectors and exports and imports, so that enterprises understand how large the tariff preferences are for various types of goods from New Zealand and other RCEP Parties.

### I. Current status of New Zealand's trade in goods with other RCEP Parties

**The overall scale of New Zealand's import and export trade with other RCEP Parties** declined by 3.56% from 2019 due to the impact of the pandemic, with a slow trade development trend. However, its trade with other RCEP Parties increased as a proportion of the total trade volume. In 2020, New Zealand's exports to the other RCEP Parties amounted to 22680.91 million USD, accounting for 60.53% of its total export. The import to other

RCEP Parties amounted to 21740.08 million USD, accounting for 58.67% of its total import. In 2020, New Zealand's exports and imports to the top five trading partners—China, the EU, Australia, ASEAN and the US—were 19141.49 million USD, 10098.64 million USD, 9244.90 million USD, 8719.56 million USD and 7443.32 million USD respectively. China is New Zealand's top trading partner among the other RCEP Parties.

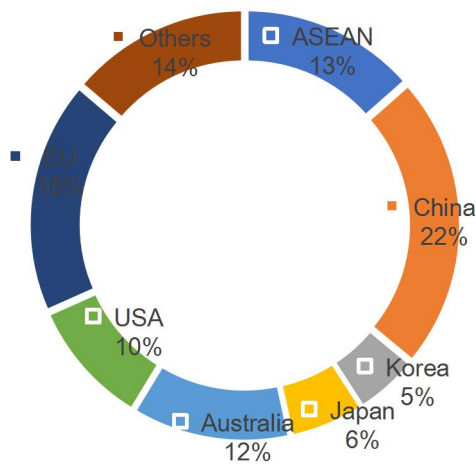


Figure 12.1.1 New Zealand's import structure in 2020

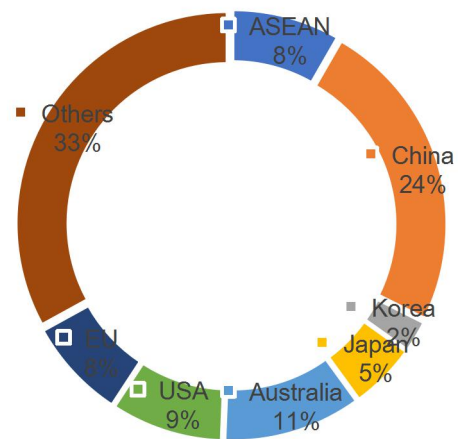


Figure 12.1.2 New Zealand's export structure in 2020

Table 12.1.1 2020 Trade Value in Goods between New Zealand and RCEP Members  
Unit: million USD

Country or Region	Imports	year-on-year growth	Exports	year-on-year growth	Trade Value	year-on-year growth
ASEAN	4997.83	-14.18	3721.73	-2.81	8719.56	-9.67
China	8351.05	-2.40	10790.45	-2.03	19141.49	-2.19
Korea	1799.48	10.91	1110.00	-0.07	2909.48	6.45
Japan	2100.96	-24.01	2304.60	0.41	4405.56	-12.93
Australia	4490.76	-8.01	4754.14	-8.33	9244.90	-8.17

Source: Trade-Map database.

**New Zealand has an overall trade surplus with other RCEP Parties, with export dependence higher than import dependence, highlighting the different resource endowments and industrial division of labor among other RCEP Parties. In recent years, New Zealand's exports and imports with China, Australia, Japan, South Korea and Thailand account for more than**

80% of New Zealand's total exports and imports with the RCEP. In 2020, New Zealand's exports to China, Australia, Japan, South Korea and Singapore were 10789.61 million USD, 5286.25 million USD, 2311.51 million USD, 1110.97 million USD and 708.72 million USD, with New Zealand's exports to these five Parties accounting for 80-85% of its total exports to the RCEP. In 2020, New Zealand's imports from China, Japan, Thailand, Malaysia and South Korea were 8368.49 million USD, 4482.35 million USD, 2106.57 million USD, 1803.93 million USD and 1408.72 million USD, respectively, with New Zealand's imports from these five Parties accounting for 80-85% of its total imports from the RCEP. New Zealand has a trade deficit with South Korea, Singapore, Malaysia, Thailand, Vietnam, Cambodia, Brunei and Laos, and a trade surplus with China, Australia, Japan, Indonesia, the Philippines and Myanmar. Overall, New Zealand's export concentration with other RCEP Parties is higher than its import concentration. The conclusion of the RCEP will help New Zealand expand its export markets, meet domestic import demand and strengthen regional supply chains. The common framework of rules of origin significantly extends the scope of trade and investment liberalization and significantly elevates New Zealand's status in the FTA network.

**China remains New Zealand's number one trading partner.**

The Trade-Map database shows that the bilateral exports and imports of goods between New Zealand and China amounted to 19141.49 million USD in 2020, a 2.19 % year-on-year decrease. The total value of New Zealand's exports to China was 10790.45 million USD and imports from China was 8351.05 million USD, showing a trade surplus of 2439.40 million USD. New Zealand's trade surplus with China was the highest among its trade in goods with other RCEP Parties.

**Australia is New Zealand's second-largest trading partner,**



**second only to China.** In 2019, bilateral exports and imports of goods between New Zealand and Australia were 10067.87 million USD, of which New Zealand's imports from Australia were 4881.85 million USD and exports to Australia were 5186.01 million USD, creating a trade surplus of 304.16 million USD. In 2020, New Zealand's trade in goods with Australia fell to 9244.90 million USD, an 8.17-percent decrease. Specifically, the exports were 4754.14 million USD, an 8.33-percent decrease, and imports 4490.76 million USD, an 8.01-percent decrease, resulting in a trade surplus of 263.38 million USD.

**Bilateral trade in goods between New Zealand and ASEAN.**

In 2020, bilateral exports and imports of goods between New Zealand and ASEAN amounted to 8719.56 million USD, a decrease of 9.67 % year-on-year; of which, the total value of New Zealand's exports to ASEAN was 3721.73 million USD and imports from ASEAN was 4997.83 million USD, showing a trade deficit of 1276.10 million USD.

**New Zealand achieved a trade surplus for Japan.** In 2019, New Zealand's exports of goods to Japan amounted to 2304.60 million USD and imports from Japan were worth 2764.84 million USD, leaving a trade deficit of 469.61 million USD. In 2020, New Zealand's exports of goods to Japan amounted to 2304.60 million USD, an increase of 0.41%, and imports from Japan were worth 2100.96 million USD, a decrease of 24.01%, leaving a trade surplus of 203.63 million USD.

**Bilateral trade in goods between New Zealand and South Korea.** In 2020, the bilateral exports and imports of goods between New Zealand and South Korea amounted to 2909.48 million USD, an 6.45% year-on-year growth; of which, New Zealand's exports of goods to South Korea amounted to 1110.00 million USD and imports of goods from South Korea 1799.48 million USD, leaving a

trade deficit of 689.48 million USD.

## II. Opportunities of trade in goods brought by RCEP to New Zealand

### (A) Electromechanical Products

Electromechanical products belong to Section 16 of the Harmonized System, Chapters 84-85.

Table 12.1.2 Subdivision Category of Electromechanical products

HS Code	Product Description
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, And Parts and Accessories of Such Articles

**In terms of export trade,** New Zealand's exports of electromechanical products to most other RCEP Parties have grown negatively over the last five years, with the largest decline in export trade occurring in Myanmar at an average annual rate of -33.54%. However, overall, New Zealand's imports from other RCEP Parties grew at an average annual rate of -4.22%, a modest decline. New Zealand's exports of electromechanical products to Australia and China, two important trading partners for New Zealand's electromechanical product exports, were above the average level. Against the backdrop of a tightening electromechanical product export market, Laos achieved positive growth, with an average annual growth rate of 2.08%, indicating the potential of its market for electromechanical products.

**In terms of import trade,** New Zealand's imports of electromechanical products from other RCEP Parties grow at an average annual rate of 2.84% from 2015-2020, with positive momentum. In the import trade of electromechanical products, China has been New Zealand's largest trading partner, and New Zealand's import trade of electromechanical products to China has shown growth in recent years, with an average annual growth rate

of 4.67%. In terms of trade growth rate, Myanmar and Laos have a higher average annual growth rate of over 100%, a potential despite relatively small trade volume.

Table 12.1.3 2015-2020 Australia's Trade Value of Electromechanical Products with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	619.8502	547.0812	-2.47	518.9094	501.7604	-0.67
Brunei Darussalam	0.2509	0.0589	-25.17	0.0075	0.0093	4.31
Cambodia	0.4045	0.3252	-4.27	0.0007	0.0480	130.53
China	71.3427	41.0206	-10.48	2578.2192	3239.1513	4.67
Indonesia	11.0147	6.6142	-9.70	43.9675	43.6520	-0.14
Japan	48.0356	24.9160	-12.30	454.2877	389.3351	-3.04
Lao People's Dem. Rep.	0.6936	0.7689	2.08	0.0165	1.9899	160.70
Malaysia	13.0315	11.6527	-2.21	241.4986	209.9976	-2.76
Myanmar	0.6123	0.0794	-33.54	0.0044	0.0009	-27.24
Philippines	8.5573	4.9426	-10.40	14.6920	22.9189	9.30
Rep. of Korea	30.3890	28.1101	-1.55	157.3089	156.5468	-0.10
Singapore	59.4409	36.6252	-9.23	186.4400	159.4564	-3.08
Thailand	23.4752	12.1810	-12.30	243.9667	275.3063	2.45
Viet Nam	6.0600	5.6743	-1.31	169.7709	301.2233	12.15
TOTAL	893.1584	720.0502	-4.22	4609.0900	5301.3960	2.84

Data source: UN Comtrade Database.

By calculating the MFN and FTA-weighted tariff rates for the electromechanical industry in the other RCEP Parties, the total tariff differential between the two is obtained as MOP. The larger the tariff difference is, the larger the trade volume is and the greater the potential benefit of using the agreed tariff rate there is. The tariff rates under the RCEP are generally lower in the first year of the agreement for electromechanical products, while more significant reductions will be achieved by the tenth year.

**In the first year after RCEP comes into force**, China and the Philippines will have the highest tariff differentials, both exceeding 3%, indicating a big potential of preferences for New Zealand when

exporting under the agreed tariff rates for both Parties. The Philippines will have the largest tariff reduction, but the trade volume is small and the total amount of tariff concessions that enterprises can obtain is small. China, New Zealand's second-largest trading partner after Australia, will have the second-largest tariff rate reduction after the Philippines in the first year of the RCEP, with a tariff differential of 3.68%. Over 70% of New Zealand's exports of electromechanical products to the RCEP go to Australia, and Australia has the third-highest tariff reduction among other RCEP Parties, after China and the Philippines. New Zealand enterprises will have significant benefits to take advantage of when exporting electromechanical products to Australia and China. Japan and Singapore have liberalized trade in electromechanical products as their MFN tariff reduced to zero.

**Ten years after the RCEP comes into force**, Cambodia and Laos will have the highest tariff differentials, both over 5%, suggesting that there is more potential of preferences for New Zealand to offer when exporting under the agreed tariff rates to these Parties. China's tariff rates to New Zealand will fall sharply in the first year, and after ten years the tariff rates will fall even more sharply. China ranks third among other RCEP Parties in terms of tariff reduction, which will be beneficial to exporters. It is expected that after the RCEP comes into force, New Zealand will be able to use the agreement to significantly reduce the tariff burden when exporting electromechanical products to China, and New Zealand enterprises will further increase their exports of electromechanical products to China.

Table 12.1.4 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	3.39	0.54	2.84	0.36	3.03

Brunei Darussalam	4.21	3.81	0.40	3.81	0.40
Cambodia	13.95	13.95	0.00	8.71	5.24
China	5.97	2.29	3.68	0.95	5.03
Indonesia	3.97	1.28	2.70	0.10	3.88
Japan	0.00	0.00	0.00	0.00	0.00
Lao People's Dem. Rep.	8.70	7.73	0.96	2.78	5.91
Malaysia	1.69	1.46	0.23	0.53	1.16
Myanmar	2.63	1.63	1.00	0.85	1.77
Philippines	4.79	0.32	4.47	0.18	4.62
Rep. of Korea	3.80	1.65	2.15	1.02	2.78
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	2.27	0.46	1.81	0.32	1.95
Viet Nam	2.31	1.46	0.85	1.01	1.29

Data source: Schedule of Tariff Commitments of RCEP members.

New Zealand's Schedule of Tariff Commitments falls under the "Harmonized Concessions" category, which means that the same product is subject to the same tariff reduction for other Parties. These Parties have only one Schedule of Tariff Commitments, i.e., the same product originating from different parties under the RCEP will be subject to the same tariff rate when imported into the above-mentioned Parties. The tariff reduction mainly includes four types: zero immediately upon the entry into force of the agreement, zero during the transition period, partial tariff reduction, and products with exceptions. **Immediate zero reduction** refers to the immediate implementation of a zero tariff rate for goods of origin in the first year of the agreement's entry into force for a Party. **Transitional reduction to zero** means that the tariff rate of goods is eventually reduced from the base rate to zero after a transitional period of linear or non-linear reduction from the date of entry into force of the Agreement for a Party. **Partial reduction** means that the tariff rate of goods of origin is reduced to a certain extent, but not eventually to zero. **Products with exceptions** are products that are exempt from any reduction or elimination of tariff commitments after the Agreement enters into force. In the published RCEP Schedules of Tariff Commitments, the agreed tariff

rates for such goods are indicated by the letter "U".

In the first year after the RCEP comes into effect, the proportion of New Zealand's zero tariffs on imports of electromechanical products from other RCEP Parties will reach 52.11%, compared to 43.85% of the base rate, an increase of 8.25%. In the 20th year of RCEP, the proportion of New Zealand's zero tariffs on imports from most other RCEP Parties will exceed 90%, doubling compared to the base rate. This shows that the RCEP will provide greater benefits to New Zealand's electromechanical importers. Of these, products in Chapter 84 will have a faster reduction rate than those in Chapter 85, leaving a bigger potential for tariff preferences.

Table 12.1.5 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
84	42.24%	51.42%	76.11%	90.96%
85	46.68%	53.32%	78.44%	90.76%
TOTAL	43.85%	52.11%	76.96%	90.89%

Data source: Schedule of Tariff Commitments of RCEP members.

## (B) Base Metals and Articles of Base Metal

Base metals and articles of base metal belong to Section 15 of the Harmonized System, Chapters 72-83.

Table 12.1.6 Subdivision Category of Base Metals and Byproducts

HS Code	Product Description
72	Iron and steel
73	Articles of iron or steel
74	Copper and articles thereof
75	Nickel and articles thereof
76	Aluminium and articles thereof
78	Lead and articles thereof
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals; cermets; articles thereof
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
83	Miscellaneous articles of base metal

**In terms of export trade,** New Zealand's exports of base metals and articles of base metal to other RCEP Parties grew at an



average annual rate of 0.17 percent over 2015-2020, essentially the same as the previous year. New Zealand's exports of base metals and articles of base metal to Australia and Japan, which are New Zealand's most important trading partners in this area, have been above the average level. However, the average growth rate of New Zealand's exports to these three important trading partners over the past five years has been negative, indicating that its export market for base metals and articles of base metal has contracted in recent years, which requires attention of enterprises. New Zealand's exports to South Korea and Singapore are growing at the fastest rate, both exceeding 25%, indicating that the markets in these two countries have some potential. South Korea is not only growing fast, but also has a significant trade volume, ranking third among other RCEP Parties, and could be a key focus for New Zealand exporters of base metals and articles of base metal.

**In the area of import trade,** New Zealand's imports of base metals and articles of base metal from other RCEP Parties grew at an average annual rate of 1.64 % from 2015-2020. In its import trade of base metal and articles of base metal, China has been New Zealand's largest trading partner in recent years with an overall increase in trade value and an average annual growth rate of 4.69%. In terms of trade growth rates, New Zealand's imports from other RCEP Parties show differentiated growth rates. The best performers are Laos and Cambodia, with average annual growth rates of 91.06% and 29.49% respectively, showing some potential despite small trade volumes.

Table 12.1.7 2015-2020 Australia's Trade Value of Base metals and byproducts with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	249.1114	214.7280	-2.93	313.0582	299.4180	-0.89

Brunei Darussalam	0.3942	0.0694	-29.34	0.0113	0.0001	-62.16
Cambodia	0.0071	0.0009	-33.28	0.0230	0.0837	29.49
China	92.7006	25.8831	-22.52	536.9281	675.3286	4.69
Indonesia	13.5731	10.2482	-5.46	16.0146	12.5483	-4.76
Japan	374.7976	339.8862	-1.94	81.2592	31.9068	-17.05
Lao People's Dem. Rep.	0.0059	0.0137	18.49	0.0000	0.0003	91.06
Malaysia	8.6304	11.6460	6.18	46.0214	35.0715	-5.29
Myanmar	-	0.0039	-	0.0000	0.0000	0.79
Philippines	1.4690	1.6382	2.20	0.7635	0.9067	3.50
Rep. of Korea	51.6976	168.5222	26.66	112.2947	119.8840	1.32
Singapore	6.0253	22.9124	30.62	18.5971	17.5941	-1.10
Thailand	14.1123	18.7985	5.90	30.6283	54.8089	12.34
Viet Nam	4.6105	9.8835	16.47	3.0480	9.0310	24.26
TOTAL	817.1349	824.2341	0.17	1158.6474	1256.582 2	1.64

Data source: UN Comtrade Database.

By calculating the MFN and FTA-weighted tariff rates for the base metal industry in other RCEP Parties, the total tariff differential between the two is obtained as MOP. A larger tariff differential indicates a larger trade volume and a larger potential benefit from using the agreed tariff rates. Currently, Laos and the Philippines have imposed higher tariffs on New Zealand, and the RCEP will provide greater benefits for exporters of base metals and articles of base metal to these Parties.

**In the first year after RCEP comes into force**, Australia, China and the Philippines will have the highest tariff differentials of more than 2 percent, indicating that New Zealand has more potential of preferences for exporting under the agreed tariff rates for these two Parties. Australia is New Zealand's second-largest partner in export trade of base metals and articles of base metal, with a tariff rate reduction of 2.58 in the first year of RCEP's entry into force, behind only China and the Philippines. China is New Zealand's fourth-largest partner in export trade of base metals and articles of base metal, and the tariff reduction rate ranks second among other RCEP Parties, with more potential for tariff preferences. Japan and Singapore have liberalized trade in base

metal articles of base metal as their MFN rates have been reduced to zero. Overall, the tariff preferences provided by other RCEP Parties for New Zealand are strong and will bring benefits to exporters.

**Ten years after RCEP enters into force**, Cambodia, Australia, China and the Philippines will have the highest tariff differentials, all beyond 3%, indicating that there is more potential of preferences for New Zealand's export under agreed tariff rates for these Parties. Cambodia's tariff preferences are not evident at the start of the RCEP, but will be evident ten years after the RCEP comes into force, with a tariff reduction of 5%, ranking first among other RCEP Parties. Ten years after the RCEP comes into force, China and Australia will have further reduced their tariff rates on New Zealand by 3.86% and 3.38%, respectively. This will significantly reduce the tariff burden for enterprises exporting base metals and articles of base metal to China and Australia. In terms of the volume and tariff reductions of export trade, New Zealand enterprises will receive the largest tariff preferences for exporting base metals and articles of base metal to Australia compared to other RCEP Parties.

Table 12.1.8 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	4.10	1.52	2.58	0.72	3.38
Brunei Darussalam	0.00	0.00	0.00	0.00	0.00
Cambodia	15.00	15.00	0.00	10.00	5.00
China	4.31	1.48	2.83	0.45	3.86
Indonesia	0.37	0.16	0.22	0.03	0.34
Japan	0.00	0.00	0.00	0.00	0.00
Lao People's Dem. Rep.	5.00	4.67	0.33	2.46	2.54
Malaysia	1.80	1.52	0.28	1.08	0.72
Myanmar	4.01	2.63	1.38	1.15	2.87
Philippines	3.13	0.19	2.94	0.10	3.03
Rep. of Korea	1.08	0.39	0.69	0.13	0.94

Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	1.00	0.47	0.52	0.13	0.86
Viet Nam	0.33	0.11	0.23	0.01	0.32

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year of the RCEP, the proportion of New Zealand's imports of base metals and articles of base metal from other RCEP Parties with zero-tariff will be 57.27%, an increase of 7.89% compared to 49.37% of the base rate. In the tenth year of the RCEP, the proportion of zero-tariff of base metal and articles of base metal will be 77.69%. In the 20th year of the RCEP, New Zealand will achieve zero tariff of importing base metal and articles of base metal towards most other RCEP Parties, with only less than 8% of such products having some importing tariff. This shows the RCEP will provide significant benefits to New Zealand's base metals and articles of base metal importers. Among them, base metals and articles of base metal in Chapter 83 will have the largest reduction, with a base rate of zero-tariff only 29.17%. In the first year of the RCEP, the zero-tariff ratio will rise to 47.92%, doubling the base rate. In the 20th year of the RCEP coming into effect, the zero-tariff ratio will increase to 91.67%, with a very large potential for tariff preferences, and is expected to reap tariff reduction dividends quickly after the RCEP comes into effect.

Table 12.1.9 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
72	53.63%	60.89%	70.56%	91.13%
73	32.18%	37.62%	71.29%	90.59%
74	56.25%	60.94%	78.13%	96.88%
75	100.00%	100.00%	100.00%	100.00%
76	31.37%	39.22%	78.43%	90.20%
78	64.29%	85.71%	92.86%	92.86%
79	90.00%	90.00%	90.00%	90.00%
80	87.50%	100.00%	100.00%	100.00%
81	100.00%	100.00%	100.00%	100.00%
82	45.45%	61.36%	84.09%	89.77%
83	29.17%	47.92%	87.50%	91.67%
TOTAL	49.37%	57.27%	77.69%	92.11%

Data source: Schedule of Tariff Commitments of RCEP members.

## (C) Chemical Products

Chemical products belong to Section 6 of the Harmonized System, Chapters 28-38.

Table 12.1.10 Subdivision Category of Chemical products

HS Code	Product Description
28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, Of Rare-Earth Metals, Of Radioactive Elements or Of Isotopes
29	Organic Chemicals
30	Pharmaceutical Products
31	Fertilizers
32	Tanning Or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other Colouring Matter; Paints and Varnishes; Putty and Other Mastics; Inks
33	Essential Oils and Resinoids; Perfumery, Cosmetic or Toilet Preparations
34	Soap, Organic Surfactants, Washing Preparations, Lubricating Preparations
35	Albuminoidal substances; modified starches; glues;
36	Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations
37	Photographic Or Cinematographic Goods
38	Miscellaneous Chemical Products

**In terms of export trade,** New Zealand's exports of chemical products to other RCEP Parties grew at an average annual rate of -3.44%, with a contraction in export markets. New Zealand's chemical exports to China, Australia, Japan and South Korea are above the average level, and these are the priority Parties for New Zealand's chemical exports. China is the number one trading partner for New Zealand's chemical exports. Against the backdrop of a tightening chemical export market, New Zealand's chemical import trade to China has grown in recent years, with an average annual growth rate of 2.87%, indicating that the trade between the two Parties is positive and that China could be an important target for New Zealand's chemical exporters.

**In the import trade,** New Zealand's imports of chemical products mostly grow at a positive average annual rate, indicating a positive outlook for the domestic chemical market in New Zealand. 2015-2020 saw an average annual growth rate of 2.18 % for New

Zealand's imports of chemical products from other RCEP Parties. In the chemical industry import trade, Australia has been New Zealand's largest trading partner in recent years and has shown a generally steady increase in trade value, with a growth rate of 1.55 %. In terms of trade growth rates, New Zealand's imports from other RCEP Parties grow differently in the sector of chemical products. The best performers are Myanmar and Cambodia, with average annual growth rates of 179.92% and 55.01% respectively, despite smaller trade volumes.

Table 12.1.11 2015-2020 Australia 's Trade Value of Chemical products with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	318.3773	263.2966	-3.73	744.0280	803.5868	1.55
Brunei Darussalam	0.0174	0.0215	4.23	0.0071	-	-
Cambodia	0.1555	0.0324	-26.92	0.0002	0.0020	55.01
China	255.4361	294.2768	2.87	454.2033	539.2814	3.49
Indonesia	36.1254	46.3144	5.09	45.2007	25.2674	-10.98
Japan	212.6008	166.4885	-4.77	90.9040	75.5195	-3.64
Lao People's Dem. Rep.	-	-	-	-	0.4128	-
Malaysia	24.6084	31.3716	4.98	51.8415	78.1971	8.57
Myanmar	0.0010	0.0122	65.68	0.0000	0.0024	179.92
Philippines	9.9769	13.6218	6.43	7.2936	10.6943	7.96
Rep. of Korea	154.2393	43.0436	-22.53	66.0133	54.5323	-3.75
Singapore	30.7101	20.6708	-7.61	36.2565	48.6834	6.07
Thailand	20.0944	10.8786	-11.55	64.7931	87.3046	6.15
Viet Nam	4.8476	6.0194	4.43	10.0528	25.7920	20.74
TOTAL	1067.190 1	896.0482	-3.44	1570.5941	1749.2760	2.18

Data source: UN Comtrade Database.

By calculating the MFN and FTA-weighted tariff rates for the chemical industry in the other RCEP parties, the total tariff differential between the two is obtained as MOP. The larger the tariff difference is, the larger the trade volume is and the greater the potential benefit of using the agreed tariff rate is. The tariff rates



under the RCEP are generally lower in the first year of the agreement for chemical products, while more significant reductions will be achieved by the tenth year.

**In the first year after the RCEP comes into force**, China and Vietnam will have the highest tariff differentials of over 6%, indicating that there is a big potential for preferential export tariffs from New Zealand to these three Parties. Singapore, a free trade port, has liberalized trade in chemical products as its MFN tariff rate has been reduced to zero. As New Zealand's largest trading partner for chemical exports, China's tariff rate will be reduced to 3.82% in the first year of the RCEP's entry into force, which is a significant preference, ranking first among other RCEP Parties.

**Ten years after the RCEP comes into force**, China and the Philippines will have the highest tariff differentials, with tariff reductions of around 10 percent, suggesting that there is more potential for New Zealand to favor these Parties' agreed export tariff rates. China, as the largest trading partner for the Philippines' chemical exports, will have the largest tariff reduction in the first year of the RCEP entry into force, and tariff rates will be further reduced after ten years, placing it second in terms of preferences, second only to the Philippines. It is expected that when the RCEP comes into effect, the tariff burden for chemical exporters to China will be reduced significantly, and New Zealand enterprises will further increase their exports of chemical products to China.

Table 12.1.12 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	2.99	0.58	2.42	0.00	2.99
Brunei Darussalam	2.04	2.04	0.00	2.04	0.00
Cambodia	18.23	18.07	0.16	17.81	0.42
China	9.27	2.29	6.98	0.17	9.11
Indonesia	5.19	0.25	4.94	0.23	4.96

Japan	2.72	2.46	0.26	0.31	2.40
Malaysia	1.49	1.33	0.16	0.61	0.88
Myanmar	5.00	4.00	1.00	2.00	3.00
Philippines	1.36	0.00	1.36	0.00	1.36
Rep. of Korea	11.20	9.51	1.69	1.03	10.17
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	5.76	1.05	4.71	0.11	5.65
Viet Nam	7.42	0.98	6.44	0.00	7.42

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year of the RCEP, the tariff of 88.85% of chemical products imported by New Zealand from other RCEP Parties will be reduced to zero, an increase of 3.05% compared to 85.80% of the base rate. Ten years after the RCEP comes into effect, the percentage will increase to 94.11%; 20 years after the RCEP comes into effect, New Zealand will essentially achieve zero import tariff for other RCEP Parties, with less than 4% of chemical products having tariffs. It suggests that the RCEP will provide greater benefits to New Zealand's chemical importers. Specifically, products in Chapter 34 will have the biggest reduction of the tariff. The base rate of zero-tariff is only 25.93%, which will reach 81.48% in the tenth year of the RCEP, and increase to 88.89% in the 20th year of the RCEP. There is a lot of potential for tariff preferences, and it is expected to reap tariff reduction dividends quickly after RCEP comes into force.

Table 12.1.13 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HSCode	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
28	95.93%	97.09%	98.26%	100.00%
29	98.53%	98.53%	99.41%	99.71%
30	65.43%	70.37%	72.84%	81.48%
31	100.00%	100.00%	100.00%	100.00%
32	75.00%	78.13%	92.19%	96.88%
33	52.00%	64.00%	90.00%	92.00%
34	25.93%	29.63%	81.48%	88.89%
35	57.89%	73.68%	73.68%	89.47%
36	61.54%	69.23%	84.62%	100.00%

37	82.35%	88.24%	91.18%	97.06%
38	87.40%	93.70%	96.85%	98.43%
TOTAL	85.80%	88.85%	94.11%	96.85%

Data source: Schedule of Tariff Commitments of RCEP members.

#### (D) Textiles and Raw Materials

Textiles and raw materials belong to Section 11 of the Harmonized System, Chapters 50-63.

Table 12.1.14 Subdivision Category of Textiles and Raw Materials

HS Code	Product Description
50	silk
51	wool, fine or coarse animal hair; horsehair yarn and woven fabric
52	cotton
53	other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
54	man-made filaments; strip and the like of man-made textile materials
55	man-made staple fibres
56	wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
57	carpets and other textile floor coverings
58	special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59	impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial
60	knitted or crocheted fabrics
61	articles of apparel and clothing accessories, knitted or crocheted
62	articles of apparel and clothing accessories, not knitted or crocheted
63	other made up textile articles; sets; worn clothing and worn textile articles; rags

**In terms of export trade,** New Zealand's total imports from other RCEP Parties grew at an average annual rate of -13.19 %, a significant decline, indicating that its export market for textiles and raw materials has contracted in recent years, a point that needs to be noted by enterprises. New Zealand's exports of textiles and raw materials to most other RCEP Parties have grown negatively over the last five years, with the largest decline in export to Vietnam averaging -50.05 % per year. New Zealand's exports of textiles and raw materials to Australia and China have exceeded the average level, ranking first and second respectively among other RCEP

Parties, but the scale of trade has contracted in recent years, with New Zealand's exports to China reduced by 19.52% and to Australia reduced by 8.23%. Australia, New Zealand's largest export trading partner for textiles and raw materials, has declined in recent years, but its rate of decline remains slower than average and its position as the largest trading partner is expected to remain in the coming years. Against the backdrop of a tightening export market for textiles and raw materials, South Korea and Singapore maintain positive growth, with average annual growth rates of 7.01% and 10.97% respectively, indicating the potential of the Parties' textiles and raw materials markets.

**In terms of import trade,** New Zealand's imports of textiles and raw materials from other RCEP Parties grew at an average annual rate of -0.76 from 2015-2020, a growth largely the same as last year. China is New Zealand's largest trading partner in this sector, with New Zealand's imports of textile products to China accounting for almost 90% of its import market. New Zealand's import trade with China has declined slightly in recent years, with an average annual growth rate of -1.28%. In terms of trade growth rates, New Zealand's imports from other RCEP Parties differentiates. New Zealand's import trade with Myanmar has grown at a higher average annual rate of 106.61%, with greater potential for import trade development.

Table 12.1.15 2015-2020 Australia's Trade Value of Textiles and raw materials with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	323.6244	210.6703	-8.23	78.7412	66.0114	-3.47
Brunei Darussalam	0.0941	0.0031	-49.55	0.0107	0.0018	-30.33
Cambodia	0.1245	0.0251	-27.42	6.6218	12.6854	13.88
China	326.6278	110.2687	-19.52	1095.2268	1026.9625	-1.28
Indonesia	2.5778	0.3279	-33.79	27.3758	36.2358	5.77

Japan	11.9683	4.4782	-17.85	6.4727	6.6392	0.51
Lao People's Dem. Rep.	0.0006	0.0007	0.73	0.0742	0.0404	-11.45
Malaysia	2.5934	0.5789	-25.91	11.5964	7.3118	-8.81
Myanmar	0.0027	-	-	0.1189	4.4765	106.61
Philippines	1.1042	0.8679	-4.70	4.4352	3.2885	-5.81
Rep. of Korea	1.1101	1.5575	7.01	23.3404	23.7368	0.34
Singapore	1.7180	2.8905	10.97	0.8936	1.8488	15.65
Thailand	6.5618	4.7402	-6.30	20.1449	18.2811	-1.92
Viet Nam	4.6251	0.1438	-50.05	33.0750	51.5285	9.27
TOTAL	682.7328	336.5527	-13.19	1308.1276	1259.0484	-0.76

Data source: UN Comtrade Database.

By calculating the MFN and FTA-weighted tariff rates for the textiles industry in other RCEP Parties, the total tariff differential between the two is obtained as MOP. A larger tariff differential indicates a larger trade volume and a larger potential benefit from using the agreed tariff rates. Currently, Laos, the Philippines and Myanmar have higher tariffs on Australia, and the RCEP will provide greater benefits for enterprises from these Parties that export textile products.

**In the first year after the RCEP comes into force**, the Philippines and Vietnam will have the highest tariff differentials, both with tariff reductions of more than 13 percent, exceeding those of the other Parties, suggesting that New Zealand has the greatest potential for preferential export tariff rates for the Philippines and Vietnam. However, New Zealand's export trade to these two Parties is relatively small, accounting for only 0.30% of exports to other RCEP Parties. The tariff preferences that enterprises can gain are limited. Australia, New Zealand's largest textile export partner, will have a tariff differential of 2.23% in the first year of the RCEP, which is less favorable than the above-mentioned Parties. However, given its larger trade volume, enterprises can still obtain significant tariff preferences.

**Ten years after the RCEP comes into force**, the Philippines and Vietnam will still have the highest tariff differentials, suggesting

that there is more potential for New Zealand's agreed export tariff rates for these Parties. However, New Zealand's tariff preferences to these two Parties will be completed in the first year of the RCEP and tariffs will decrease slowly over the next ten years. 80% of New Zealand's textile exports to other RCEP Parties go to Australia. Although Australia's tariff preferences are not evident in the first year of the RCEP, ten years after the RCEP comes into force, Australia's textile import tariffs will decrease fast, with a tariff differential of 4.49%, from which enterprises will obtain some tariff preferences.

Table 12.1.16 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	6.94	4.71	2.23	2.45	4.49
Brunei Darussalam	0.00	0.00	0.00	0.00	0.00
Cambodia	7.00	7.00	0.00	4.50	2.50
China	34.87	33.48	1.39	33.38	1.49
Indonesia	8.79	2.51	6.28	1.85	6.94
Japan	0.30	0.28	0.02	0.07	0.23
Lao People's Dem. Rep.	8.54	0.00	8.54	0.00	8.54
Malaysia	5.49	5.42	0.07	1.15	4.34
Philippines	15.40	1.31	14.10	0.87	14.54
Rep. of Korea	7.63	0.42	7.21	0.35	7.28
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	2.25	0.56	1.69	0.00	2.25
Viet Nam	15.01	1.93	13.09	1.54	13.48

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year of the RCEP, 49.28% of New Zealand's imports of textiles and raw materials from other RCEP Parties will achieve zero tariffs, an increase of 3.74% compared to 45.54% of the base rate. The percentage will further increase to 64.24% in the tenth year of the RCEP. By the 20th year of the RCEP, the percentage of zero-tariff will reach 81.88%. This shows that the RCEP will provide significant benefits to New Zealand's textile and raw material



importers. Specifically, textiles and raw materials in Chapter 61 enjoy the largest reduction. The base rate is 1.31% and will reach 17.65% in the first year of the RCEP and 45.10% in the tenth year of the RCEP, tripling the ratio. By the 20th year of the RCEP, the zero-tariff ratio will reach 76.47%, doubling the rate again. With a huge potential of tariff preferences, it is expected to reap tariff reduction dividends quickly after the RCEP comes into effect.

Table 121.17 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
50	100.00%	100.00%	100.00%	100.00%
51	61.22%	61.22%	71.43%	79.59%
52	100.00%	100.00%	100.00%	100.00%
53	100.00%	100.00%	100.00%	100.00%
54	70.65%	72.83%	81.52%	96.74%
55	73.87%	73.87%	79.28%	91.89%
56	35.14%	35.14%	59.46%	78.38%
57	6.52%	13.04%	19.57%	39.13%
58	64.44%	64.44%	77.78%	91.11%
59	68.75%	75.00%	84.38%	96.88%
60	43.64%	44.55%	61.82%	94.55%
61	1.31%	17.65%	45.10%	76.47%
62	2.29%	4.58%	25.95%	52.67%
63	27.16%	30.86%	64.20%	72.84%
TOTAL	45.54%	49.28%	64.24%	81.88%

Data source: Schedule of Tariff Commitments of RCEP members.

### (E) Optical Equipment, Watches and Clocks, and Medical Equipment

Optical equipment, watches and clocks, and medical equipment belong to Section 18 of the Harmonized System, Chapters 90-92.

Table 12.1.18 Subdivision Category of Optical Equipment, Watches and Clocks, and Medical Equipment

HS Code	Product Description
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
91	Clocks and watches and parts thereof
92	Musical instruments; parts and accessories of such articles

**In terms of export trade,** New Zealand's export trade in optical equipment, watches and clocks and medical equipment to other

RCEP Parties has grown steadily, at an average annual rate of 8.00%. New Zealand's exports of optical equipment, watches and clocks and medical equipment to Australia, China, Japan and South Korea are above the average level, with these four countries being the key parties for New Zealand's exports of the above products. China is New Zealand's second-largest trading partner for optical equipment, watches and clocks and medical equipment exports, second only to Australia, and New Zealand's import trade with China has continued to grow rapidly in recent years, with an average annual growth rate of 25.88%, indicating a positive trade for both sides. In terms of trade growth, Myanmar ranks first among the other RCEP Parties with a growth rate of 110.31%, indicating the potential of the optical equipment, watches and clocks and medical equipment market in this Party.

**In terms of import trade,** New Zealand's trade in imports of optical equipment, watches and clocks, and medical equipment from the other RCEP Parties saw generally steady growth from 2015-2020, with an average annual growth rate of 2.20%. China is New Zealand's largest trading partner in this sector, and New Zealand's import trade to China has increased in recent years, with a growth rate of 5.42%, exceeding its average. The trade growth rate of New Zealand's imports from other RCEP Parties varies in the sector of optical equipment, watches and clocks, and medical equipment. New Zealand's import trade with Myanmar is growing at a high average annual rate of 55.91%, with great potential for import trade development.

Table 12.1.19 2015-2020 Australia's Trade Value of Optical equipment, watches and clocks, and medical equipment with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	92.1049	98.3674	1.32	142.2104	148.5439	0.88

Brunei Darussalam	0.0060	0.0110	13.04	0.0078	-	-
Cambodia	0.0110	0.0017	-31.13	0.0003	0.0008	18.01
China	15.7583	49.8022	25.88	148.4412	193.2337	5.42
Indonesia	1.2477	11.5842	56.15	3.1344	5.8947	13.46
Japan	22.5083	35.6109	9.61	47.7255	45.8527	-0.80
Lao People's Dem. Rep.	0.0724	0.0149	-27.10	-	0.0003	-
Malaysia	9.9402	3.6873	-17.99	18.3144	21.9690	3.71
Myanmar	0.0178	0.7307	110.31	0.0006	0.0052	55.91
Philippines	0.6505	1.9968	25.15	1.8486	2.3298	4.74
Rep. of Korea	4.7102	22.2667	36.43	10.9617	8.7242	-4.46
Singapore	15.1620	11.5425	-5.31	44.6629	30.4833	-7.35
Thailand	4.1791	8.6959	15.78	10.7229	9.6457	-2.10
Viet Nam	0.6359	1.0601	10.76	2.7712	13.6831	37.63
TOTAL	167.0043	245.3722	8.00	430.8019	480.3664	2.20

Data source: UN Comtrade Database.

By calculating the MFN and FTA-weighted tariff rates in the other RCEP Parties, the total tariff differential between the two is obtained as MOP. The larger the tariff difference is, the larger the trade volume is and the greater the potential benefit of using the agreed tariff rate there is. The tariff rates under the RCEP are generally low in the first year, with larger reductions in tariff rates achieved by the 10th year.

**In the first year after the RCEP comes into force**, Indonesia, the Philippines and Thailand will have the highest tariff differentials of more than 1%, suggesting that there is more potential for New Zealand to favor these Parties' export under the agreed tariff rates. China is New Zealand's second-largest export trading partner for optical equipment, watches and clocks, and medical equipment, second only to Australia. The tariff will be reduced by 0.87% the first year of the RCEP entry into force, making China the fifth among other RCEP Parties, which will be beneficial for New Zealand exporters.

**Ten years after the RCEP comes into effect**, China and Indonesia will have the highest tariff differentials, both exceeding

4%, indicating that there is a huge potential of tariff preferences for New Zealand to export under the agreed tariff rates to these Parties. Indonesia ranks first in terms of tariff reduction in the first year and after 10 years, but the trade volume only accounts for 4.72% of New Zealand's exports to other RCEP Parties. The amount of tariff concessions that enterprises can obtain is limited. China is New Zealand's second-largest trading partner for exports of optical equipment, watches and clocks, and medical equipment, with a small reduction in tariffs in the first year but a significant reduction in tariffs after ten years, with an overall 4.15%, second only to Indonesia. Trade volumes and tariff reductions combined, the RCEP will provide greater potential for tariff preferences for enterprises exporting optical equipment, watches and clocks, and medical equipment to China.

Table 12.1.20 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	0.25	0.11	0.14	0.08	0.16
Brunei Darussalam	1.20	1.20	0.00	1.20	0.00
Cambodia	10.80	10.80	0.00	8.02	2.78
China	4.16	3.29	0.87	0.01	4.15
Indonesia	5.00	3.74	1.26	0.00	5.00
Japan	0.00	0.00	0.00	0.00	0.00
Lao People's Dem. Rep.	5.00	4.04	0.96	1.61	3.39
Malaysia	0.00	0.00	0.00	0.00	0.00
Myanmar	2.02	2.02	0.00	2.00	0.02
Philippines	1.06	0.00	1.06	0.00	1.06
Rep. of Korea	0.43	0.00	0.43	0.00	0.43
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	1.13	0.04	1.10	0.01	1.12
Viet Nam	0.00	0.00	0.00	0.00	0.00

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year of the RCEP, 85.4% of New Zealand's imports of optical equipment, watches and clocks and medical equipment

from other RCEP Parties will achieve zero tariffs, an increase of 4.87% compared to 80.53% of the base rate. New Zealand will achieve the reduction of import tariffs on optical equipment, watches and clocks and medical equipment within 20 years of the RCEP coming into force, with 97.35% of such products achieving zero tariffs in the 20th year and only less than 4% of products having tariffs. In the 10th year, the percentage of zero-tariff optical equipment, watches and clocks and medical equipment will be 92.92%. This shows that the RCEP will provide significant benefits to New Zealand's importers of optical equipment, watches and clocks and medical equipment. Specifically, optical equipment, watches and clocks and medical equipment in Chapter 90 have the largest reduction, with a zero-tariff ratio of 72.96% as the base rate, and an increase to 96.23% in the 20th year of the RCEP. There is a lot of potential for tariff preferences, and it is expected to reap tariff reduction dividends quickly after the RCEP comes into effect.

Table 12.1.21 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
90	72.96%	79.87%	89.94%	96.23%
91	98.00%	98.00%	100.00%	100.00%
92	100.00%	100.00%	100.00%	100.00%
TOTAL	72.96%	79.87%	89.94%	96.23%

Data source: Schedule of Tariff Commitments of RCEP members.

(F) Plastics and Rubber

Plastics and rubber belong to Section 7 of the Harmonized System, Chapters 39-40.

Table 12.1.22 Subdivision Category of Plastics and Rubber

HS Code	Product Description
39	Plastics and articles thereof
40	Rubber and articles thereof

**In terms of export trade,** New Zealand's exports of plastics and rubber to most other RCEP Parties have averaged negative growth over the last five years, but the decline has been modest. Australia is the key party for New Zealand's plastics and rubber

exports. Over 80% of New Zealand's export of plastic and rubber to other RCEP Parties go to New Zealand. The value of New Zealand's export trade to Australia has declined in recent years, but at a modest level, by 2.74%. Against the backdrop of a slight contraction in the plastics and rubber export market, Vietnam grows at an impressive rate of 19.52%, ranking first among other RCEP Parties, indicating that the plastics and rubber market of this Party has some potential.

**In terms of import trade,** New Zealand's imports of plastics and rubber products from other RCEP Parties grew at an average annual rate of 1.17%. China is New Zealand's largest trading partner in this sector, with New Zealand's plastics and rubber imports to China accounting for nearly 50% of its import market. In recent years, New Zealand's plastics and rubber imports to China have been positive, growing at an above-average rate of 5.87%. In terms of trade growth rate, Myanmar has a high average annual growth rate of 711.41, which shows some potential.

Table 12.1.23 2015-2020 Australia's Trade Value of Plastics and rubber with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	193.2523	160.5607	-3.64	233.7363	217.3944	-1.44
Brunei Darussalam	0.0445	0.0038	-38.87	-	0.0001	-
Cambodia	0.0013	0.0022	10.78	0.2851	0.3253	2.68
China	15.0457	13.0926	-2.74	419.3408	557.6920	5.87
Indonesia	2.7079	2.7620	0.40	39.1245	33.2957	-3.17
Japan	4.0330	3.4185	-3.25	69.0451	51.1335	-5.83
Lao People's Dem. Rep.	0.0148	0.0144	-0.51	-	-	-
Malaysia	5.0290	5.4708	1.70	76.3698	108.6614	7.31
Myanmar	-	0.0051	-	0.0000	0.1759	711.41
Philippines	3.0409	3.7629	4.35	3.2735	1.2132	-18.01
Rep. of Korea	3.0085	1.1724	-17.18	87.7790	76.0902	-2.82
Singapore	5.1640	2.0425	-16.93	67.3654	40.7871	-9.55



Thailand	4.8463	3.1714	-8.13	163.7831	137.0877	-3.50
Viet Nam	0.9909	2.4164	19.52	15.0486	21.6989	7.59
TOTAL	237.1792	197.8957	-3.56	1175.151 1	1245.555 2	1.17

Data source: UN Comtrade Database.

By calculating the MFN and FTA-weighted tariff rates in other RCEP Parties, the total tariff differential between the two is obtained as MOP. A larger tariff differential indicates a larger trade volume and a larger potential benefit from using the agreed tariff rates. Currently, China, Laos, Thailand are levying higher tariffs on New Zealand, and the RCEP will provide greater benefits for enterprises exporting plastics and rubber to these Parties.

**In the first year after RCEP comes into force**, China, Australia and Indonesia will have the highest tariff differentials of more than 3%, indicating that there is more potential for New Zealand to export to these three Parties under the agreed tariff rates. China is New Zealand's second-largest export trading partner for plastics and rubber. Australia's tariff rate will be reduced to 5.28% in the first year of RCEP's entry into force, the highest among the other RCEP Parties. Australia is New Zealand's largest export partner for plastics and rubber, with 80% of New Zealand's plastics and rubber exports to RCEP going to Australia. The reduction in Australia's tariff rate will be 3.84% in the first year of the RCEP, making Australia the second among other RCEP Parties, indicating that New Zealand enterprises have the greatest potential for tariff preferences for plastics and rubber exports to Australia. Both of New Zealand's two largest trading partners under the RCEP offer very favorable tariff preferences, which will bring benefits to exporters.

**Ten years after the RCEP comes into force**, China and Vietnam will have the highest tariff differentials, both over 7%, indicating that there is more potential for New Zealand to export to these Parties under the agreed tariff rates. Australia's tariff

preferences will be essentially completed in the first year of the RCEP, with a larger tariff preference in the first year and only a slight decrease after ten years. China has the highest level of tariff preference in the first year. Ten years after the RCEP comes into force, China's tariff rates will again be reduced significantly, with a reduction of up to 7.54%, making China the first among other RCEP Parties in terms of tariff preference. The implementation of the RCEP will promote New Zealand's export trade in plastics and rubber products to China, and reduce costs for New Zealand exporters.

Table 12.1.24 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	4.87	1.03	3.84	0.94	3.93
Brunei Darussalam	0.00	0.00	0.00	0.00	0.00
Cambodia	17.74	17.74	0.00	13.86	3.88
China	9.94	4.65	5.28	1.21	8.72
Indonesia	12.32	9.24	3.08	8.62	3.70
Japan	0.82	0.75	0.08	0.14	0.69
Lao People's Dem. Rep.	10.08	9.08	0.99	4.12	5.95
Malaysia	15.82	15.73	0.10	12.37	3.46
Myanmar	3.84	3.55	0.29	2.14	1.70
Philippines	10.07	7.84	2.23	4.87	5.20
Rep. of Korea	6.48	5.66	0.82	0.14	6.34
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	6.50	5.19	1.31	0.15	6.35
Viet Nam	8.53	5.60	2.93	0.63	7.90

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year of the RCEP, 49.23% of New Zealand's imports of plastics and rubber from other RCEP Parties will achieve zero tariffs, an increase of 9.79% compared to 39.43% of the base rate. In the 10th year of the RCEP, the ratio of zero tariffs on plastics and

rubber will reach 77.84%. In the 20th year of the RCEP, the ratio of zero tariffs on plastics and rubber will reach 90.98%, leaving only less than 10% of products having tariffs. This shows that the RCEP will provide significant benefits to New Zealand's plastics and rubber importers. Specifically, plastics and rubber in Chapter 39 have the biggest increase of the ratio of zero tariffs, increasing from 36.05% (base rate) to 92.70% in the 20th year after the RCEP comes into effect. There is a lot of potential for tariff preferences, and it is expected to reap tariff reduction dividends quickly after RCEP comes into effect.

Table 12.1.25 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
39	36.05%	44.21%	78.97%	92.70%
40	44.52%	56.77%	76.13%	88.39%
TOTAL	39.43%	49.23%	77.84%	90.98%

Data source: Schedule of Tariff Commitments of RCEP members.

## (G) Furniture, Toys, and Miscellaneous Products

Table 12.1.26 Furniture, Toys, and Miscellaneous Products

HS Code	Product Description
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
95	Toys, games and sports requisites; parts and accessories thereof
96	Miscellaneous manufactured articles

**In terms of export trade,** China's exports of furniture, toys and miscellaneous products from other RCEP Parties grew at an average annual rate of -5.87%. Nearly 90% of New Zealand's exports of furniture, toys, and miscellaneous products to other RCEP Parties went to New Zealand. The exports of New Zealand to New Zealand have contracted in recent years, growing at an average annual rate of -4.70%, but still remained above the average level. Australia remains a key exporting Party for New

Zealand's furniture, toys and miscellaneous products in terms of both trade value and growth rate.

**In the import trade, overall,** China's imports of furniture, toys and miscellaneous products from other RCEP Parties grew at an average annual rate of 2.14%. China has been China's largest trading partner of import trade in this sector. China's exports of furniture, toys and miscellaneous products to New Zealand exceed those of other Parties and have been growing at a steady rate in recent years. The trade growth rates of New Zealand's imports from other RCEP Parties vary considerably in this sector. The best performer is Laos, with an average annual growth rate of 332.30% and a huge potential for future growth.

Table 12.1.27 2015-2020 Australia's Trade Value of Furniture, toys, and miscellaneous products with RCEP members and its Average Growth Rate

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Australia	70.9376	55.7606	-4.70	109.4781	101.2747	-1.55
Brunei Darussalam	0.0312	0.0136	-15.27	-	0.0001	-
Cambodia	-	0.0426	-	0.3860	0.0994	-23.77
China	9.6309	2.2245	-25.40	732.4373	836.0809	2.68
Indonesia	0.1104	0.0202	-28.80	18.1935	14.4274	-4.53
Japan	1.2529	2.1881	11.80	10.6390	14.5231	6.42
Lao People's Dem. Rep.	0.0032	0.0007	-25.36	0.0000	0.0257	332.30
Malaysia	0.3785	0.1616	-15.65	31.7858	21.1359	-7.84
Myanmar	0.0337	0.0182	-11.60	0.0847	0.0800	-1.13
Philippines	0.6042	0.2368	-17.08	2.0193	1.1895	-10.04
Rep. of Korea	1.4698	1.2233	-3.60	5.7143	9.8479	11.50
Singapore	1.7240	1.7065	-0.20	3.6414	7.9557	16.92
Thailand	0.6598	0.4088	-9.13	17.7324	13.1196	-5.85
Viet Nam	0.1059	0.2272	16.50	47.8578	49.3318	0.61
TOTAL	86.9420	64.2328	-5.87	870.4916	967.8171	2.14

Data source: UN Comtrade Database.

By calculating the MFN and FTA weighted tax rates of other RCEP Parties, the total tax differential is obtained as MOP. The larger the tax differential is, the larger the trade volume is, and the greater the potential benefit using the agreed tax rate there is. With the deployment of the RCEP, the tariff reduction measures granted to New Zealand by other RCEP Parties will further reduce the tariff burden on New Zealand's exporters.

**In the first year after RCEP comes into force**, Thailand will have the highest tariff differential at 19.32%, well ahead of the other RCEP Parties, indicating that there is more potential for New Zealand to export to Thailand under the agreed tariff rates. Thailand's tariff preferences will essentially complete in the first year of the RCEP implementation, after which remain largely unchanged. Australia is New Zealand's largest trading partner for furniture, toys and miscellaneous products. The tariff differential in the first year of the RCEP is 4.25%, which is less favorable than Vietnam. However, given its large trade volume, enterprises can still obtain considerable tariff benefits.

**Ten years after the RCEP comes into force**, Thailand, Vietnam, Cambodia and Indonesia will have the highest tariff differentials, all above 10%, indicating that there is a big potential for New Zealand to export to these Parties under the agreed tariff rates. China is New Zealand's second-largest export trading partner for furniture, toys and miscellaneous products. The tariff reduction in the first year of the RCEP is not significant, but ten years after the RCEP comes into force, the tariff will drop significantly, with a tariff differential of 9.34%, making China the fifth among other RCEP Parties. The RCEP will significantly facilitate the trade of furniture, toys and miscellaneous products, and will also reduce costs for New Zealand exporters.

Table 12.1.28 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	4.59	0.34	4.25	0.25	4.34
Brunei Darussalam	0.00	0.00	0.00	0.00	0.00
Cambodia	35.00	35.00	0.00	21.50	13.50
China	13.20	10.85	2.35	3.86	9.34
Indonesia	11.43	2.24	9.19	0.00	11.43
Japan	0.92	0.86	0.07	0.24	0.68
Lao People's Dem. Rep.	10.00	2.25	7.75	1.00	9.00
Malaysia	4.37	3.73	0.64	0.87	3.50
Myanmar	15.00	13.00	2.00	6.00	9.00
Philippines	12.09	7.30	4.79	3.65	8.44
Rep. of Korea	7.83	3.49	4.34	1.16	6.67
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	19.57	0.25	19.32	0.09	19.48
Viet Nam	19.52	14.92	4.60	0.53	18.99

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year of the RCEP, 39.90% of New Zealand's imports of furniture, toys and miscellaneous products from other RCEP Parties will achieve zero tariffs, an increase of 13.64% compared to 26.26% of the base rate. In the 10th year of the RCEP, the zero-tariff ratio for furniture, toys and miscellaneous products will reach 78.79%. The reduction in import tariffs for New Zealand's furniture, toys and miscellaneous products will be essentially complete within 20 years of the RCEP coming into force, with the zero-tariff ratio reaching 90.91%, leaving only less than 10% of products having tariffs. This shows that the RCEP will provide significant benefits to New Zealand's furniture, toys and miscellaneous products importers. Specifically, the furniture, toys and miscellaneous products in Chapter 94 see the biggest reduction, with a zero-tariff ratio increasing from 12.50% (base rate), doubling to 25.00% in the first year of the RCEP, and octupling to 85.94% in the 10th year of the RCEP, and eventually reaching

93.75% in 20th year of RCEP. There is huge potential for tariff preferences and it is expected to reap tariff reduction dividends quickly after the RCEP comes into effect.

Table 12.1.29 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
94	12.50%	25.00%	85.94%	93.75%
95	33.33%	41.03%	84.62%	92.31%
96	32.63%	49.47%	71.58%	88.42%
TOTAL	26.26%	39.90%	78.79%	90.91%

Data source: Schedule of Tariff Commitments of RCEP members.

## Section 2 Trade in Service

As New Zealand is a developed country with a high level of economic development and a high dependence on foreign trade, its economic dependence on China, Japan, South Korea and the ASEAN Parties is increasing with the deepening of Asia-Pacific economic cooperation, and its economic complementarity with the region is growing. New Zealand's entry into the RCEP will further promote its economic integration with East Asia, Southeast Asia and Australia, providing new opportunities for New Zealand's foreign trade in services.

### I. Current Status of New Zealand's trade in services to other RCEP Parties

**Other RCEP Parties are important destinations for New Zealand's external trade in services. Generally, New Zealand has a services trade surplus with other RCEP Parties, which mainly originates from the tourism sector.** In 2019, New Zealand's total services trade exports and imports with other RCEP Parties were 14.9 billion USD, accounting for 47.8% of the total services trade exports and imports to the world of 31.188 billion USD. Of this, New Zealand's total services trade exports to other RCEP Parties were 8.120 billion USD, accounting for 48.1% of New



Zealand's total services trade exports of 16.871 billion USD in 2019; New Zealand's total services trade imports from other RCEP Parties were 6.780 billion USD, accounting for 47.4% of total imports of 14.317 billion USD in 2019. This section will analyze the current status of New Zealand's trade in services to other RCEP Parties, using its import and export data on trade in services to other RCEP Parties.

**In terms of the dynamics of New Zealand's exports of trade in services,** Australia is New Zealand's top services trade importer. More than 40% of New Zealand's services trade exports to the RCEP go to Australia, accounting for one-fifth of New Zealand's exports to the world. As the closest major country to New Zealand, Australia's similar historical background, religion and customs, as well as language and culture provide a solid foundation for trade exchanges. China is New Zealand's second-largest importer of services trade among other RCEP Parties. Since the signing of the FTA between China and Australia in 2015, the scale of New Zealand's services trade exports to China has slowed down, but the growth remains steadily increasing. The overall size of New Zealand's exports to ASEAN, Japan and South Korea are similar and at a relatively low level.

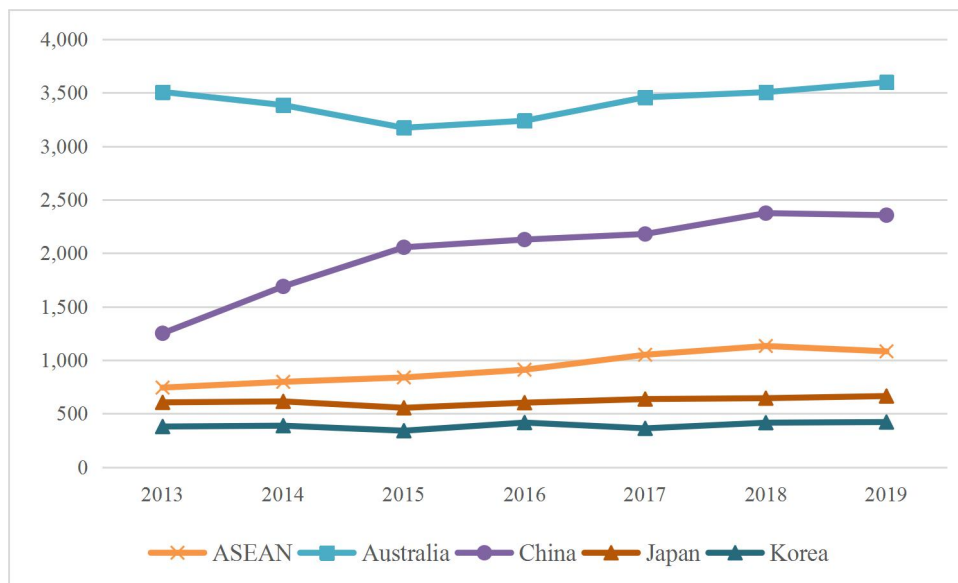


Figure 12.2.1 New Zealand's exports to other RCEP Parties, 2013-2019 (million USD)  
 Source: Trade in Services, WTO database.

**Looking at the static figures of New Zealand's services trade exports,** New Zealand's services trade exports to ASEAN Parties totaled 1.082 billion USD in 2019, with Singapore being the number one importer of New Zealand's services trade among ASEAN Parties, with imports of 319 million USD accounting for 29.5% of New Zealand's total exports to ASEAN Parties and 3.9% of total exports to other RCEP Parties. Malaysia, the Philippines and Thailand are the top importers of services from New Zealand among ASEAN Parties. Myanmar, Brunei, Cambodia and Laos import from New Zealand less, with total imports accounting for only 0.2% of New Zealand's services trade exports to the RCEP. Australia is the top importer of New Zealand's services trade, with New Zealand's services trade exports to Australia amounting to 3.598 billion USD in 2019, accounting for 44.3% of New Zealand's total services trade exports to other RCEP Parties. In 2019, five of New Zealand's top ten partners for foreign services trade exports are other RCEP Parties, namely Australia, China, Japan, South Korea and Singapore. New Zealand's services trade exports to China amounted to 2.355 billion USD, accounting for 29.0% of its total services trade exports to other RCEP Parties; its exports to Japan and South Korea amounted to 664 million USD and 421 million USD respectively, accounting for 8.2% and 5.2% of its total services trade exports to other RCEP Parties.

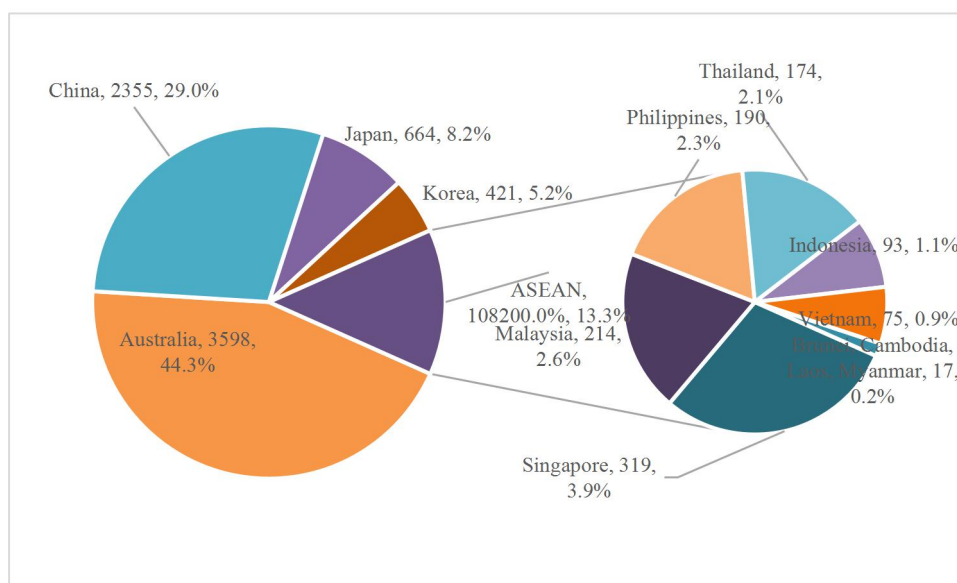


Figure 12.2.2 New Zealand's exports to the other RCEP Parties and proportions, 2019 (million USD)

Source: Trade in Services, WTO database.

**In terms of sectors, New Zealand's services trade exports to other RCEP Parties are mainly from tourism and transport,** with a similar trade export structure to Australia. Tourism exports accounted for 68.0% of total services trade exports in key sectors in 2019. Due to its beautiful and distinctive natural and human attractions, New Zealand's tourism exports generally grew, from 4.682 billion USD in 2015 to 5.683 billion USD in 2019, with an annual average growth of 4.0%. The tourism sector is a major source of New Zealand's trade surplus in services trade with other RCEP Parties, while the other source is the financial sector, which exported 338 million USD in 2019, accounting for 4.3% of total exports in key sectors. The exports of the financial sector increased then decreased from 2015 to 2019, with less overall movement and an average annual growth rate of 2.2%. In addition to other services sectors, the second largest sector in New Zealand's services trade exports is transport, with exports accounting for 11.8% of total services trade in major sectors in 2019, growing at an average annual rate of 4.4% from 755 million USD in 2015 to 938 million USD in 2019. The other sectors with a higher share of

exports are computer and information services, intellectual property and insurance services. Among them, telecommunications services showed a gentle fluctuation trend of rising, then falling and then rising again, growing from 215 million USD in 2015 to 262 million USD in 2019 at an average annual rate of 4.0%; intellectual property services grew from 96 million USD in 2015 to 141 million USD in 2019, an average annual growth rate of 8.0%. Exports of insurance services were relatively low, which rose first then declined.

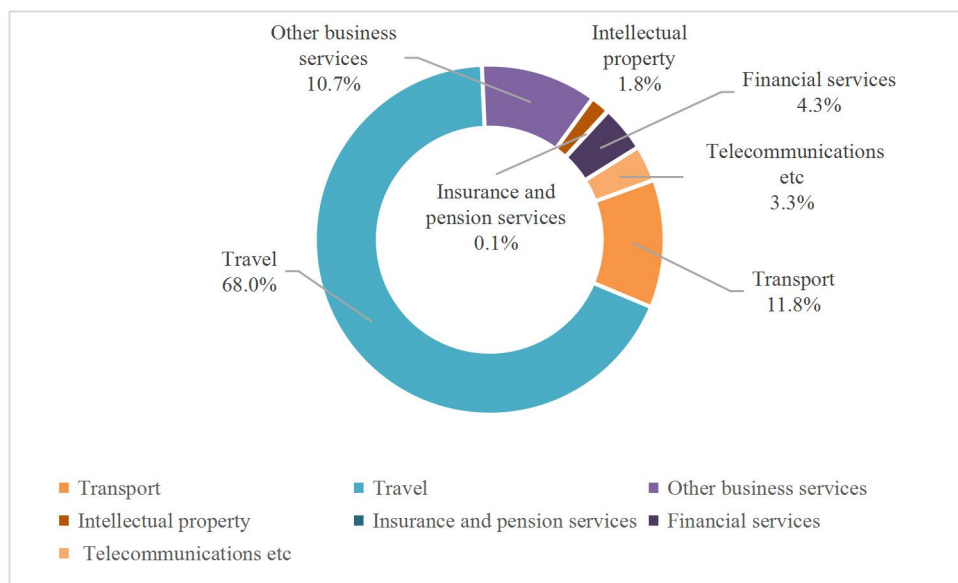


Figure 12.2.3 Structure of New Zealand's exports to other RCEP Parties in key sectors of trade in services, 2019

Source: Trade in Services, WTO database.

Table 12.2.1 New Zealand's trade in services to other RCEP Parties in key sectors, 2015-2019 (million USD)

	2015	2016	2017	2018	2019
<b>Transport</b>	755	744	867	931	938
<b>Travel</b>	4,682	4,940	5,145	5,431	5,383
<b>Other business services</b>	690	701	763	787	850
<b>Intellectual property</b>	96	95	118	153	141
<b>Insurance and pension services</b>	9	19	24	21	5
<b>Financial services</b>	303	336	345	367	338
<b>Telecommunications etc</b>	215	230	237	226	262

Source: Trade in Services, WTO database.

**New Zealand's largest exports to ASEAN Parties were tourism, followed by other business services and transport,**

with tourism exports accounting for 76.2% of New Zealand's total exports to ASEAN Parties in 2019. 64.1% of New Zealand's transport exports to ASEAN Parties went to Singapore. Malaysia was the largest importer of New Zealand's tourism sector from ASEAN Parties, followed by the Philippines, Thailand and Singapore.

**Among other RCEP Parties, New Zealand's largest exports to China, South Korea, Japan and Australia in 2019 were all in the tourism sector**, with tourism exports to China accounting for 37.4% of total exports to other RCEP Parties and being the direct source of the large trade surplus New Zealand had with China. New Zealand's export trade surpluses with Japan and South Korea also came from the tourism sector. Australia is New Zealand's top importer of services trade, with more than half of New Zealand's services trade exports to other RCEP Parties exported to Australia except for the tourism sector, which accounted for 32.7% of total tourism exports to the RCEP in 2019.

Table 11.2.2 New Zealand's Exports of Services to Other RCEP Parties in 2019 (million USD)

	ASEAN	Australia	China	Japan	Korea
<b>Transport</b>	78	548	141	146	25
<b>Travel</b>	790	1,758	2,012	444	379
<b>Other business services</b>	123	654	29	39	5
<b>Intellectual property</b>	6	119	8	5	3
<b>Insurance and pension services</b>	0	3	1	1	0
<b>Financial services</b>	17	216	96	5	4
<b>Telecommunications etc</b>	23	202	18	19	0

Source: Trade in Services, WTO database.

## II. Current status of trade in services of other RCEP Parties to New Zealand

**In terms of the dynamics of New Zealand's services trade imports**, exports from other RCEP Parties to New Zealand went up first, then declined, and rose again, with the scale of exports increasing from 6.106 billion USD in 2013 to 6.780 billion USD in

2019 with a gentle fluctuation, with an overall trend similar to that of Australia's exports to New Zealand. Australia is also the top exporter of services trade to New Zealand, with its exports accounting for more than half of New Zealand's total imports from the RCEP and more than a quarter of New Zealand's imports from the world, and has a constant trade surplus with New Zealand. ASEAN Parties, as important exporters of New Zealand's services trade, have run trade surpluses with New Zealand for many years, with Singapore being an important exporter of New Zealand's services trade. China, Japan and South Korea are close in their size to New Zealand's exports, and New Zealand has a surplus in services trade with China, Japan and South Korea.

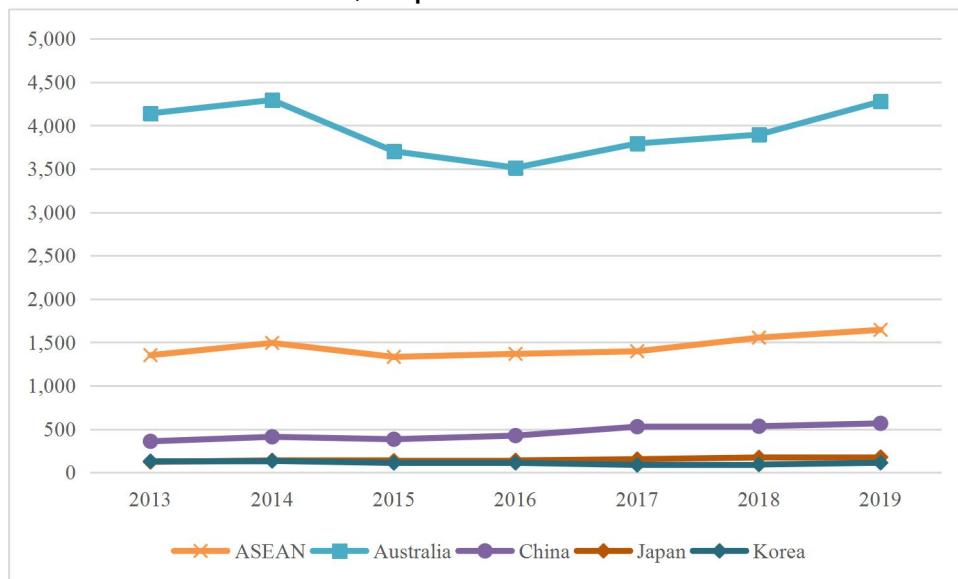


Figure 12.2.4 New Zealand's imports from other RCEP Parties, 2013-2019 (million USD)  
Source: Trade in Services, WTO database.

**Looking at the static figures of New Zealand's services trade imports, Australia is the top exporter of services trade to New Zealand.** In 2019, Australia exported 4.277 billion USD in services trade to New Zealand, accounting for 63.1% of New Zealand's total imports from the RCEP and more than a quarter of New Zealand's total imports from the world. ASEAN Parties exported 1.645 billion USD to New Zealand in 2019, with Singapore's exports to it amounting to 1.082 billion USD,

accounting for 16.0% of New Zealand's total services trade imports from other RCEP Parties, well above China's exports of 567 million USD, Japan's exports of 178 million USD and South Korea's exports of 113 million USD. Among ASEAN Parties, Thailand, Indonesia and Malaysia also exported more to New Zealand, accounting for 2.4%, 1.7% and 1.6% of New Zealand's total imports from the RCEP respectively. Three of New Zealand's 2019 top ten partners of imports of trade in service were other RCEP Parties, namely Australia, Singapore and China.

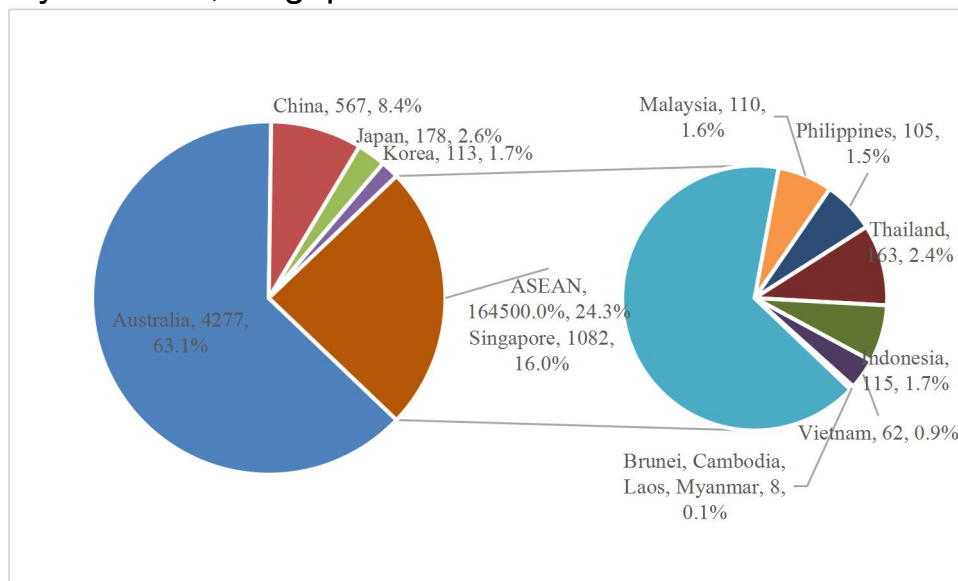


Figure 12.2.5 New Zealand's imports from the other RCEP Parties and proportions, 2019 (million USD)  
Source: Trade in Services, WTO database.

**In terms of specific sectors, in 2019, other RCEP Parties' services trade exports to New Zealand were mainly tourism and transport and other business services, which accounted for 34.7%, 20.4% and 21.7% of other RCEP Parties' total exports in major services sectors respectively. Specifically, exports from other RCEP Parties to New Zealand in both transport and tourism grew steadily, with transport increasing from 1.154 billion USD in 2015 to 1.362 billion USD in 2019, an average annual growth rate of 3.4%, and tourism increasing from 1.962 billion USD in 2015 to 2.316 billion USD in 2019, an average annual growth rate of 3.4%. New Zealand's services trade imports from other RCEP Parties were**



concentrated in sectors of computer and information services, insurance services, intellectual property and financial services. Of these, telecommunications services grew at an average annual rate of 6.1% from 447 million USD in 2015 to 602 million USD in 2019; insurance services, which had been on a downward trend from 2015 to 2018, and picked up in 2019, increasing by 40.1% year-on-year from 2018; intellectual property rights, which grew flatly from 264 million USD in 2015 to 282 million USD in 2019, an average annual increase of 1.3%; financial services fluctuated in an "increase-decrease-increase" fashion, with New Zealand importing 137 million USD of financial services from other RCEP Parties in 2019, the same level as imports in 2015.

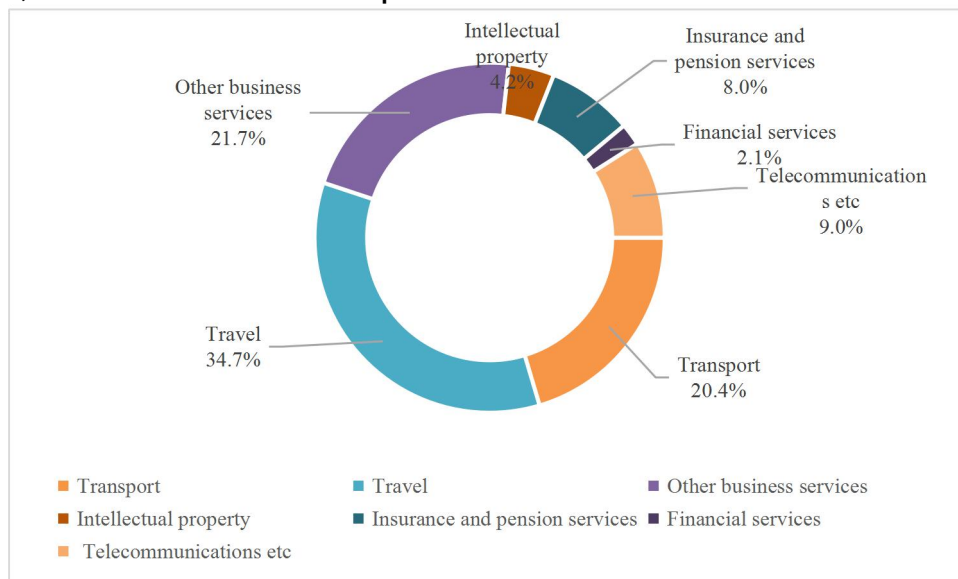


Figure 12.2.6 Structure of other RCEP Parties' exports to New Zealand in key sectors of trade in services, 2019

Source: Trade in Services, WTO database.

Table 12.2.3 New Zealand's imports of trade in services from other RCEP Parties in key sectors, 2019 (million USD)

	2015	2016	2017	2018	2019
<b>Transport</b>	1,154	1,079	1,251	1,337	1,362
<b>Travel</b>	1,962	2,032	2,222	2,262	2,316
<b>Other business services</b>	1,113	1,072	1,137	1,221	1,447
<b>Intellectual property</b>	264	268	284	278	282
<b>Insurance and pension services</b>	515	420	431	379	531
<b>Financial services</b>	137	145	148	136	137
<b>Telecommunications etc</b>	447	426	426	586	602

Source: Trade in Services, WTO database.

**ASEAN Parties' exports to New Zealand were mainly in the sector of transport.** Of New Zealand's overall imports from ASEAN, a number of sectors were imported from Singapore, with 79.2% of transport, 78.5% of telecommunications services and almost all intellectual property and insurance services being imported from Singapore. New Zealand's tourism to ASEAN parties was dominated by Indonesia and Thailand, which accounted for 26.5% and 22.9% of New Zealand's total tourism exports to ASEAN.

**In terms of other RCEP Parties, in 2019, New Zealand's imports from Japan, South Korea, China and Australia were concentrated in the tourism and transport sectors.** Australia is New Zealand's largest exporter of services trade, with its exports in all sectors topping those of other RCEP Parties. Its exports to New Zealand in the tourism sector accounted for 68.5% of total RCEP exports, intellectual property exports accounted for 78.4%, financial exports accounted for 77.4% and telecommunications services exports accounted for 64.5%. China, Japan and South Korea have relatively few services trade exports to New Zealand and were concentrated in traditional sectors such as transport, tourism and other business services.

Table 12.2.4 New Zealand's total imports of trade in services from other RCEP Parties, 2019 (million USD)

	ASEAN	Australia	China	Japan	Korea
<b>Transport</b>	605	519	165	28	45
<b>Travel</b>	393	1,587	223	76	37
<b>Other business services</b>	205	1,023	131	59	29
<b>Intellectual property</b>	54	221	2	5	0
<b>Insurance and pension services</b>	276	254	0	1	0
<b>Financial services</b>	5	106	26	0	0
<b>Telecommunications etc</b>	205	388	4	5	0

Source: Trade in Services, WTO database.

**Looking at country-specific combined exports and imports, from 2013 to 2019, New Zealand ran a trade surplus with China, Japan and South Korea, and a trade deficit with ASEAN and Australia.** New Zealand's trade surplus with China went up, then down, then up and down again, with the trade surplus fluctuating from 891 million USD in 2013 to 1,788 million USD in 2019, an average annual increase of 10.5%. New Zealand's trade surpluses with Japan and South Korea were similar in size and both had a moderate trend. New Zealand's trade deficit with ASEAN declined in fluctuation from 2013 to 2017, at one point falling from 610 million USD to 348 million USD in 2017, before recovering slightly in the following two years to a trade deficit of 563 million USD in 2019. New Zealand's trade deficit with Australia went up, then down, then up, with a big fluctuation, from 2013 to 2019, with the trade deficit reaching a low of 276 million USD in 2016 and a high of 910 million USD in 2014.

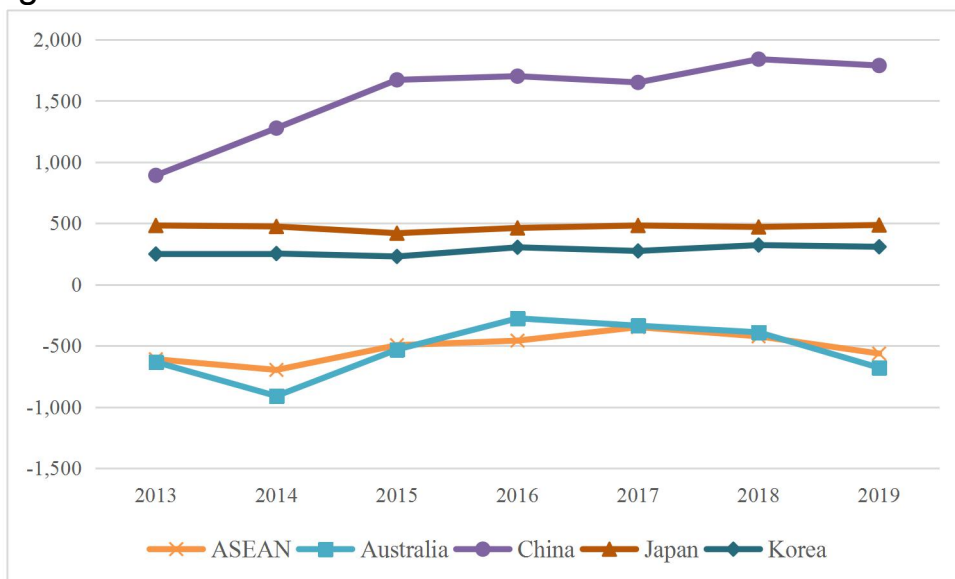


Figure 12.2.7 New Zealand's services trade balance with other RCEP Parties, 2015-2019 (million USD)

Source: Trade in Services, WTO database.

**Looking at the combination of exports and imports, New Zealand had an overall trade surplus in services trade with other RCEP Parties, with the surplus coming mainly from the**

**tourism sector, followed by the financial sector. New Zealand had trade deficits with the RCEP in transport, intellectual property, insurance and computer and information services.**

New Zealand's services trade surplus in the tourism sector grew gently through fluctuations, from 2.720 billion USD in 2015 to 3.067 billion USD in 2019, an average annual growth rate of 2.4%, and is the direct source of New Zealand's services trade surplus, mainly due to its natural beauty and unique local customs. New Zealand maintained a trade surplus with the RCEP in trade exports and imports of financial services, with a relatively small fluctuation in the trade surplus, growing from 166 million USD in 2015 to 201 million USD in 2019, an average annual growth rate of 4.0%.

With the exception of tourism and finance, New Zealand maintained a trade deficit with the RCEP in all major services sectors, with all sectors experiencing some increase in the deficit, except for intellectual property rights, where the deficit first increased from 168 million USD to 173 million USD in 2016, then declined to 125 million USD in 2018, and then experienced a small increase to 141 million USD in 2019, averaging a 3.4% annual decrease. The transport trade deficit continued to rise from 399 million USD in 2015 to 424 million USD in 2019 after a brief decline in 2016, an average annual increase of 1.2%. The insurance services trade deficit fluctuated down from 506 million USD in 2015 to 358 million USD in 2018 before rebounding to 526 million USD in 2019, with a trade deficit growing at an average annual rate of 0.8%, or 46.9% year-on-year. The trade deficit in telecommunications services continued to decline from 232 million USD in 2015 to 189 million USD in 2017 before rebounding rapidly to 360 million USD in 2018 and falling back slightly to 340 million USD in 2019, with the trade deficit growing at an average annual rate of 7.9%.



Figure 12.2.8 New Zealand's trade balance in key sectors in trade in services to the RCEP, 2015-2019 (million USD)

Source: Trade in Services, WTO database.

**Looking at New Zealand's services trade balance in key sectors from the perspectives of other RCEP Parties**, in 2019, New Zealand had a trade deficit with ASEAN in a number of sectors, with the deficit coming from transport, insurance, computer and information, other business and intellectual property in descending order, with the deficit from transport being the main reason for New Zealand's trade deficit with ASEAN. New Zealand had a trade surplus with ASEAN in tourism and financial services. New Zealand had a trade deficit with Australia in other business services, intellectual property, insurance and telecommunications services, and a trade surplus in transport and financial services. New Zealand's trade structure with China, Japan and South Korea were similar, with the trade surpluses coming mainly from the tourism sector. New Zealand had a trade deficit with China in transport, telecommunications services and other business services, and a trade surplus in the rest of the sectors. With the exception of tourism, which had a larger share in the surplus, China's surplus of financial services was larger than Japan and South Korea. New Zealand had a larger trade surplus with Japan in transport and

tourism, and a larger surplus in other business services. New Zealand has a large trade surplus with Japan in the transport and tourism sectors and a trade deficit in other business services. On top of tourism, New Zealand also had a trade surplus with South Korea in the intellectual property and financial sectors, but the amount was relatively small. It had a trade deficit in transport and other business services.

Table 12.2.5 New Zealand's services trade balance with other RCEP Parties in key sectors, 2019  
(million USD)

	ASEAN	Australia	China	Japan	Korea
<b>Transport</b>	-527	29	-24	118	-20
<b>Travel</b>	397	171	1,789	368	342
<b>Other business services</b>	-82	-369	-102	-20	-24
<b>Intellectual property</b>	-48	-102	6	0	3
<b>Insurance and pension services</b>	-276	-251	1	0	0
<b>Financial services</b>	12	110	70	5	4
<b>Telecommunications etc</b>	-182	-186	14	14	0

Source: Trade in Services, WTO database.

### III. New Zealand's RCEP commitments on trade in service liberalization

New Zealand has a positive list of other RCEP Parties that provide a schedule of specific commitments on concessions for trade in services. New Zealand has set out criteria for concessions for open sectors in accordance with the GATS modalities for cross-border delivery, consumption abroad, commercial presence, and movement of natural persons, with access to the respective markets only when the listed conditions are met. The details are as follows.

#### (1) Business Services

Open sectors include: 1. professional services—legal, accounting, auditing and bookkeeping, taxation, architectural, engineering, integrated engineering, urban planning and landscaping architecture, and veterinary services; 2. computer

services—consultancy in relation to the installation of computer hardware, software implementation, data processing and database services; 3. real estate services—involving own or leased property, on a fee or contract basis; 4. dry lease services—leasing of transport and non-transport equipment; 5. other business services—advertising, management consulting, services related to management consulting, services related to agriculture, hunting and forestry, animal husbandry, placement and supply of personnel, cleaning of buildings and similar activities, photography, convention services, credit reporting, collection, translation, interior design, telephone answering services, etc.

#### (2) Communication Services

Telecommunication services, including voice telephone, telex and telegram, fax and data and information transmission services, are opened. Audiovisual services, including the production, distribution, exhibition and broadcasting of audiovisual works, are opened.

#### (3) Construction Services

This includes general construction work for buildings, general construction work for civil engineering, installation and assembly work, building completion and finishing work, and other services such as demolition work.

#### (4) Distribution Services

This includes commission agents' services, wholesale trade and retail trade.

#### (5) Education Services

Primary, Secondary, and Tertiary education in private institutions are opened. Other education services are opened only when relate to: language training provided in private specialist language institutions, and tuition in subjects taught at the primary and secondary levels, provided by private specialist institutions



operating outside the New Zealand compulsory school system.

(6) Environmental Services

Waste water management, waste management, sanitation and similar services and other services, such as noise abatement, are opened.

(7) Financial Services

Insurance and insurance-related services, including reinsurance and retrocession services, are opened. Banking and other financial services are also opened.

(8) Tourism Services

This includes hotel and restaurant services, travel agency and tour operator services.

(9) Transport Services

This includes maritime, air, road, rail and pipeline transport services. Maritime transport services include international transport (freight and passengers) and maritime auxiliary services such as storage and warehousing and freight forwarding services. Air transport services include aircraft maintenance and repair, selling and marketing of air transport services and computer reservation systems and other supporting services for air transport.

(10) Other Services

Washing, cleaning and dyeing services.

In the RCEP, New Zealand has not opened the sectors of health and recreation. Full liberation will be given to the following subsectors: business services—legal, accounting and auditing bookkeeping, taxation, architectural, engineering services, veterinary, computer, real estate, dry lease, advertising, management consulting, agriculture and forestry, placement of personnel, photography, and convention services; distribution services—commission agents, wholesale trade and retail trade; construction services—general construction work for buildings,

general construction work for civil engineering, installation and assembly work and civil works for construction services, and building renovation; education services—partial education services; transport services—airport operations, airport management, rail transport, road transport, and pipeline transport; environment services—waste water management, waste management, sanitation and similar services for environmental services; other services—washing, cleaning, dyeing services; tourism services—restaurant services, and tour guides. This means there are no restrictions on in mode of services in cross-border delivery, consumption abroad, and commercial presence. Meanwhile, most-favored-nation treatment is promised for waste water management, other construction services, architectural services, veterinary services, database services, hotel services, specialty air services, etc.

#### **IV. Opportunities of trade in service brought by the RCEP to New Zealand**

RCEP sets out competition rules for Parties' external trade and makes commitments on market access for services and investment. The RCEP will make an important contribution to facilitating trade, improving investment transparency and modernizing trade relations for New Zealand by establishing a consistent framework and services rules across the region. As a result, New Zealand's services exporters do not need to face a complex set of rules when trading in the RCEP region, thus significantly improving regulatory certainty, transparency and convenience of New Zealand's services suppliers across the RCEP region.

The RCEP provides New Zealand with open services commitments that go beyond existing FTAs. For example, New Zealand has secured commitments that go beyond the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) in key

sectors such as professional services, computer-related services, education services, environmental services, air transport services, research and development services and distribution services. In addition, the RCEP emphasizes the protection of intellectual property rights (IPRs), with the aim to reduce barriers to trade and investment among the Parties by establishing a series of obligations relating to the creation, use, protection and enforcement of IPRs. In particular, the RCEP reaffirms international commitments to the rights and interests of New Zealand's indigenous Māori peoples' GRTKF (Genetic Resources, Traditional Knowledge and Folklore), and retains the flexibility related to policy measures taken by New Zealand so that they are best suited to the protection of Māori traditional knowledge. This is New Zealand's furthest step in protecting GRTKF by an FTA it has signed. At the same time, the new RCEP provisions on government procurement, competition policy and e-commerce will provide more business opportunities for New Zealand's services trade exporters.

The RCEP is the first FTA to include China, Japan and South Korea, and the three countries form a large consumer market, along with large ASEAN economies such as Singapore, Thailand and Indonesia, providing greater market access opportunities for New Zealand services exporters. Meanwhile, the complete industrial chains formed by ASEAN Parties and China, Japan and South Korea will help integrate New Zealand's products and services into the RCEP regional value chains, providing significant opportunities for New Zealand to recover from the economic shock of COVID-19. At a time of increasing protectionism, the signing of the RCEP provides small countries such as New Zealand with reliable international trade rules, offering them opportunities for greater cooperation in a wide range of economic and emerging areas.

## Section 3 Bilateral Investment

New Zealand became a sovereign state in 1947 and is now a party to the Commonwealth of Nations. It is a highly developed capitalist country, ranked by the World Bank as one of the most business-friendly countries in the world, with an economy that has successfully transitioned from a predominantly agricultural structure to an internationally competitive, industrialized market economy. New Zealand is a country that promotes free trade. With the deepening of economic cooperation in the Asia-Pacific region, its dependence on the Chinese market becomes evident. Manufacturing, agriculture, health care and real estate sectors are New Zealand's four economic pillars, and its dairy exports are substantial and well supported. The signing of the RCEP will bring about a high level of regional economic integration in East Asia and Oceania, enhance the freedom and convenience of trade, including the dairy industry and information and communications technology (ICT), further improve their investment environment and business environment, and create new opportunities for exporters.

### I. Current Status of New Zealand's investment in other RCEP Parties

Traditionally, New Zealand is a capital-importing country that provides national treatment for foreign investment. The main sources of investment include Australia, the US, China, the Netherlands and the UK, of which only Australia and China are other RCEP Parties. Apart from China, Japan, Australia and Singapore, New Zealand and other RCEP Parties conduct very few economic and trade exchanges. Tourism overtook dairy as New Zealand's largest outward-looking industry. ICT services, construction, brewing, international education and high-tech manufacturing also flourished. In 2019, New Zealand's GDP was 206.929 billion USD, a 2.17% year-on-year growth. The data shows

that New Zealand's investment stock in other RCEP Parties amounted to 17.045 billion USD at the end of 2019, a 1.34% year-on-year decrease. New Zealand's investment flows to other RCEP Parties amounted to 212 million USD at the end of 2019. ASEAN integration pre-dates the RCEP and the deepening economic cooperation within the ASEAN region is potentially influencing foreign investment flows to other RCEP Parties. New Zealand's investment in the remaining four countries shows regularity. This section analyses New Zealand's investment in 14 other RCEP Parties with the help of bilateral investment data.

In terms of the overall stock of investment, the stock of New Zealand's outward FDI in 2019 was 17.045 billion USD, a decrease of 3.68% from the previous year. Of this, New Zealand's FDI stock to other RCEP Parties amounted to 8.969 billion USD, totaling 52.62% of New Zealand's outward FDI stock. New Zealand's FDI stock to other RCEP Parties has maintained a downward trend over the seven years, particularly between 2014 and 2015, when it fell by approximately 2.714 billion USD. However, as New Zealand's OFDI stock decreased generally, there was little change in its investment in other RCEP Parties as a proportion of total investment, with a slight overall decline while remaining stable.

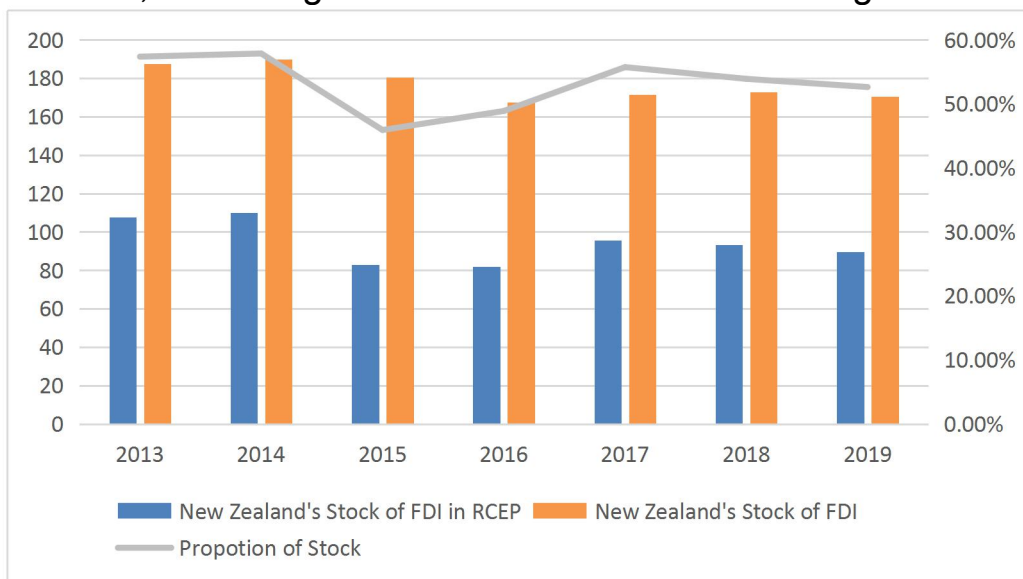


Figure 12.3.1 New Zealand's stock of FDI and proportions in other RCEP Parties, 2014-2019 (100

million USD)  
Source: OCED database.

In terms of investment flows, New Zealand's outward FDI flows were -172 million USD in 2019, a decrease of 597 million USD from the previous year. New Zealand's FDI flows to other RCEP Parties were 213 million USD, due to a disproportionate amount of negative FDI occurring to non-other RCEP Parties. New Zealand's FDI flows to other RCEP Parties fluctuated considerably from 2013-2019, with only 2013, 2018 and 2019 showing positive investment flows, reaching 408 million USD in 2018, and negative FDI volumes occurring in the other years. Proportion wise, in 2015, New Zealand had the lowest proportion of investment flows to other RCEP Parties, which was caused by the high amount of negative RCEP investment relative to its total outward FDI, and the proportion remained largely stable at around 80% in other years. As New Zealand has close economic and trade relations with Australia, the fluctuations in New Zealand's FDI proportion are mainly influenced by the investment flow between New Zealand and Australia.

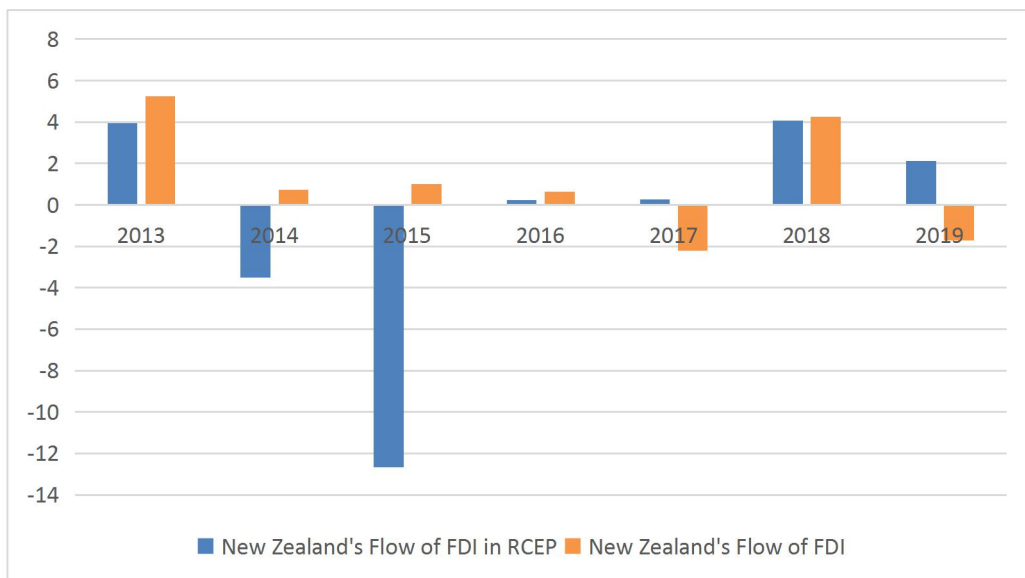


Figure 12.3.2 New Zealand's FDI flows and proportions to other RCEP Parties, 2013-2019 (100 million USD)

Source: OCED database.

Looking at specific Parties, four out of the top 10 destination countries (regions) for New Zealand's OFDI stock from 2013 to 2019 are other RCEP Parties, namely China, Japan, Singapore and Australia<sup>30</sup>. Of these, Australia, New Zealand's largest trading partner in the past, ranked fourth.

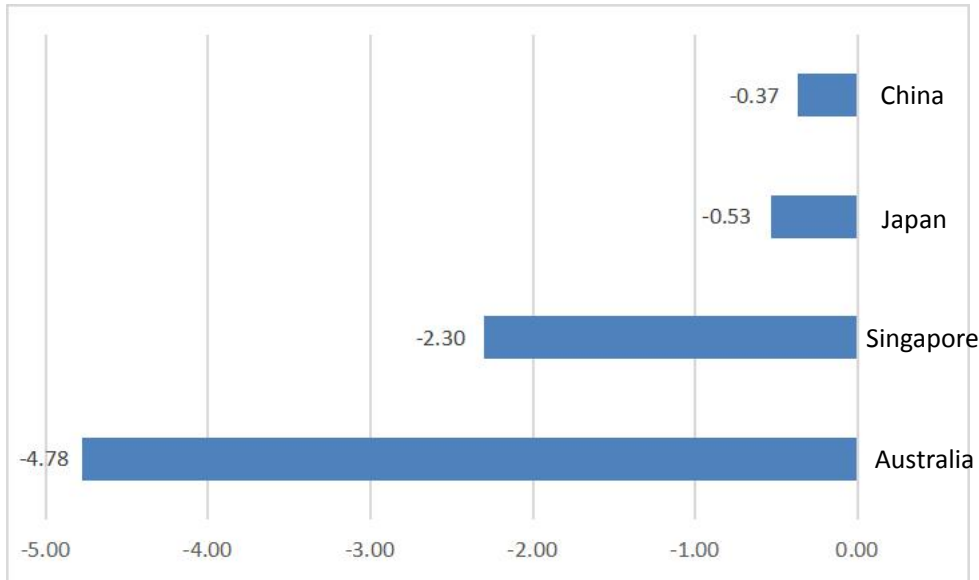


Figure 12.3.3 New Zealand's stock of OFDI to other RCEP Parties at the end of 2019 (100 million USD)<sup>31</sup>  
Source: OECD database.

Looking at specific sectors, existing bilateral investments involve a diverse range of investment sectors, covering services industries such as finance and insurance as well as wholesale and retail, and traditional industries such as agriculture, forestry, mining and hydropower. New Zealand's foreign investment is mainly seen in banking, telecommunications, transport, real estate, forestry, livestock and tourism sectors. The RCEP will bring security and certainty to investors in New Zealand. For example, Mengniu, one of the first Chinese dairy enterprises to "go global", has established a factory in New Zealand to deploy quality milk-producing sites in Oceania, and has started to connect its overseas supply chain step by step. The signing of the RCEP will encourage more FDI to

<sup>30</sup>Based on the information available, it is assumed that there is also Japan, but due to the serious lack of country-specific data from New Zealand Data Agency, only four of these countries can be identified for comparison.

<sup>31</sup>Due to the limited availability of data provided by New Zealand, only countries with published data are discussed.



actively flow to New Zealand, taking advantage of local comparative advantages and enhancing the efficiency of international capital allocation.

New Zealand is not an ASEAN Party and does not have a big trade and economic engagement with ASEAN. According to ASEAN Statistics Bureau<sup>32</sup>, New Zealand's investment in key ASEAN Parties was approximately 2 billion USD. In 2019, the stock of New Zealand's direct investment to key ASEAN Parties was 2.238 billion USD, a 0.4% year-on-year decrease, accounting for 13.13% of New Zealand's OFDI stock. By the end of 2020, New Zealand's direct investment flow to ASEAN Parties was 70 million USD, a 56.36% year-on-year decrease. By the end of 2019, New Zealand's direct investment flow to ASEAN Parties was 164 million USD, accounting for 1% of New Zealand's total outward investment flows. Country wise, in 2019, three out of the top 20 destination countries (regions) of New Zealand's FDI flows were ASEAN Parties, namely Singapore, Indonesia and Malaysia, with a small volume of investment.

Looking at other RCEP Parties, only the relationship between New Zealand and China, Japan and Australia in terms of absorption of investment can be identified due to the significant lack of stock data. In terms of investment flows in 2019, China absorbed the most foreign investment in New Zealand at 3.34 million USD.

## **II. Current status of investment in New Zealand by other RCEP Parties**

Although the amount of actual FDI stock invested in New Zealand by other RCEP Parties is declining, it remains a high proportion of New Zealand's major sources of investment. As the market access of the investment market on RCEP negative lists

<sup>32</sup>Source: <https://data.aseanstats.org/>.

continues to be liberalized, the areas of investment in New Zealand by other RCEP Parties will continue to expand, and the ease of investment and confidence in intra-regional investment will continue to grow. The New Zealand government treats both domestic and foreign enterprises equally, with few differentiated incentives for foreign investment. The New Zealand government offers certain tax incentives for R&D activities and investments in unlisted enterprises, as well as financial subsidies to investors in specific sectors.

In terms of the stock of investment, from 2013 to 2019, New Zealand's FDI remained largely stable, but the absorption of FDI from other RCEP Parties declined, and so did the proportion, from 63.18% in 2013 to 55.16% in 2019. Australia ranked first as the source country with 7.102 billion USD, while Singapore and China ranked second and third with 504 million USD and 246 million USD respectively. Australia has been the most important source of foreign investment for New Zealand for many years. Australia and New Zealand are highly similar in terms of both ethnic origin and geographical proximity, and despite some conflicts, they have natural advantages for foreign investment due to their cultural ties, convenient transport and logistics, and frequent personnel exchange.

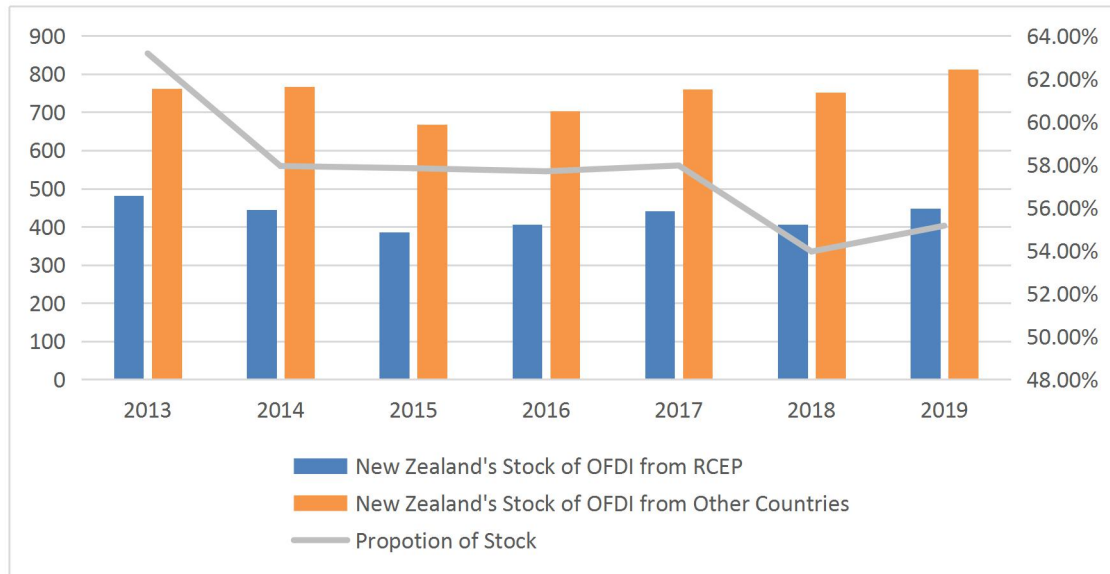


Figure 12.3.4 New Zealand's stock of OFDI from other RCEP Parties and proportions, 2013-2019 (100 million USD)

Source: OCED database.

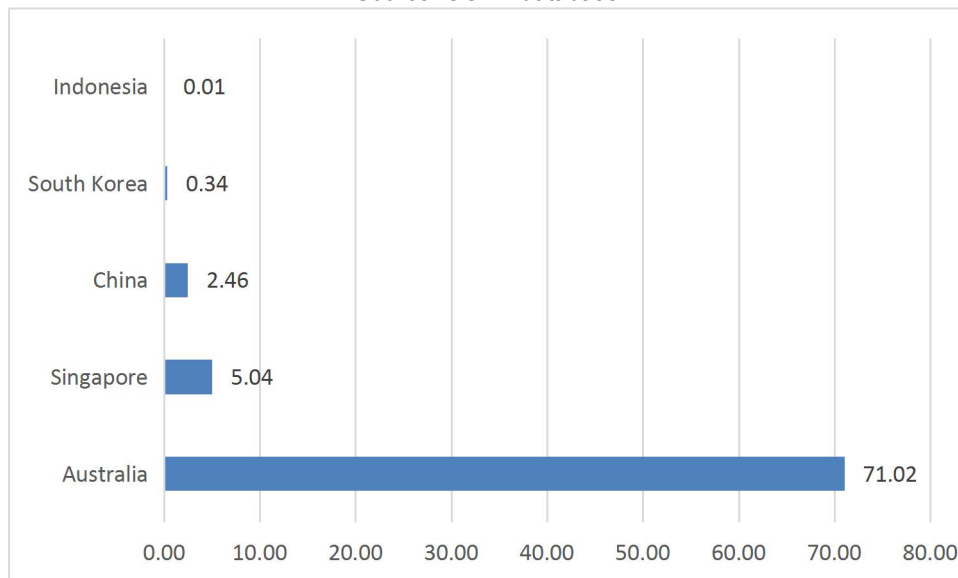


Figure 12.3.5 New Zealand's stock of OFDI absorbed from other RCEP Parties in 2019 (100 million USD)

Source: OCED database.

In terms of investment flows, according to New Zealand Data Agency, the stock of FDI absorption stood at 75.225 billion USD at the end of 2019. FDI in New Zealand showed a fluctuating upward trend from 2013 to 2019, reaching 4.278 billion USD as of 2019. New Zealand's absorption of FDI flows from other RCEP Parties was more volatile, but also increased generally, with RCEP investments accounting for more than 93.31% of total investment by 2019, of which Australia invested a total of 2.409 billion USD and

China invested 28.13 million USD, indicating that the main source of foreign investment remains Australia, accounting for 51%.

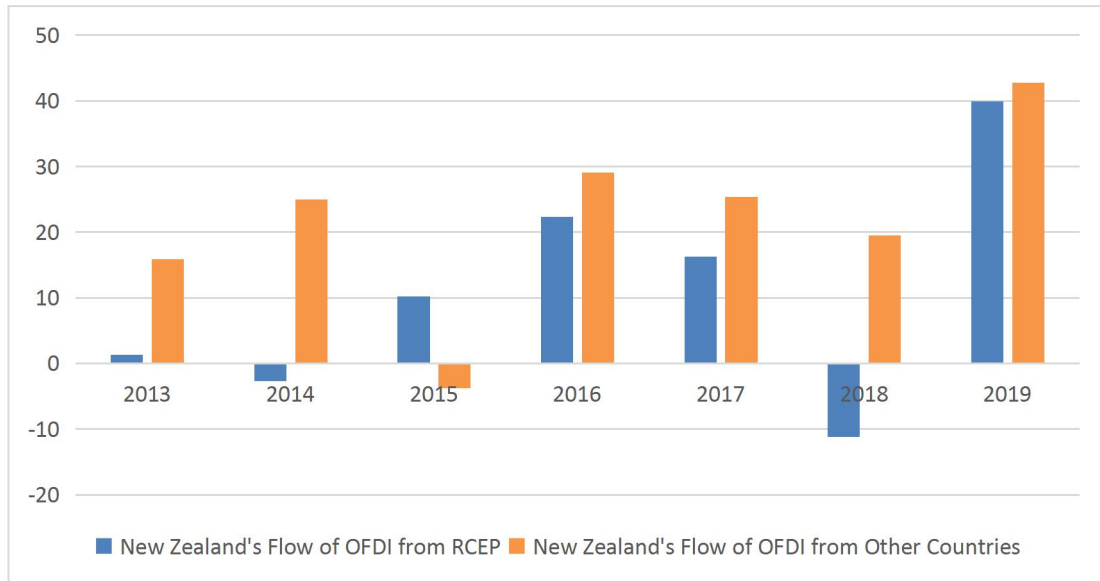


Figure 12.3.6 New Zealand's absorption of FDI from other RCEP Parties and proportions, 2013-2019 (100 million USD)

Source: OECD database.

In terms of specific Parties, in 2019, Australia topped among other RCEP Parties with 2.409 billion USD in actual investment, followed by Singapore with 1.554 billion in actual investment. Mainland China ranked third with 28.13 million USD. China (including Hong Kong) is the second-largest investor in New Zealand, accounting for 7.6% of its total FDI, but still far behind Australia, which accounts for over 55% of FDI. Analyzing from the perspective of stock, Australia remains the largest source of foreign investment in New Zealand in recent years. China's investment is diverse, covering other areas such as infrastructure, utilities, commercial construction and hotels in addition to agricultural products.

In terms of specific industries, banking, forestry, livestock and tourism are the dominating industries in New Zealand, in which foreign capital prefers to invest. According to New Zealand Data Agency, foreign investment mainly goes to New Zealand's finance and insurance and agricultural industries, finance and insurance,

manufacturing, agriculture, forestry and fishing, retail trade and wholesale trade. The finance and insurance sector is the priority for foreign investment, accounting for 34.2% of total foreign investment.

New Zealand does not have close investment flows with ASEAN. Among ASEAN Parties, only Singapore is the main investor with a stock of 3.9 billion USD as of 2019, while Thailand, Malaysia and others have only invested 357,000 USD and 174 million USD in New Zealand, less than 6% of Singapore's stock. However, New Zealand's economy was hit hard by the outbreak of the COVID-19. The signing of RCEP provides an effective way for New Zealand's economic recovery, linking Oceania with Asian economies.

In terms of other RCEP Parties, Australia, Japan, South Korea and China are all major sources of foreign investment in New Zealand. As mentioned before, Australia's outflows accounted for the majority of New Zealand's incoming foreign investment. Except for Singapore, Australia, China, Japan and South Korea were among New Zealand's top 10 sources of foreign investment and have close trade and investment ties with New Zealand.

### **III. Current status of liberalization of New Zealand's foreign investment**

New Zealand's economy has grown steadily in recent years, with domestic industries becoming increasingly diverse. Tourism has overtaken dairy as New Zealand's largest outward-looking industry; industries such as ICT services, construction, brewing, international education and high-tech manufacturing are also thriving. In 2019, New Zealand's GDP was 206.929 billion USD, a 2.17% year-on-year growth. However, its GDP fell by 12.2% in the second quarter of 2020 due to the impact of the COVID-19 outbreak. According to the World Investment Report 2021, issued

by the United Nations Conference on Trade and Development, New Zealand's FDI inflows stabilized at 4.216 billion USD in 2020, a 1.4% year-on-year decrease; the FDI stock absorption rose from 59.738 billion USD in 2019 to 91.463 billion USD in 2020, with a ten-year increase of 53.1%; Australia is the largest source of foreign investment in New Zealand, accounting for 51% of its total foreign investment; followed by China, Hong Kong and the US, accounting for 8% and 7% respectively. Chinese investment in New Zealand ranked 10th, accounting for 1%. Foreign investment mainly went to financial and insurance, manufacturing, agriculture, forestry and fishing, retail trade and wholesale trade. Financial and insurance ranked first in foreign investment, accounting for 34.2% of total foreign investment; manufacturing and agriculture, forestry and fishery industry ranked 2nd and 3rd, accounting for 15% and 8.19% of total foreign investment respectively.

New Zealand has bilateral investment agreements with four countries and regions, namely China, Hong Kong, Argentina and Chile. In terms of investment climate, according to the data released by the World Bank's *Doing Business 2020* report, New Zealand once again topped the list as the best place to do business out of 190 economies worldwide. The breakdown rankings are: starting a business (1), dealing with construction permits (7), getting electricity (48), registering property (2), getting credit (1), protecting minority investors (3), paying taxes (9), trading across borders (63), enforcing contracts (23) and resolving insolvency (36). According to the 2019 Global Competitiveness Report released by the World Economic Forum, New Zealand scored 77 overall, ranking 19th out of 141 economies, descending one place from 2018. The New Zealand government welcomes overseas investment that is sustainable, productive and highly compatible. Overseas investment plays an important role in creating

employment opportunities, innovation and the adoption of new technologies, and provides a more diverse way for New Zealand to integrate into global markets.

New Zealand has a high level of openness to the outside world. There are no areas where foreign investment is prohibited except in areas that are strictly controlled by countries around the world, such as nuclear and genetically modified technology. The Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 require overseas investors to notify the Overseas Investment Office (OIO) or seek approval from the OIO to invest in sensitive assets (sensitive assets include commercial assets, fishing quotas and sensitive land). Specifically: i. Overseas investors are required to notify the OIO of any investment in commercial assets of less than 100 million NZD. ii. Overseas investors investing in significant commercial assets or sensitive land with a value of more than 100 million NZD are required to seek approval from the OIO; investment projects that include sensitive land (e.g. built on or adjacent to sensitive land) are also subject to OIO approval. iii. Individuals or businesses outside New Zealand are not permitted to invest in residential property.

Investment applications are more likely to be approved by the OIO if the expected return on investment by the overseas investor is substantial and higher than the expected return on investment by the local businesses. The return on investment is measured by a variety of criteria, such as increased employment opportunities, improved market conditions, pest control, protection and enhancement of native flora and fauna, etc.

In response to the economic impact brought about by the COVID-19 outbreak, in June 2020, the New Zealand government enacted the Overseas Investment (Emergency Measures) Amendment Act (2020), which aims to attract foreign investment to



support New Zealand's economic growth and recovery, while ensuring that New Zealand's national interests are protected. Key points of the Amendment include the following:

**Emergency notification regime.** Foreign investors are required to notify the OIO when their shareholding in a New Zealand business or its assets exceeds 25%, 50%, 75% or reaches 100%.

**National security assessment.** When investing in areas of strategic importance, specific national interest, or in projects involving overseas governmental investors, the OIO will conduct a national interest assessment to ensure that such overseas investments are not contrary to the national interest of New Zealand.

**Simplifying the approval system.** To facilitate overseas investment, the Amendments remove the requirements for approval for low-risk transactions in some significant commercial assets and sensitive land.

**Enhancing enforcement powers.** The Amendments give the OIO stronger enforcement powers to enhance enforcement against overseas investors, including fines, recovery of control and applications for injunctions.

In terms of foreign investment incentives, the New Zealand government treats both domestic and foreign companies equally and there are few differentiated incentives for foreign investment. The New Zealand government encourages foreign investment in key sectors such as food and beverage, primary industries, and ICT, and offers certain tax incentives for R&D activities and unlisted enterprises, as well as financial subsidies to investors in specific sectors.

New Zealand has a territorial taxation system with the following main taxes: corporate income tax, withholding income tax, goods

and services tax, personal income tax, consumption tax and fringe benefits tax. New Zealand has a friendly taxation environment and does not levy the following taxes: inheritance tax, stamp duty, general capital gains tax, local or state tax, social security tax and health care tax.

Specifically, for corporate income tax, a corporation is liable to pay corporate income tax on profits derived from its operations. For withholding tax, New Zealand levies withholding tax on dividends, interest and royalties derived from New Zealand by a foreign corporation or individual and, where the country from which the foreign corporation or individual derives such income has entered into a bilateral tax agreement with New Zealand, a preferential rate applies (New Zealand has now entered into tax agreements with more than 40 countries and regions). In the case of Goods and Service Tax (GST), as a VAT, Goods and Service Tax is levied on the sale of goods and the provision of services at a standard rate of 15%, with a zero rate applied to export operations and to the provision of financial services to registered GST payers. There are tax incentives for R&D activities and unlisted enterprises. Specifically, 15% of the taxpayer's annual expenditure on R&D activities between 50,000 NZD and 120 million NZD is tax-deductible against the taxpayer's income tax for the year. The New Zealand government encourages foreign investors to invest in unlisted New Zealand enterprises. If the investor's country has a bilateral tax agreement with New Zealand (excluding Switzerland) and the investee enterprise is not engaged in a business activity prohibited by the state, the foreign investor is exempt from income tax on the sale of an unlisted New Zealand enterprise in which the investor has held an interest for more than 12 months.

#### **IV. Interpretation of New Zealand's RCEP investment commitments**

In Annexes II and III of the RCEP, New Zealand's foreign investment restrictions in both services and non-services trade are set out in a "mixed list" model in the form of a Schedule for Specific Commitments for Services and a Schedule of Reservations and Non-conforming Measures for Services and Investment. See Section 2 of this chapter for an explanation of New Zealand's commitments for services. New Zealand's agriculture and fisheries industries dominate the global market. In the Schedule of Reservations and Non-conforming Measures for Services and Investment, New Zealand specifies non-conforming measures in the explanation of the Schedule.

**Agriculture.** The Dairy Industry Restructuring Act 2001 (DIRA) provides for the arrangement of a national database for herd testing data: for example, how the New Zealand government shall determine when another dairy industry entity takes over the data; the data shall be transferred by those engaged in herd testing of dairy cattle to the Livestock Improvement Corporation (LIC) or successor entity; establishes rules regarding access to the database and that access may be denied on the basis that the database's intended use could be harmful to the New Zealand dairy industry. Under the Primary Products Marketing Act 1953, the New Zealand government may impose regulations to enable monopoly marketing for products derived from beekeeping, fruit growing, deer farming or game deer. In particular, regulations may require that board members or personnel be nationals of or resident in New Zealand.

**All sectors.** Consistent with New Zealand's financial reporting regime established under the Companies Act 1993 and Financial Reporting Act 2013, the following types of entities are required to

have financial statements audited with the Registrar of Companies:

- (1) Large companies incorporated in New Zealand and carrying on business in New Zealand under the Companies Act 1993
- (2) Large New Zealand companies with foreign ownership of more than 25% of the company's shares

If the company has one or more subsidiaries and is required to prepare financial statements, it is required to do so in accordance with the requirements. If the company is an overseas company, it is required to prepare financial statements on the same basis as a New Zealand company, in addition to preparing large overseas company financial statements. New Zealand reserves the right to adopt or maintain enforcement and correction measures with respect to public matters such as children's education, health, public transport, public facilities and to take or retain any measures in relation to water resources. Where the New Zealand government wholly owns or has effective control over an enterprise then New Zealand reserves the right to sell any shares in that enterprise or any assets of that enterprise to any person, including granting national preferential treatment.

## **V. Opportunities for New Zealand investment brought about by the RCEP**

The RCEP aims to create an FTA with a unified market by reducing tariff and non-tariff barriers. It will enable consumers to have access to better-quality goods at lower prices. In addition, the upcoming supporting policies (such as visa waivers, visa-on-arrival and accompanying travel and dining offers) will make overseas traveling more convenient and affordable.

New Zealand is a resource-exporting developed country, and China needs large imports of resources to support its huge consumption and production. Therefore, the supply and demand for each other are complementary. 2020 saw the New Zealand

economy hit hard by the outbreak of COVID-19, with the restaurant industry, for example, seeing its sales drop by almost 60% in 2020. Joining the RCEP will allow New Zealand to recover from the impacts of COVID-19 and to seize new opportunities for exports and investment.

The above analysis shows that New Zealand has only one investment partner and needs to expand its circle of friends. When establishing investment relationships with different countries, it is natural to have high trade and investment costs due to the different rules and regulations of each Party. Therefore, New Zealand needs to deal with many different rules and different ways of working with investors in different countries. In this sense, the RCEP is a rulebook that will significantly reduce the diplomacy cost of trade and commercial for New Zealand. According to New Zealand government projections, joining the RCEP is expected to increase New Zealand's GDP by at least 2 billion NZD.

Joining the RCEP will bring more opportunities for New Zealand exporters to enter the regional market, and help reduce complications. In particular, New Zealand's primary industries and education will benefit the most. For example, when the agreement comes into force, customs may be able to clear perishable goods within six hours, saving costs for New Zealand's beef, lamb and seafood exports.

In the education sector, the RCEP will give New Zealand access to export education to Indonesia, Thailand and the Philippines.

For New Zealand exporters, businesses and investors, this means a single set of trade and investment rules across the RCEP region, increasing certainty and reducing the complexity associated with different partners setting different rules. Exporters will have more opportunities to integrate their products into regional value

chains, allowing New Zealand to participate in responding to the demands of the development of the world economy. It will generate more market access opportunities, particularly for services and investment to China and some ASEAN Parties.