



EUROPEAN PARLIAMENT

**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION
DIRECTORATE B
- POLICY DEPARTMENT -**

NOTE

**on the Political and Economic Situation of
NEW ZEALAND
and on EU-New Zealand Relations**

Any opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

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Overview

Parliamentary monarchy: The head of state is Queen Elizabeth II, represented in New Zealand by the governor-general, Anand Satyanand.

National legislature

Unicameral House of Representatives, usually of 120 members (the current parliament has 121), elected for a three-year term using the mixed-member proportional representation system

New Zealand has universal direct suffrage for all citizens over the age of 18, and was the first country in the world to grant women the right to vote, in 1893.

Main political parties

Labour Party (49 seats); National Party (48 seats); New Zealand First (7 seats); ACT New Zealand (2 seats); Green Party (6 seats); United Future (2 seats); Progressive Coalition (1 seat); Maori Party (4 seats); Independent (2 seats)

The next general election is due by September 2008

National government

The cabinet is presided over by the prime minister, who is appointed by the governor-general on the basis of party strength in the House of Representatives.

Prime minister, minister for arts & culture:	Helen Clark (Labour)
Deputy prime minister, finance, attorney-general (includes Serious Fraud Office), Treaty of Waitangi Negotiations:	Michael Cullen (Labour)
Foreign affairs & racing (<i>sitting outside cabinet</i>):	Winston Peters (NZ First)
Accident Compensation Corporation, housing:	Maryan Street (Labour)
Agriculture, biosecurity, forestry & fisheries:	Jim Anderton (Progressive)
Building and construction:	Shane Jones (Labour)
Commerce, food safety:	Lianne Dalziel (Labour)
Conservation, women's affairs:	Steve Chadwick (Labour)
Consumer affairs (<i>sitting outside cabinet</i>):	Judith Tizard (Labour)

Customs, local government, youth affairs:	Nanaia Muhata (Labour)
Defence & trade, disarmament and arms control, corrections:	Phil Goff (Labour)
Economic development, tertiary education, research, science & technology:	Pete Hodgson (Labour)
Education:	Chris Carter (Labour)
Environment, labour, broadcasting, state-owned enterprises:	Trevor Mallard (Labour)
Health, communications and information technology:	David Cunliffe (Labour)
Immigration, sport and recreation:	Clayton Cosgrove (Labour)
Internal affairs, courts, civil defence & veterans' affairs:	Rick Barker (Labour)
Maori affairs:	Parekura Horomia (Labour)
Minister of state (<i>sitting outside cabinet</i>):	Mita Ririnui (Labour)
Minister of state (<i>sitting outside cabinet</i>):	Mahara Okeroa (Labour)
Pacific island affairs (<i>sitting outside cabinet</i>):	Luamanuvao Winnie Laban
Police, justice, transport:	Annette King (Labour)
Revenue (<i>sitting outside cabinet</i>):	Peter Dunne (United Future)
Social development, employment, senior citizens, community and voluntary sector:	Ruth Dyson (Labour)
State services, energy, land information:	David Parker (Labour)
Statistics (<i>sitting outside cabinet</i>):	Darren Hughes (Labour)
Tourism, rural affairs:	Damien O'Connor (Labour)
Transport safety (<i>sitting outside cabinet</i>):	Harry Duynhoven (Labour)
Reserve Bank governor:	Alan Bollard

Historical Background

The Polynesian ancestors of the Maori (New Zealand's indigenous population) are believed to have reached New Zealand by about the tenth century AD. A Dutch navigator, Abel Tasman, sailed along part of the coast in 1642-43, and Captain James Cook mounted three expeditions to New Zealand between 1769 and 1774. European contact intensified from around 1800 onwards, with an influx of traders, settlers, whalers and missionaries.

In 1840 the Treaty of Waitangi formalised relations between Europeans and indigenous Maori, and the UK granted New Zealand "responsible government" in 1856. European immigration increased sharply in the 1860s and 1870s, and tension between Maori and the new settlers erupted into a series of bloody conflicts, mainly in the North Island. Faced with a depressed economy, the government implemented an ambitious public works scheme in the 1870s, followed by other interventionist policies to stimulate growth. The effect of the latter was to render New Zealand more, rather than less, dependent on the UK, as the destination of most exports and the source of most capital.

In 1893, New Zealand became the first country in the world to give women the right to vote. As part of the British Empire, New Zealand's loyalty rested with the British. In 1899, New Zealand sent forces to South Africa to fight in the Boer Wars on behalf of the British Empire. As a sign of growing nationalism, New Zealand also participated in the negotiations of federation in Australia, although it decided against entering.

During World War I, New Zealand came to the aid of British forces, and participated in the ANZAC (Australian and New Zealand Army Corps) forces. New Zealand troops are known most notably for their action at Gallipoli, Turkey, although New Zealand units also saw action on the Western Front.

Following the end of the war, New Zealand felt the effects of the 'Great Depression', and its economy collapsed. The economic discontent led to the rise of the Labour Party, which brought recovery to the economy, and introduced a pragmatic welfare state to country.

During World War II, New Zealand once again came to the aid of the British. With the fall of Singapore however, confidence in Britain's ability to protect its colonies faltered, and the United States and its Navy were assigned to protect New Zealand from Japan. New Zealand would be a key contributor to the formation of the United Nations, and would send troops to Korea in the 1950's.

After the war, New Zealand received a massive influx of British immigrants, drawn by the islands' prosperous farming sector. When the United Kingdom entered the European Economic Community in 1973, New Zealand's trade in farm products with Great Britain could no longer be assured and the economy began to falter. The American oil crisis only exacerbated the economic difficulties, and in the early 1980's, the New Zealand government faced the tough decision to abolish its subsidies to farmers in order to combat the staggering inflation rates. In 1984, the New Zealand government abolished subsidies and began radical economic reforms based on market liberalisation.

Political situation and outlook

Constitutional Background

The Constitution Act 1986 brought together a number of rules and pieces of constitutional legislation dating back to 1852, which define the role of the sovereign, the executive, the legislature and the judiciary. There is no single legal document that gives the judiciary extensive power to place limits on the actions of parliament, although the 1990 New Zealand Bill of Rights Act allows some judicial review of executive action. A parliamentary select committee review into New Zealand's constitutional arrangements issued its report in August 2005, recommending that no major change be made.

Domestic Politics

In the run-up to the next general election, which is expected to be held in September 2008, the governing centre-left Labour Party is struggling to regain popular support, and the main opposition centre-right National Party remains well ahead of Labour in the opinion polls. The strong fiscal position will give the government considerable room for manoeuvre in the run-up to the election, in terms of both personal income tax cuts and spending increases. However, the government's apparent late conversion to the need for, and affordability of, tax cuts may prove to be too little too late for many voters, who consider taxation to be a crucial election issue. The prime minister, Helen Clark, is struggling to revive electoral support for Labour and secure her party a fourth consecutive term in office. The latest opinion poll indicates that National's lead over Labour has narrowed to ten points, from a commanding 19 points earlier. However, Labour will have to work hard during the next few months to overtake its rival.

The Labour-led coalition government currently holds the slenderest of working majorities: the government commands only 61 seats in the 121-seat House of Representatives, and leads an unwieldy five-party grouping. This complex alliance, and the extensive deal-making that it requires, will continue to slow progress on the policy front, at least until after the general election. Disapproval voiced by the foreign minister, Winston Peters, regarding the free-trade agreement (FTA) signed with China in early April illustrates the difficulty of the task of managing the coalition. Mr Peters, the leader of the small, centre-right New Zealand First (NZ First) party, with which the minority Labour government has a support agreement, has long opposed the FTA, and his party placed press advertisements condemning the deal. Labour also remains vulnerable on a range of economic issues; and the Reserve Bank of New Zealand (RBNZ, the central bank) has expressed concern about the inflationary impact of government spending. Support for the government from NZ First and the pro-family United Future (UF), in budgetary and confidence votes will ensure that Labour remains in power until the next general election, but it is likely to face greater difficulties in advancing its broader economic policy agenda.

Ms Clark will continue to emphasise her government's environmental policies and credentials. To this end, the government has acted on its commitment to make New Zealand carbon-neutral with a firm plan - an emission-trading scheme - to help the country to meet its greenhouse-gas emission targets under the Kyoto protocol. The scheme has received broad cross-party support, and a parliamentary select committee is currently holding public hearings on the issue; the committee must submit its report to parliament by the end of August. Both parties appear

strongly committed to policies promoting sustainability, but the plan has largely neutralised the issue for National, which had previously gained traction on climate change.

Foreign Policy

New Zealand has operated an independent foreign policy since 1935. The relationship with the UK is now much less important. Instead, relations with Australia and fellow member states of the Pacific Islands Forum (PIF, the main regional body) have received greater attention in recent years. New Zealand is a member of the UN, the Commonwealth and the OECD.

New Zealand's closest diplomatic and economic bilateral relationship is that with *Australia*, underpinned by the formal 1983 Closer Economic Relations (CER) agreement. Augmenting this single-market agreement is a Trans-Tasman Travel Agreement, which allows citizens of New Zealand and Australia to travel work and live freely in either country. New Zealand and Australia operate a single aviation market and have a mutual recognition agreement for regulation of goods and registration of occupations. Although tensions occasionally arise over defence planning, New Zealand maintains a contingent in the Australian-led peacekeeping force for the Solomon Islands, which has been extended until March 2008. Relations between New Zealand and Australia may benefit from the election of Kevin Rudd as Australia's new prime minister. Mr Rudd's foreign policy view are more closely in line with attitudes in New Zealand government circles than were those of his predecessor, John Howard, and his environmental initiatives may present opportunities for increased trans-Tasman co-operation. Ms Clark held a meeting with Mr Rudd in February, and the two leaders agreed to co-operate on climate change initiatives and to proceed with negotiations for a single economic market between New Zealand and Australia.

New Zealand also contributes troops to the US-led peacekeeping mission in Afghanistan, but is still not regarded as a close ally of the *United States*. This is mostly due to its long-standing ban on nuclear-powered or nuclear-armed ships entering its harbours, which led the US to suspend the operation of the tripartite Australia-New Zealand-United States (ANZUS) Treaty. The nuclear issue is also seen as an impediment to a future free-trade agreement (FTA) between the two countries, although not an insurmountable one - sensitive issues of agricultural trade would need to be resolved first. Ms Clark has recently pushed for greater US involvement in the Pacific region, citing recent upheavals in Fiji (see below), the Solomon Islands and Tonga. The US government's decision to join talks between New Zealand, Singapore, Chile and Brunei (the so-called P4 group) on a financial services and investment agreement has revived hopes in New Zealand of a future FTA with the US.

Following a final round of negotiations on an FTA between New Zealand and *China* in December 2007, a deal was signed on April 7th, and has been generally well received in New Zealand, owing to its comprehensive nature and its potential to provide major benefits to the country's exporters. Estimates of the deal's value to New Zealand through tariff reductions, greater access to a market with a population of around 1.4bn, and the favoured nation status that New Zealand will acquire under the pact range from NZ\$350m (€172m) to NZ\$450m (€221m) a year. However, the long-term benefits are likely to be much greater. New Zealand is the first developed country to have been successful in crafting a trade deal with China in part because its economy is unusually complementary to China's. New Zealand's comparative advantages in goods such as dairy products, forest products, beef, and lamb and mutton match areas of rising demand in China without threatening major sectors of the Chinese economy.

This was the first such agreement reached by China with a developed country. The terms of the agreement will be phased in gradually from October 2008 if the deal is passed by New Zealand's parliament. The comprehensive agreement, the first that China has signed with a developed nation, has been welcomed by business groups and most political commentators. Even the major trade unions have recognised the long-term benefits of the deal for New Zealand. The prime minister, Helen Clark, hopes that the FTA will give the government a renewed sense of momentum and will act as an impetus for future trade negotiations with other Asian countries, including South Korea and Japan.

However, the reaction of the foreign minister, Winston Peters, to the FTA has threatened to take the shine off the government's achievement. Mr Peters, the leader of the small, centre-right New Zealand First party, with which the minority Labour government has a support agreement, has long opposed the FTA, and his party placed press advertisements condemning the deal, as well as the government's immigration policies, during the week when it was signed. Mr Peters is not a member of the cabinet, and under the terms of the support agreement can oppose government policy on matters not related to his portfolio (which does not include trade negotiations, as these are the responsibility of the trade minister, Phil Goff). However, his criticism that New Zealand could have got a lot more from the FTA is an embarrassment for Labour, given that bilateral FTAs are a central plank of the government's foreign policy. It also emphasises to voters the unwieldy nature of the coalition arrangements that have propped up the Labour government since the last general election in 2005. Mr Peters has since agreed not to criticise the FTA when he is overseas, but his party will vote against the legislation when it goes before parliament, as will the Green Party. The legislation underpinning the FTA is nonetheless likely to be passed later this year, thanks to support from other political parties, including the centre-right opposition National Party.

The government is expected to move swiftly to get legislation underpinning the FTA passed by parliament, with the aim that the deal will take effect from October 2008. The FTA was immediately submitted to the New Zealand parliament, with the deadline for public submissions to the relevant select committee set for May 7th.

Negotiations for an FTA between New Zealand and the *Gulf States* (Saudi Arabia, the UAE, Oman, Kuwait, Qatar and Bahrain) opened in Wellington in July 2007. It is envisaged that they will cover services and investment, as well as environmental and labour issues. New Zealand's exports to the Gulf States reached NZ\$720m (€355m) in 2006.

In June 2007, the New Zealand High Commissioner to *Fiji*, Michael Green, was expelled by the interim prime minister of that country, Voreqe (Frank) Bainimarama, for allegedly interfering in government affairs. The New Zealand government has imposed additional sanctions on Fiji after what it has called this "serious and significant" act by the Fijian government.

Maori Issues/Treaty of Waitangi Negotiations

The 1840 Treaty of Waitangi still defines terms of agreement of the relationship between the native Maori people and the British Crown. The treaty states that Maori sovereignty will be ceded to the New Zealand government and the British Crown, while the Crown guarantees the authority of the Chiefs in Maori affairs and to protect Maori land and resource rights. The treaty, written in both Maori and English, has become founding documents to New Zealand's government.

Although recognized as being constitutionally important to New Zealand, the treaty itself must be referred to in Parliamentary legislation to have a legal effect. Such was the case in 1975, when the New Zealand parliament enacted the Treaty of Waitangi Act.

Because of the process of translation, there are discrepancies in wording, and thus, the legal system recognizes the treaty's 'principles' when arbitration between the government and Maori people is required. The Treaty of Waitangi Act of 1975 created the Waitangi Tribunal, in order to inquire into breaches of the Treaty by the Crown, as well as to consider Maori claims. The Tribunal has the mandate to cover grievance claims dating back to 1840. The Waitangi Tribunal has set itself a goal of reporting all claims by 2012.

A Maori individual, group or tribe may file a claim of the violation of the Treaty through the Waitangi Tribunal. The tribunal may issue a report or make recommendations, but has no further involvement in the settlement process. The government may then decide to settle the claim, which is then negotiated between the government's Office of Treaty Settlements and the mandated representative for the Maori claimant. Once a settlement is negotiated, it must be passed through legislation by the New Zealand parliament.

In 2007, there are over 20 claimant groups involved in negotiations, resulting in NZ\$817.822 million (€398.531) being committed to settlements concerning the Treaty of Waitangi. Most recently, the New Zealand government has agreed to a NZ\$100 million (€48.7 million) deal with the Arawi Tribe in the Bay of Plenty.

Currently, Michael Cullen holds both the portfolio for Minister Treaty Negotiations and Minister of Finance. This is the first time both portfolios have been combined.

The Economy

New Zealand is a small economy, still heavily reliant on commodity production in agriculture, fishing and forestry. Although these sectors account directly for only around 7% of GDP, they provide a far greater share of export earnings and are an important source of foreign exchange. This dependency leaves the small, open economy vulnerable to fluctuations in commodity prices and the impact of the weather on agricultural output. There has been a shift in recent years towards further processing of primary commodities, to add value and to counter fluctuating world commodity prices. The manufacturing sector, which until the mid-1980s focused on production for the small domestic market and was aided by import protection, has increasingly been geared towards export markets.

Growth prospects

New Zealand's *real GDP growth* in 2008 is forecasted at 1.7%, down from 3.5% in 2007. The slowdown in economic expansion will be the result of weaker private consumption growth owing to higher fuel and mortgage costs that will cut into disposable income, and subdued fixed investment as business confidence hit an all-time low. There are expectations for GDP growth to accelerate to 2.3% in 2009. Debt-laden households will prioritise repayment over either consumption or further investment in housing. Analysts expect private consumption spending to expand by 2.2% in 2008 and 2.5% in 2009. The housing market will continue to cool in response to high financing costs.

Buoyant economic growth led to a further tightening of labour-market conditions in 2004, with the seasonally adjusted unemployment rate falling to an average of 3.9%. Continued growth in domestic demand pulled down the unemployment rate further, to an average of 3.7%, in 2005. The *unemployment rate* remained at this level at the end of 2006, before falling further, to 3.4% in the fourth quarter of 2007. This was the lowest figure since the employment survey was launched by Statistics New Zealand (the national statistical office) and the fifth-lowest in the OECD (behind Norway, South Korea, Denmark and the Netherlands). The strong labour market in recent years has contributed to persistent labour shortages in a number of areas, including skilled trades and professions such as engineering, information technology, science and nursing. Participation rates for female workers have risen steadily in recent years.

The long boom since 2000 may be giving way to a *rebalancing of the economy*. There is a real possibility of a mild recession in the course of 2008. Medium-term prospects are positive, with firm demand for high-quality food exports and energy abundance, including some oil -- offset by an income differential with neighbouring Australia, which is attracting large numbers to emigrate.

Fiscal policy

Fiscal policy remains broadly *expansionary*. Surpluses have nevertheless been substantial, and this has led the government to indicate that it intends to reduce personal taxes in the 2008/09 budget, and to hint that further reductions could be made in 2009/10. Treasury and the Reserve Bank of New Zealand have already allowed for a NZ\$1.5bn (€739m) tax cut in their economic and fiscal forecasts for 2008/09. However, the Reserve Bank of New Zealand is concerned that loose fiscal policy, including personal tax cuts, could increase inflationary pressures in the

medium term, and that this might in turn lead to further interest-rate rises. Corporate taxes were cut from 33% to 30% from April 1st 2008. Based on OECD measures of government expenditure and revenue, the Economist Intelligence Unit forecasts a fiscal surplus equivalent to 3.1% of GDP in 2008, down from 3.3% in 2007, in line with more moderate revenue growth and rising government expenditure. The surplus will fall further in 2009, to 2.6% of GDP.

Monetary policy

The Reserve Bank of New Zealand raised the overnight cash rate (OCR) by 25 basis points on four occasions in 2007, the most recent of which, in late July, saw the rate increased to 8.25%. The central bank governor, Alan Bollard, has pointed to the substantial inflationary risks that exist, notably the planned phase-in of the Emissions Trading Scheme, rising oil and food prices, and medium-term concerns about the tight labour market and high capacity utilisation. The RBNZ forecasts that increasing dairy and food prices will add 0.4 percentage points to the inflation rate in 2008. However, in late March Mr Bollard also noted that the housing market was experiencing a downturn. He stated that current interest rates might be sufficient to keep annual average inflation in the bank's 1-3% target range in the medium term. This suggests that the RBNZ is unlikely to cut rates substantially in the short term. Forecasts indicate that the OCR will remain unchanged in 2008 and will then decline slightly from early 2009, averaging 8.3% this year and 8.1% next year.

The New Zealand dollar remains at a high level against the US dollar, reflecting its popularity among carry traders, who borrow cheaply in low-yielding currencies such as the yen and invest in countries' such as New Zealand where interest rates are much higher. The appreciation of the New Zealand dollar is also a reflection of the present weakness of the US dollar. However, the New Zealand currency remains volatile, and, given that it is vulnerable to changes in investors' risk appetite and world GDP growth rates, it could depreciate more sharply from the third quarter of 2008 than currently expected. Forecasts indicate that the New Zealand dollar will strengthen from NZ\$1.36: US\$1 in 2007 to NZ\$1.31: US\$1 in 2008, and will then weaken to NZ\$1.39: US\$1 in 2009.

The exchange rate between the Euro and New Zealand has fluttered around NZ\$2.02: €1 for May 2008.

Foreign trade and payments

The current-account position will remain poor. The merchandise trade deficit is forecast to narrow in 2008, owing to subdued imports on the back of a weaker New Zealand dollar and slower domestic demand growth. However, the deficit will expand again in 2009 as private consumption growth is stimulated by cuts in personal income tax. The services account will maintain a surplus in 2008-09, but the deficit on the income account will remain substantial, reflecting the cost of servicing a rising debt stock, the low domestic saving rate and the repatriation of profits by foreign-owned companies. The current account deficit is forecast to contract to 7.3% of GDP in 2008, from 7.9% in 2007.

EU-New Zealand Relations

Background

EU-New Zealand bilateral relations are based on the Joint Declaration on relations between the European Union and New Zealand, adopted in June 1999. This document underlines the close ties between the EU and New Zealand, and expresses both parties' determination to their further strengthening. It features a number of common goals, such as the support of democracy, the rule of law and respect for human rights, the promotion of the effectiveness of the United Nations, cooperation on development issues in the South Pacific region, the promotion of sustainable development and the protection of the global environment.

The Joint Declaration was followed by the Action Plan "Priorities for future cooperation", which was adopted at the EU-New Zealand Ministerial Consultation in March 2004. The Action Plan was a more practical translation in cooperation activities of the general objectives listed by the Joint Declaration.

The Joint Declaration provides for the set up of a consultative framework. Regular political dialogue, including at Ministerial level, as well as consultations between officials from EU and New Zealand covering specific aspects of the relationship, take place. There are also a range of sectoral dialogues dealing with specific issues. Besides this, Commissioners, Ministers and senior officials from both sides regularly hold *ad hoc* contacts in the margins of international meetings and fora.

The most recent and substantive undertaking for New Zealand-EU relations was the Joint Declaration on Relations and Understanding between the European Union and New Zealand, signed in Lisbon in September 2007. It covers a wide variety of policy fields including global security, development cooperation, science, innovation and technology, education, environment, climate change, fisheries and transport. The Joint Declaration replaces and merges the 1999 Joint Declaration and the 2004 Action Plan. The next review of the Joint Declaration is scheduled for 2012.

Political relations

The EU and New Zealand share many common views in the field of foreign and security policy and see eye-to-eye on many international issues. The joint declaration features a number of common goals, such as the support of democracy, the rule of law and respect for human rights. Just like the EU, New Zealand is committed to a global system based on multilateral rules and to the promotion of the effectiveness of the United Nations. The European Union and New Zealand have shared interests in the WTO and on Climate Change, sustainable development and the protection of the global environment (both New Zealand and EU have ratified the Kyoto Protocol), and energy security.

Both parties want to further solidify cooperation regarding development issues and continue to share analysis and respective strategies for the Pacific region with the aim of promoting peace, stability and prosperity in that part of the world. Similarly, EU and New Zealand are supporting regional integration in South East Asia and are actively participating in the ASEAN Regional Forum.

In future, the Industrialised Countries Instrument (ICI) adopted in 2006 will constitute the legal instrument for cooperation with New Zealand (and other high-income countries and territories in North America, Asia-Pacific and in the Gulf Region) during the financial period 2007-2013.

For New Zealand, it will provide for a continuation of the activities of the EU Centre established at Canterbury University in Christchurch as the National Centre for Research on Europe, as well as for a possible intensification of the EU-New Zealand education cooperation. Furthermore, the EU and New Zealand are currently exploring possibilities for cooperation activities under the "economic partnership and business cooperation" heading of the ICI.

European Parliament - New Zealand relations

Meetings of the European Parliament's Delegation for relations with New Zealand have taken place since 1981. Since that date there have been regular interparliamentary meetings (IPMs) taking place both in Europe and New Zealand.

In the past six months, The European Parliament's Delegation for relations with Australia and New Zealand met three times, twice regarding the issue of New Zealand (19.12.2007, 24.01.2008). At the 19.12.2007 meeting, New Zealand's ambassador, H.E. Mr. Peter Kennedy, presented himself to the delegation.

Economic relations

Trade is a dominant feature of the bilateral relationship. The EU is New Zealand's second most important trading partner (after Australia) with increasing trade figures since 1990 and resulting in 2005 in a total trade of € 6.2 billion, representing 16% of New Zealand's total trade.

Trade in goods: Over two thirds of New Zealand's exports to the EU consist of agricultural products mainly sheep meat, wool, dairy products, fruits, wine), the remaining third is composed of machinery, chemicals and commodities. EU exports to New Zealand are made up mainly of cars, medicines, machinery, telecommunication equipment, transport material and chemicals.

The only good from the EU currently subject to New Zealand *anti-dumping* duties are canned peaches from Greece and Spain

Following the July 2006 ruling of the European Court of Justice in the Egenberger case, the Commission had to review the import regime of New Zealand butter in order to ensure non-discriminatory access to the quota. The Commission and New Zealand reached an understanding in November 2006 on the way this ruling should be implemented.

Trade in services between EU and New Zealand represented in 2005 20% of total trade and sectors of particular interest for New Zealand are air and sea transport, telecommunications and tourism. EU citizens are an important source of New Zealand's income from tourism: around 20% of all short-term visitor arrivals in New Zealand during 2005 were from EU Member States.

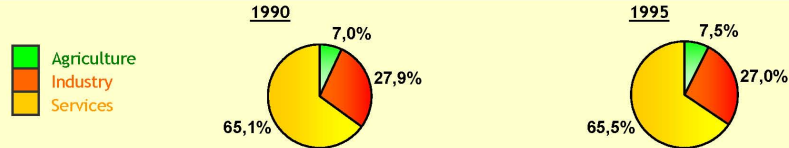
The Euro has become an important trading currency for New Zealand. Approximately 40% of the Reserve Bank of New Zealand's foreign exchange reserves is held in Euro.



NEW ZEALAND

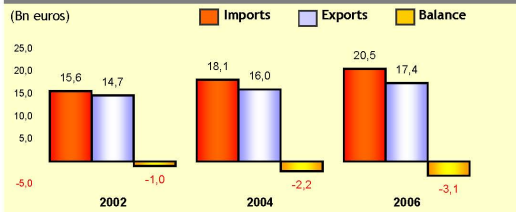
Population	4,1 Mio inhabitants		
Area	271 (1000qkm)		
Gross domestic product	2006	82 Bn euros	Exports-to-GDP ratio: 21,2 % in 2006
GDP per capita	2006	19.865 Euros	
<small>(IMF, World Economic Outlook)</small>			
Real GDP (% growth)		2003	2005
Inflation rate (%)		2006	
Current account balance (% of GDP)		2003	2005
		2006	

GDP BY SECTOR

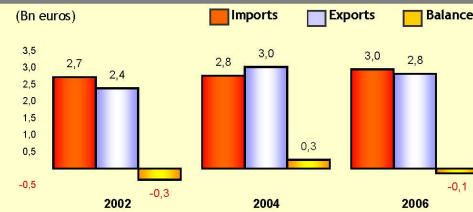


Source: World Bank (WDI)

NEW ZEALAND MERCHANDISE TRADE WITH THE WORLD



EU25 MERCHANDISE TRADE WITH NEW ZEALAND



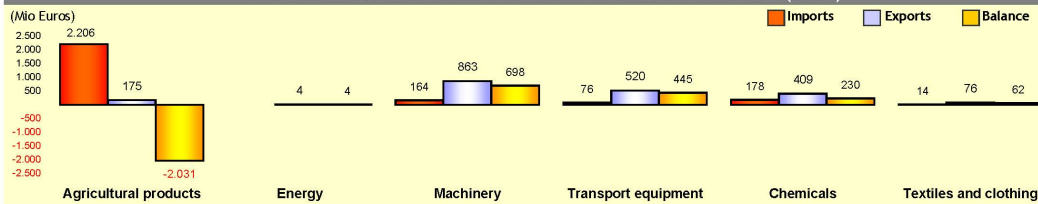
Source: IMF (Direction of Trade Statistics)

* excl intra EU Trade

Source: Eurostat, statistical regime 4

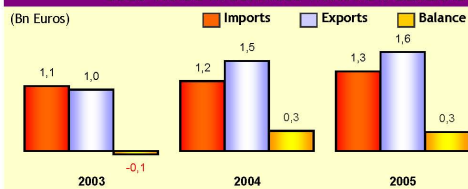
% OF THE WORLD *	2002			2004			2006		
	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance
Imports	0,29	0,29	-0,00	0,32	0,29	0,03	0,27	0,29	-0,02
Exports	0,29	0,29	-0,00	0,30	0,27	0,03	0,24	0,31	0,07

EU25 MERCHANDISE TRADE WITH NEW ZEALAND BY PRODUCT (2006)



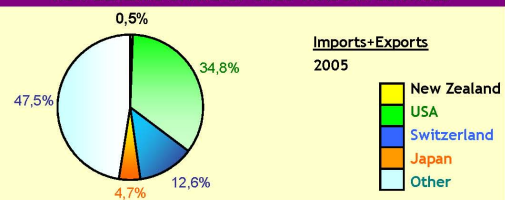
Source: Eurostat, statistical regime 4

EU25 TRADE IN SERVICES WITH NEW ZEALAND

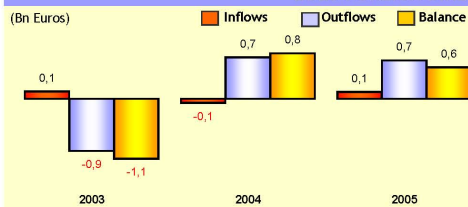


Source: Eurostat (excluding government services)

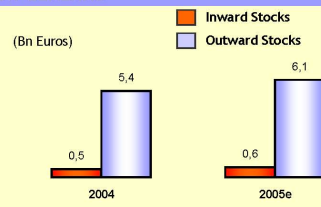
NEW ZEALAND SHARE OF EU25 TRADE IN SERVICES



EU25 FOREIGN DIRECT INVESTMENT WITH NEW ZEALAND



Source: Eurostat



2005, estimated FDI stock = stock 2004 + flows 2005

DG TRADE

24 August 2007