



Department for
International Trade

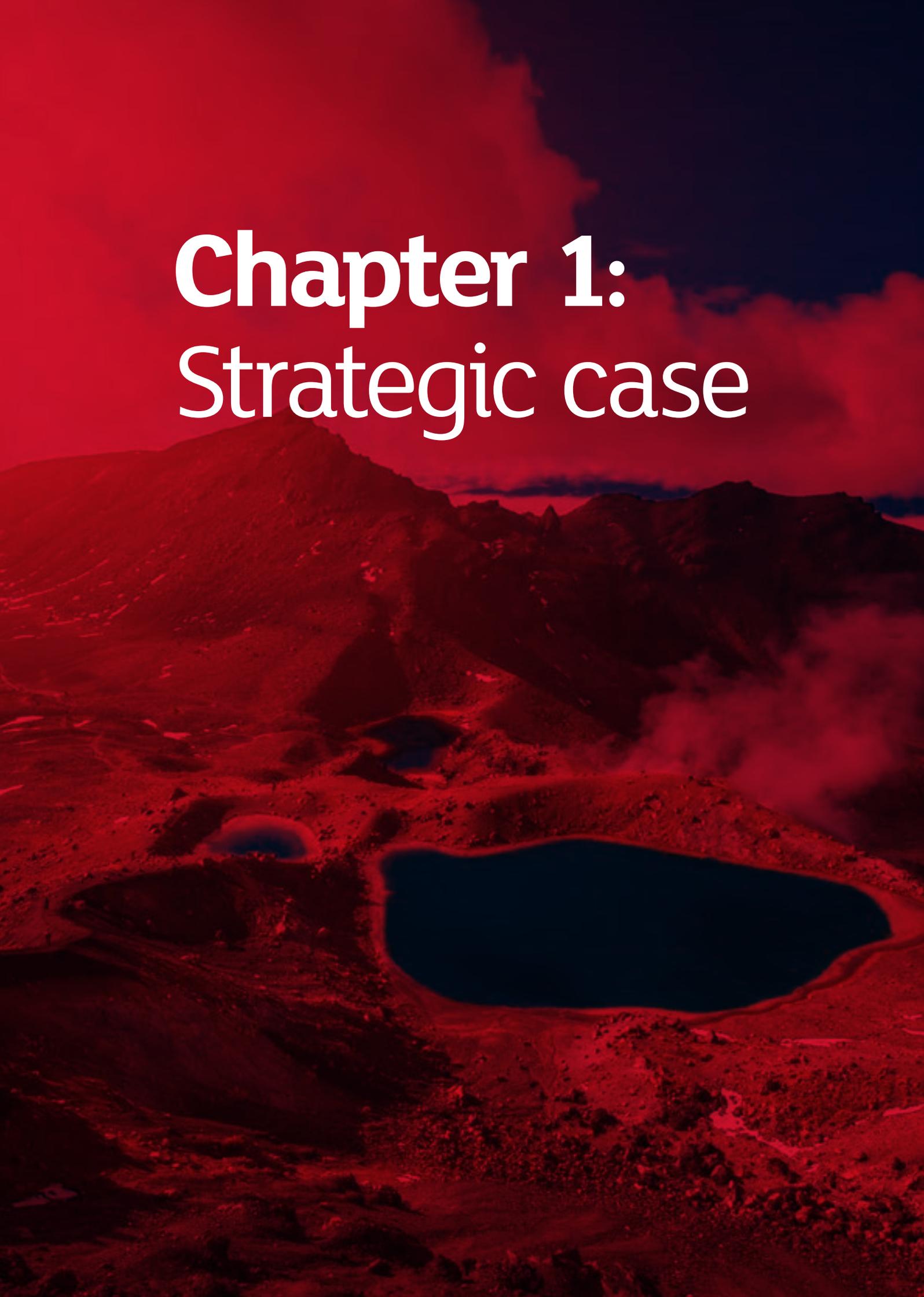


UK-New Zealand
Free Trade Agreement
The UK's Strategic Approach

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Chapter 1: Strategic case



Introduction

A Free Trade Agreement (FTA) with New Zealand is part of delivering the Government's top strategic trade priority of using our voice as a new independent trading nation to champion free trade, fight protectionism and remove barriers at every opportunity. The Government's ambition is to secure FTAs covering 80% of UK trade within the next three years, to become a truly Global Britain.

New Zealand is already an important partner for the UK, and an FTA offers the opportunity to strengthen this relationship. A UK-New Zealand FTA could increase UK exports to New Zealand by up to £100 million.¹ New Zealand is an open, advanced economy and has a supportive environment for businesses. It currently ranks number one in the world for 'Ease of Doing Business' by the World Bank,² and our trading relationship with them is on the rise. UK exports to New Zealand have grown from £0.7 billion in 2000, to £1.7 billion in 2019,³ and an FTA can increase our £2.9 billion total trading relationship even further. The UK was New Zealand's sixth largest trading partner in 2019 and we are both important investment partners for each other: the UK was the fifth largest investor in New Zealand, and the UK was the fourth largest recipient of New Zealand's direct investment in 2018.⁴

More trade is essential: it can give us security at home and opportunities abroad – opening new markets for business, bringing investment, better jobs, higher wages and lower prices just as we need them most. At a time when protectionist barriers are on the rise, all countries need to work together to ensure long-term prosperity, and international trade is central to this co-operation. The UK sees accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as an important way to combat such protectionism and an FTA with New Zealand is a key step towards that.

An FTA with New Zealand needs to work for the UK. We have been clear that any future agreement with New Zealand must work for UK consumers, producers and companies. We remain committed to upholding our high environmental, labour, food safety and animal welfare standards in our trade agreement with New Zealand. The Government has been clear that when we are negotiating trade agreements, we will protect the National Health Service (NHS). Our objectives reinforce this.

An FTA with New Zealand supports the key elements of our trade strategy:

A medium-term recovery from the impact of Coronavirus

Coronavirus has shown us the importance of keeping trade flowing and building diverse supply chains that are robust in a crisis. To secure our future prosperity we must now adapt and trade more with all parts of the world to ensure we are not too reliant on any one region.

An FTA between the UK and New Zealand would keep markets open and help diversify UK businesses' supply chains, supporting the UK's commitment to a clean and resilient recovery from coronavirus. In the face of an increase in export restrictions as a result of coronavirus, we are already working with New Zealand on immediate challenges, including work in the World Trade Organization (WTO) to ensure supply chains continue to operate smoothly. Now, more than ever, strengthening ties between nations who believe in free trade is a powerful way to defend the principles of open markets and international co-operation, and in doing so show that free trade is still the best way forward for the world after coronavirus. A UK-New Zealand FTA is an opportunity to demonstrate UK leadership in international trade as a tool to support a sustainable global economic recovery.

¹ This analysis relates to the long run, and implicitly assumes that by that period the economy would have recovered from any impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.

² Ease of Doing Business Ranking 2020, World Bank <https://www.doingbusiness.org/en/rankings>

³ ONS, UK total trade: all countries, non-seasonally adjusted.

⁴ Stats New Zealand, FDI stock (Based on International Investment Position, net). Year ended March 2019.

An FTA with a like-minded and key ally

With New Zealand, we share a language, head of state and a system of common law, and we have a proud shared history. We also have a common set of values. Like the UK, New Zealand have always stood up for what is right and maintained a fierce belief in the merits of trade openness, the rule of law, international co-operation and democratic government. The UK and New Zealand have a close intelligence and security relationship as members of the 'Five Eyes' intelligence grouping and the Five Power Defence Arrangement. We work closely together in many multilateral fora including the United Nations, the WTO and the Commonwealth.

The UK and New Zealand have strong and enduring people-to-people links with UK nationals accounting for the greatest number of foreign-born residents in New Zealand.⁵ There is also strong support for an FTA with New Zealand amongst the British public, with research showing that 70% of the public support a UK-New Zealand FTA.⁶

But what we have never had with New Zealand is an FTA. That can change now the UK has left the EU. Our future success as a country depends partly on using our new-found status as an independent trading nation to strengthen ties with old allies beyond Europe. An ambitious, wide-ranging FTA with an old friend like New Zealand is a powerful way for us to do that and make good on the promise of Brexit. There are few countries with which we could negotiate as advanced an FTA as we can with New Zealand in the areas that matter to the UK.

Strengthening the position of UK businesses in the Asia Pacific and moving towards joining CPTPP

Strategically, the UK Government's aim is to place the UK at the centre of a network of modern FTAs, turning our country into a global hub for businesses and investors who want to trade in dynamic areas of the world – especially in the Asia Pacific.

Pivoting towards the Asia Pacific will help diversify our trade, make our supply chains more resilient and make the UK less vulnerable to political and economic shocks in certain parts of the world. This economic security is important at a time of increased turbulence and uncertainty.

It will also help us forge a leadership position among a network of countries committed to free trade – and strengthen the club of like-minded democracies who share our commitment to advance trade liberalisation, fight protectionism and defend international rules.

New Zealand is a big player in the Asia Pacific and shares our commitment to free trade. They are also a prominent member of CPTPP – a club of eleven countries representing 13% of global GDP. New Zealand support our membership, and an FTA with them would be an important step towards our eventual accession.

The UK had more than £110 billion-worth of trade in 2019 with the 11 countries in the group and we are determined to increase our trade through membership.⁷ CPTPP will help us diversify our trade and join a strong, modern trade agreement between countries committed to free and fair trade in the Asia-Pacific region and beyond.

The UK Government believes that accession to CPTPP, alongside our bilateral FTA negotiations, and wider trade policy agenda, would promote a liberal free trading agenda in the Asia Pacific that creates an environment for long-term prosperity.

⁵ 2018, http://nzdotstat.stats.govt.nz/wbos/index.aspx?_ga=2.159160572.793372434.1588768416-1193776064.1588165832#
⁶ 7 <https://www.gov.uk/government/publications/public-attitudes-to-trade-tracker-wave-1>

⁷ ONS, UK total trade: all countries, non-seasonally adjusted

Delivering a cutting-edge agreement that creates opportunities for UK businesses, consumers, and workers

The UK and New Zealand produce a different mix of goods and services, suggesting that there is an opportunity to boost our mutually compatible economies by deepening our trade ties. While the overall macroeconomic effects on the UK could be limited, a UK-New Zealand agreement could break new ground on areas of shared ambition for a modern trading relationship.

Key benefits of an FTA with New Zealand include:

- Increased trade and investment in key industries for UK businesses:** we will pursue an ambitious trade agreement that liberalises and facilitates cross-border trade in services, including transport, professional business services and financial services, helping to grow our overall UK services exports to New Zealand, worth £792 million in 2019⁸. This includes exploring ways to make it easier for professionals to move between the UK and New Zealand, such as supporting the Mutual Recognition of Professional Qualifications, for example in accountancy, audit, architecture, engineering and legal professions.
- Reduced barriers to trade in goods,** which will make trade easier and cheaper for the UK's existing exporters to New Zealand, whilst at the same time increasing choice and value for UK consumers. A reduction in tariffs through an FTA will make it easier for British businesses to export to New Zealand in industries such as automotive, machinery and textiles, and improve alignment of our regulatory standards.
- Working together to promote clean growth through trade:** with shared ambition in leading the global fight against climate change, a UK-New Zealand FTA will support both our countries Net Zero Climate Commitments, setting a high standard for clean growth in future trade agreements. Building on our high environmental protections, we will explore how to embed sustainability provisions across the FTA, such as by encouraging trade in environmental goods and services in industries that support the transition to a low carbon economy.
- Shaping the rules for digital trade in a rapidly changing world:** New Zealand has a track record of innovation on digital trade, including in recent agreements such as the Digital Economy Partnership Agreement (DEPA).⁹ An FTA with New Zealand provides a perfect opportunity to reduce barriers to e-commerce, stimulate investment in new technologies and work together to exploit the potential of emerging innovations.
- Unlocking benefits of trade for small and medium-sized enterprises (SMEs):** we must ensure that any new trade relationship opens up the opportunities of trade to all parts of our economy and society – including for women-led businesses and entrepreneurs, and small businesses. We will make it easier for SMEs across the UK to seize the opportunities an FTA with New Zealand will bring. An ambitious and wide-ranging FTA could benefit SMEs across the country through better provision of information, the easing of customs procedures and easier entry for professionals into New Zealand in priority industries. We will also break new ground in how we support women to trade by tackling barriers that disproportionately prevent women from accessing trading opportunities and realising the benefits.

⁸ ONS, UK total trade: all countries, non-seasonally adjusted. 2019 data.

⁹ Agreement between New Zealand, Chile and Singapore - <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/digital-economy-partnership-agreement/>

Creating opportunities for businesses across the nations and regions of the UK

Towns and cities across the UK are already taking advantage of global connections to succeed as competitive international businesses. Opportunities across the regions and nations of the UK include:

- The liberalisation of New Zealand tariffs could benefit the Machinery and Transport equipment industry, which is the cornerstone of many regions' exports to New Zealand, including: Northern Ireland, Wales, the North East, the West Midlands and the East of England.
- Lowering trade barriers affecting road vehicles could benefit the UK's top manufacturing regions that export to New Zealand, including: North-West England, London, Yorkshire and the Humber and the South West.
- Reducing the tariffs paid on beverage exports to New Zealand could bring benefits to Scotland and London.
- Medicinal and pharmaceutical products are important exports to New Zealand for Northern Ireland, the East of England, the North East of England, Yorkshire and the Humber and the South East. These regions could feel the benefits of increased exports of medicines and pharmaceuticals.
- New Zealand has an advanced financial services market and an ambitious agreement on financial services could enhance trading opportunities for UK service suppliers.

The Outline Approach published in Chapter 2 sets out the UK's overall objectives for these negotiations. These objectives are informed by one of the biggest consultations ever undertaken with the UK public, businesses and civil society, covering trade with the US, Australia, New Zealand, and our potential accession to CPTPP. Our response to the consultation on New Zealand can be found in Chapter 3.

Chapter 2: Outline approach



Public Negotiating Objectives for a Free Trade Agreement with New Zealand

Overall objectives

- Agree an ambitious and comprehensive Free Trade Agreement (FTA) with New Zealand that strengthens our economic relationship with a key like-minded partner, promoting increased trade in goods and services and greater cross-border investment.
- Work together to reinforce our mutual interest in sustainable and inclusive trade policy.
- Supporting both Governments' Net Zero commitments on climate change, we will seek provisions that maintain the right to regulate for each party and support opportunities for global growth in low carbon sectors and associated research and development.
- Increase the resilience of our supply chains and the security of our whole economy by diversifying trade.
- Futureproof the agreement in line with the Government's ambition on climate and in anticipation of rapid technological developments, such as Artificial Intelligence.
- The Government has been clear that when we are negotiating trade agreements, the National Health Service (NHS) will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic.
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food safety standards.

Trade in Goods

Goods Market Access

- Secure broad liberalisation of tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture.
- Secure comprehensive access for UK industrial and agricultural goods into the New Zealand market through the elimination of tariffs.
- Develop simple and modern Rules of Origin that reflect UK industry requirements and consider existing, as well as future, supply chains supported by predictable and low-cost administrative arrangements.

Customs and Trade Facilitation

- Secure commitments to efficient and transparent customs procedures which minimise costs and administrative burdens for businesses.
- Ensure that processes are predictable at, and away from, the border.

Technical Barriers to Trade

- Reduce technical barriers to trade by removing and preventing trade-restrictive measures in goods markets, while upholding the safety and quality of products on the UK market.
- Seek arrangements to make it easier for UK manufacturers to have their products tested against New Zealand rules in the UK before exporting.
- Promote the use of international standards, to further facilitate trade between the parties.

Sanitary and Phytosanitary Standards (SPS)

- Uphold the UK's high levels of public, animal, and plant health, including food safety.
- Enhance access for UK agri-food goods to the New Zealand market by seeking commitments to improve the timeliness and transparency of approval processes for UK goods.

Good Regulatory Practice and Regulatory Co-operation

- Reduce regulatory obstacles, facilitate market access for UK businesses and investors, and improve trade flows by ensuring a transparent, predictable and stable regulatory framework to give confidence and stability to UK exporting businesses and investors.

- Secure commitments to key provisions such as public consultation, use of regulatory impact assessment, retrospective review, and transparency, as well as regulatory co-operation.

Transparency

- Ensure world class levels of transparency between the UK and New Zealand, particularly with regards to the publication of measures (such as laws and regulations) affecting trade and investment, public consultation, and the right of appropriate review of these measures.
- Commit, subject to the UK's compliance with its data protection legislation, to prompt and open information sharing between the UK and New Zealand by setting up regular data sharing to support understanding of the usage and effectiveness of the agreement.

Trade in Services

- Secure ambitious commitments from New Zealand on market access and fair competition for UK services exporters.
- Agree best-in-class rules for all services sectors (as well as sector-specific rules) to support our world-leading services industry, including key UK export sectors such as financial services, professional and business services and transport services.
- Ensure certainty for UK services exporters in their continuing access to the New Zealand market and transparency on New Zealand services regulation.

Public Services

- Protect the right to regulate public services, including the NHS and public service broadcasters.
- Continue to ensure that decisions on how to run public services are made by UK Governments, including the devolved administrations (DAs), and not our trade partners.

Business Mobility

- Increase opportunities for UK service suppliers and investors to operate in New Zealand by enhancing opportunities for business travel and supporting the Mutual Recognition of Professional Qualifications (MRPQs).

Digital Trade

- Secure cutting-edge provisions which maximise opportunities for digital trade across all sectors of the economy.

- Include provisions that facilitate the free flow of data, whilst ensuring that the UK's high standards of personal data protection are maintained and include provisions to prevent unjustified data localisation requirements.

- Promote appropriate protections for consumers online and ensure the Government maintains its ability to protect users from emerging online harms.
- Support the reduction or abolition of business and consumer restrictions relating to access to New Zealand's digital market.
- Ensure customs duties are not imposed on electronic transmissions.
- Promote a world-leading eco-system for digital trade that supports businesses of all sizes across the UK.

Telecommunications

- Promote fair and transparent access to the New Zealand telecommunications market and avoid trade distortions.
- Secure greater accessibility and connectivity for UK consumers and businesses in the New Zealand market.

Financial Services

- Expand opportunities for UK financial services to ease frictions to cross-border trade and investment.

Investment

- Agree rules that ensure fair and open competition, and address barriers to UK investment across New Zealand's economy.
- Establish comprehensive rules which guarantee UK investors investing in New Zealand the same types of rights and protections they receive in the UK, including non-discriminatory treatment and ensuring that their assets are not expropriated without due process and fair compensation.
- Maintain the UK's right to regulate in the national interest and, as the Government has made clear, continue to protect the NHS.

Intellectual Property (IP)

- Secure copyright provisions that support UK creative industries through an effective and balanced global framework.

- Secure patents, trade marks, and design provisions that:
 - o protect the UK's existing IP standards and seek an effective and balanced regime which encourages and supports innovation
 - o protect UK brands and design-intensive goods whilst keeping the market open to fair competition
 - o do not lead to increased medicines prices for the NHS
 - o ensure consumer access to modern technology
 - o are consistent with the UK's existing international obligations, including the European Patent Convention, to which the UK is party
- Secure provisions that promote the transparent and efficient administration and enforcement of IP rights, and facilitate cross-border collaboration on IP matters.
- Restate the UK's continued commitment to the Doha Declaration on Public Health and the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights), and agreed flexibilities that support access to medicines, particularly during public health emergencies in developing countries.
- Promote effective protection of UK geographical indications in a way that ensures consumers are not misled about the origins of goods while ensuring they have access to a range of products.

Competition

- Provide for effective competition law and enforcement that promotes open and fair competition for UK firms at home and in New Zealand.
- Provide for transparent and non-discriminatory competition laws, with strong procedural rights for businesses and people under investigation.
- Ensure core consumer rights are protected.
- Promote effective co-operation between enforcement agencies on competition and consumer protection matters.

State-Owned Enterprises (SOEs)

- Provide for open and fair competition between commercially oriented SOEs and private businesses by preventing discrimination and unfair practices.
- Secure transparency commitments on SOEs.
- Ensure that UK SOEs, particularly those providing

public services, can continue to operate as they do now.

Government Procurement

- Secure access that goes beyond the level set in the World Trade Organization (WTO) Government Procurement Agreement (GPA) and is based on clear and enforceable rules and standards.
- Develop improved rules, where appropriate, to ensure that procurement processes are simple, fair, open, transparent and accessible for all potential suppliers in a way that supports and builds on our commitments in the WTO's GPA.
- Ensure appropriate regard to public interests and services, including the need to maintain existing protections for key public services, such as NHS health services.

Sustainability

- Seek sustainability provisions, including on environment and climate change, that meet the shared high ambition of both parties on these issues.
- Ensure parties reaffirm their commitment to international standards on the environment, climate change and labour.
- Ensure parties do not waive or fail to enforce their domestic environmental or labour protections in ways that create an artificial competitive advantage.
- Include measures which allow the UK to maintain the integrity, and provide meaningful protection, of the UK's world-leading environmental and labour standards.
- Secure provisions that support and help further the Government's ambition on climate change and achieving Net Zero carbon emissions by 2050, including promoting clean growth, trade in low carbon goods and services, supporting research and development collaboration, maintaining both parties' right to regulate in pursuit of decarbonisation and reaffirming our respective commitments to the United Nations Framework Convention on Climate Change and the Paris Agreement.
- Apply appropriate mechanisms for the implementation, monitoring and dispute resolution of environmental and labour provisions.

Anti-Corruption

- Secure provisions that address the trade-distorting effects of corruption on global trade and fair competition to help maintain the UK's high standards in this area.
- Ensure appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions.

Trade and Development

- Seek to ensure that relevant parts of the agreement support the Government's objectives on trade and development, including through co-operation on the monitoring of, and response to, the impact of FTAs on developing countries.
- Support the continued delivery of the Sustainable Development Goals.

Trade Remedies

- Ensure provisions support market access, uphold our WTO commitments, and are underpinned by transparency, efficiency, impartiality and proportionality.
- Secure provisions which facilitate trade liberalisation while protecting against unfair trading practices.

Dispute Settlement

- Establish appropriate mechanisms that promote compliance with the agreement and seek to ensure that state-to-state disputes are dealt with consistently, fairly and in a cost-effective, transparent and timely manner whilst seeking predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprises (SMEs)

Support UK SMEs to seize the opportunities of UK-New Zealand trade by:

- ensuring a dedicated SME chapter to facilitate co-operation between the UK and New Zealand on SME issues of mutual interest.
- ensuring that SMEs have easy access to the information necessary to take advantage of the trade opportunities generated by the agreement.
- ensuring that throughout the agreement SME-friendly provisions are included that support businesses trading in both services and goods.

Trade and Women's Economic Empowerment

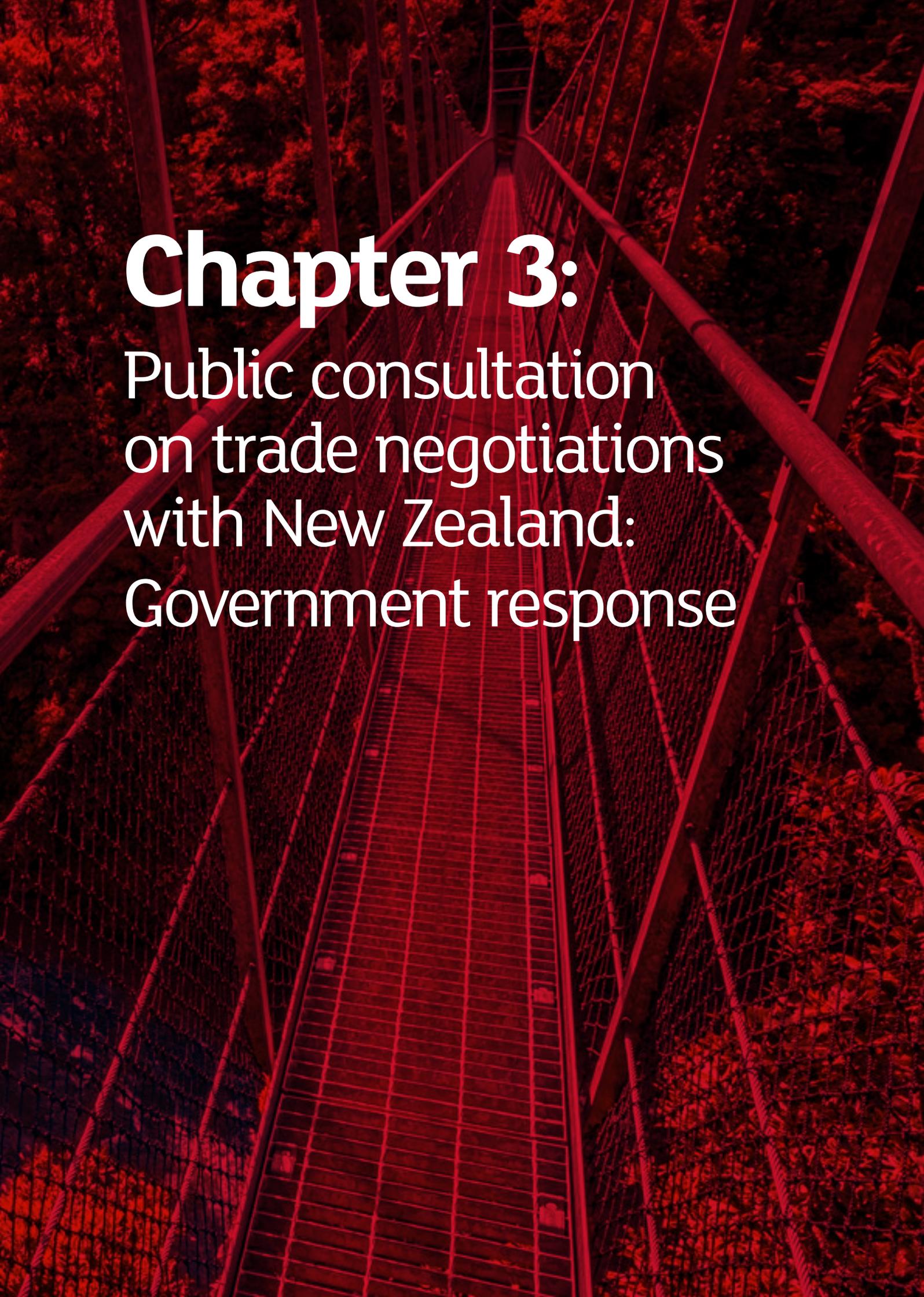
- Seek to advance women's economic empowerment and seek co-operation on this aim.
- Promote women's ability to access the benefits of the UK-New Zealand agreement in recognition of the disproportionate barriers that women can face in economic participation.

General Provisions

- Ensure flexibility for the Government to protect legitimate domestic priorities by securing adequate general exceptions to the agreement.
- Provide for prompt and open information sharing between the UK and New Zealand, including via preference utilisation data sharing to support understanding of the usage and effectiveness of the agreement.
- Seek opportunities for co-operation on issues related to economic growth, with a particular focus on the low carbon economy.
- Provide for regular review of the operation of the agreement, in particular taking into account developments in the global low carbon transition and the thought-leadership of the UK and New Zealand in this area. Allow for the agreement to be amended when necessary in support of these objectives.

Territorial Application

- Provide for application of the agreement to all four constituent nations of the UK, taking into account the effects of the Protocol on Ireland/Northern Ireland to the EU Withdrawal Agreement.
- Provide for further coverage of the agreement to the Crown Dependencies and Overseas Territories as appropriate.



Chapter 3:

Public consultation
on trade negotiations
with New Zealand:
Government response

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Introduction

Consultation Background

On 20 July 2018, the Department for International Trade (DIT) launched a public consultation seeking views on a potential Free Trade Agreement (FTA) with New Zealand. The public consultation closed on 26 October 2018 after 14 weeks.

There were 146,245 responses received in total on this consultation. 145,905 individual responses were submitted by campaigning groups, of these, 52,396 respondents included specific individual comments in addition to the campaigns' proposed template response. The remaining 340 non-campaign respondents were categorised into five groups: (1) Individuals – 176 responses (2) Business – 41 responses (3) Business Association – 72 responses (4) Non-governmental organisation (NGO) – 38 responses and (5) Public Sector Body – 13 responses. A full breakdown of responses, including those received by specific campaign groups, can be found in *DIT's Public consultation on trade negotiations with New Zealand: summary of responses*, which is annexed to this document.

Respondents identified a wide range of priorities for a future UK-New Zealand FTA and their feedback was summarised and grouped according to the 15 policy areas outlined in the consultation. An additional section entitled 'other policy issues' was also included to cover broader comments provided.

This report sets out the Government's response to the *Public consultation on trade negotiations with New Zealand*. All points raised were analysed and continue to inform the Government's overall approach to our future trading relationship with New Zealand, including our approach to negotiating a future trade agreement. Points that might reveal the Government's negotiating position are not responded to in the Government's response. We will continue to draw on consultation responses to inform the Government's policies during negotiations with New Zealand.

The Government is committed to pursuing a trade policy which is inclusive and transparent. Furthermore, we will continue to engage as collaboratively as possible with a wide range of stakeholders as we look ahead to commencing negotiations.

Policy Response

This section contains the Government's explanation of its policy in relation to the comments raised by respondents in the *Public consultation on trade negotiations with New Zealand: summary of responses* document, outlining the Government's position on each of the 15 policy areas and how this has informed the negotiating objectives set out in Chapter 2. The *Public consultation on trade negotiations with New Zealand: summary of responses* contains a full summary of what respondents said regarding the policy areas below. Relevant page numbers for that text are included in each of the corresponding policy sections and the full text can be found as an annex within this publication.

The policy areas are:

- > Tariffs
- > Rules of Origin (RoO)
- > Customs Procedures
- > Services
- > Digital
- > Product Standards, Regulation and Certification

- > Sanitary and Phytosanitary (SPS) Measures
- > Competition
- > Government (Public) Procurement
- > Intellectual Property (IP)
- > Investment
- > Trade Remedies¹⁰
- > Dispute Settlement
- > Sustainability
- > Small and Medium-sized Enterprise (SME) Policy
- > Other policy issues raised by respondents

During the consultation process respondents also noted that our negotiations with New Zealand will take place alongside forging our new relationship with the European Union (EU).

Across all sets of negotiations, we will look to maximise opportunities for the UK. The strengths and requirements of the UK economy will be a key driver of the Government's approach to both New Zealand and EU negotiations. The Government is committed to upholding the UK's high standards for businesses, workers and consumers.

We will continue to listen and respond to our stakeholders' views on this as we develop both our independent trade policy and future relationship with the EU.

Table 1

Comments raised by respondents in the 'Summary of responses' under alternative headings.	The policy area containing the Governments response addressing the comments.
Protecting UK industry and imports	Tariffs
Public services including the National Health Service (NHS), Mutual Recognition of Professional Qualifications (MRPQs), Visas and mobility	Services
Product standards, product quality, levels of protection and labelling	Product Standards, Regulation and Certification
Food exports	Sanitary and Phytosanitary (SPS) Measures
Protection of industry and imports	Competition
Public services including the NHS, Geographical Indications (GIs), source codes, safe harbours, copyright and algorithms	Intellectual Property (IP)
Investor State Dispute Settlement (ISDS)	Investment
Human rights	Other issues raised by respondents

¹⁰ During the consultation, trade remedies and dispute settlement were considered within the same section. However, as these are different policy areas contained within different chapters of an FTA and, as distinct comments were received relating to these issues in the Public consultation on trade negotiations with New Zealand: summary of responses document, the analysis of responses was separated. In this document, trade remedies and dispute settlement have their own dedicated policy explanation. Therefore, there are now 15 policy areas, as well as other comments provided by respondents, as opposed to the 14 outlined in the consultation and the Public consultation on trade negotiations with New Zealand: summary of responses document.

Tariffs

The summary of what respondents said regarding Tariffs can be found on page 20 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

Trade in goods between the UK and New Zealand has increased over the last ten years, supported by low tariffs on a large number of UK and New Zealand exports. The Government shares the view that a further reduction or removal of New Zealand tariffs on UK products can offer great opportunities for UK businesses.

In a UK-New Zealand FTA, we will seek to remove tariffs for all UK exports, making them more competitive in the New Zealand market. Similarly, New Zealand has indicated its intention to seek to reduce or remove UK tariffs on New Zealand exports in a UK-New Zealand FTA. Increased imports from New Zealand could provide savings and wider choice to UK consumers and cheaper inputs to UK businesses. However, concerns have also been raised about the impact of increased competition from cheaper New Zealand exports on the UK market, as well as on preferential access enjoyed by developing countries into the UK market. The Government will therefore ensure a balanced approach to tariff negotiations that considers the best possible outcome for products where tariff liberalisation could have a significant impact.

Rules of Origin (RoO)

The summary of what respondents said regarding RoO can be found on page 21 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

RoO are a key component of any trade agreement, as they define which goods can benefit from the liberalisation achieved in the agreement. They also ensure that only goods from countries which are party to the agreement benefit from lowered tariffs.

The Government shares respondents' views that RoO need to be prioritised in an agreement with New Zealand. We will seek simple and modern rules that facilitate trade between the UK and New Zealand, while also addressing any unfair and unreasonable practices to circumvent tariffs or quotas. Equally, we will reflect UK industry requirements and consider existing (as well as opportunities for future) supply chains.

We note respondents' concerns over the complexity and cost of administrative arrangements to comply with RoO, and particularly recognise the case for RoO which are, as far as feasible, simple and easy to understand.

Customs Procedures

The summary of what respondents said regarding Customs Procedures can be found on page 22 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

Ensuring that customs procedures at the border are as facilitative as possible makes importing and exporting easier. Reducing customs delays and costs could increase the ability of businesses, especially SMEs, to trade efficiently with New Zealand. The Government recognises the views that customs procedures need to be efficient for both UK importers and exporters, and that, to ensure compliance burdens are minimised in customs, the UK should seek to be at the forefront of global customs policy and committed to reducing customs frictions.

In our negotiations with New Zealand, the Government recognises the case for seeking efficient, predictable and transparent customs procedures that reflect the needs of UK exporters and importers, promote supply chain security and advance customs co-operation in a way that minimises compliance burdens for businesses. The Government has taken note of the view that fees and charges related to customs should not act as a barrier to trade. Furthermore, comments made by respondents on the UK's custom arrangements with the EU will be discussed as part of the UK's future economic relationship with the EU.

Services

The summary of what respondents said regarding Services can be found on page 24 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

The UK and New Zealand share a common commitment to support the further global liberalisation of Trade in Services. The UK exported £792 million of services to New Zealand in 2019.¹¹

¹¹ ONS – UK total trade: all countries, non-seasonally adjusted.

Services are the predominant driver of the UK economy, contributing to around 80% of GDP,¹² and 47% of exports in 2018.¹³ The interconnectedness of goods and services means that the liberalisation of services trade under a UK–New Zealand FTA is likely to have positive spill over effects on goods trade and vice-versa.

As the second largest exporter of services in the world as of 2018,¹⁴ the Government wants to ensure that UK services businesses and individuals maintain their world-leading position by seeking greater trade liberalisation across services sectors, providing certainty and improved access to New Zealand's services markets. In addition, the Government will seek to create and enhance opportunities in key UK export sectors as identified by stakeholders, including financial services and professional business services.

The Government recognises that facilitating temporary movement of business people is important to promoting cross-border trade in professional services between the UK and New Zealand. The Government will aim to increase opportunities for service suppliers and investors to operate in New Zealand and the UK by enhancing the opportunities for business people and supporting further Mutual Recognition of Professional Qualifications (MRPQs) whilst maintaining the UK's high professional standards. Respondents felt that this would be of particular benefit to the financial services sector. The Government acknowledges the case for an ambitious agreement on financial services and opportunities to ease trade frictions.

The Government has listened to concerns on business mobility raised by UK respondents and will be looking to include business mobility with New Zealand in an FTA. More broadly, it should be noted that the UK Government is already working to improve the travel environment in relation to business mobility, as, for example, since May 2019 eligible New Zealand passport holders have been able to use eGates at UK airports and Eurostar terminals, improving security and fluidity at the border for eligible business travellers.

The Government notes the concerns from respondents on protecting UK public services (which included education) under a UK–New Zealand FTA. The Government has been clear that it will protect the UK's right to regulate in the public interest and protect public services, including the NHS, in a future trade deal with New Zealand.¹⁵

The Government's position is definitive: the NHS is not, and never will be, for sale to the private sector, whether overseas or domestic. When we are negotiating trade agreements, the NHS will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The Government is fully committed to the guiding principles of the NHS – that it is universal and free at the point of need. The Government will ensure that no trade agreement will alter these fundamental facts and that decisions about public services are made by the Government, including the DAs, not our trade partners.

Digital

The summary of what respondents said regarding Digital can be found on page 26 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below*.

Policy Explanation

Digital trade underpins the UK economy and is vital to both services and goods exporting businesses. In recognition of this fact, the Government will ensure that future FTAs include cutting-edge digital trade provisions, building on existing best practice to maximise opportunities across the UK economy. The UK's digital trade provisions will aim to reduce the costs of international trade, facilitate the co-ordination of global value chains, reduce barriers to digital trade, and help connect businesses and consumers.¹⁶

The Government has listened to responses from stakeholders on the desire for robust online protections for consumers, and the need for provisions to support innovation. The Government notes comments regarding digital taxation and platform liability rules and are considering this as part of our policy development. The Government also agrees that protecting an open internet is an important principle.

The Government notes stakeholders' concerns regarding data protection and privacy standards in the UK and will ensure that robust protections for personal data are maintained. The Government will seek to guarantee the free flow of data and eliminate unjustified data localisation requirements. Cross-border data flows are an important facilitator of both digitally enabled and digitally delivered trade in goods and services. For example, it is estimated that more than 38% of UK services exports to New Zealand (approximately £218 million) were delivered remotely in 2018, a large proportion of which was due to cross-border data flows.¹⁷ Eliminating

12 ONS Services Sector, UK: 2008 to 2019.

13 ONS – UK trade: goods and services publication tables – UK trade in goods and services at current market prices, balance of payments basis, seasonally adjusted

14 WTO Trade in Commercial Services: <https://timeseries.wto.org/>

15 For example, see the Government response to the e-petition 'Don't put our NHS up for negotiation'

16 See 'The impact of Digitalisation on Trade', OECD.

17 This excludes Mode 3. Modes of supply, UK experimental estimates: 2018.

unjustified data localisation requirements further reduces costs to businesses trading overseas, which can be prohibitive for SMEs.

The Government has listened to responses on the benefits of telecommunications trade for consumers and businesses, and recognises the value of ensuring more competitive market conditions for the UK telecommunications sector. The Government agrees that there is value in seeking to improve market access for UK service providers to New Zealand.

The Government recognises the key role of the UK's Audio Visual (AV) and Creative Industries sectors in the UK economy. The UK AV sector exported £20.2 million of services to New Zealand in 2018¹⁸ while the Creative Industries sector exported £86.6 million of services to New Zealand in the same year.¹⁹ The Government notes the strong case for ensuring both world-leading sectors are supported by a UK-New Zealand FTA, including by ensuring the UK's high standards are maintained and the UK's public service broadcasting model is protected.

Product Standards, Regulation and Certification

The summary of what respondents said regarding Product Standards can be found on page 28 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below*.

Policy Explanation

One of the main barriers to international trade, especially for SMEs, comes from differences between countries in what producers need to do to show that their products are safe and effective in that market. Trade agreements can help to overcome obstacles to trade, for example through bringing together experts to scrutinise different approaches and identify where these achieve the same levels of safety and performance.

The Government agrees with respondents that there are opportunities available in this area in a UK-New Zealand FTA, while also acknowledging that it is crucial to ensure that UK requirements for product safety and performance remain high. We further agree that there are opportunities to reduce administrative costs for UK exporters when exporting to New Zealand and will seek to pursue such opportunities where possible. The

Government will continue to ensure the safety and quality of products on sale in the UK, recognising the important role that international standards play.

The Government is fully committed to upholding the UK's high levels of consumer, worker, and environmental protections in trade agreements. The UK's reputation for quality, safety, and performance, drives demand for UK goods and is key to our long-term prosperity. The Government has no intention of harming this reputation in pursuit of a trade agreement.

The UK is committed to the transparent and predictable development of regulation and will therefore seek provisions in a future FTA with New Zealand that ensure good regulatory practices.

Sanitary and Phytosanitary (SPS) Measures

The summary of what respondents said regarding SPS can be found on page 30 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below*.

Policy Explanation

The Government recognises respondents' concerns about food standards and animal welfare. Now we have left the EU, the UK will decide how we set and maintain our own standards and regulations and we have been clear that we will not compromise on our high standards of food safety and animal welfare. The UK's reputation for high quality food and agricultural products is recognised internationally and underpins our exports of these products. Any trade agreement with New Zealand must work for UK consumers, farmers and companies and the Government will strongly defend our right to regulate in these areas in the public interest.

The Government's manifesto has made it clear that 'in all of our trade negotiations, we will not compromise on our high environmental protection, animal welfare and food standards'.

The UK's food regulators will continue to ensure that all food imports into the UK comply with those high standards. Without exception, imports into the UK will meet our stringent food safety standards - all food imports into the UK must be safe and this will not change in any future agreement. In line with responses from businesses, we recognise the opportunities through a trade agreement to streamline procedures for UK food exports into New Zealand.

¹⁸ DCMS Sectors Economic Estimates 2018: Trade in Services

¹⁹ DCMS Sectors Economic Estimates 2018: Trade in Services

Competition

The summary of what respondents said regarding Competition can be found on page 31 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

The UK and New Zealand are both countries with robust competition rules, which allow businesses to compete freely and fairly to the benefit of consumers. The Government recognises respondents' views that UK businesses should be protected from unfair competition. The Government can see a sound case for an ambitious competition chapter that reflects and reinforces these strong regimes.

Provisions for fair, effective and transparent competition rules could underpin liberalisation of trade between the UK and New Zealand. The Government will also seek provisions for co-operation with New Zealand on competition and consumer protection matters.

Government (Public) Procurement

The summary of what respondents said regarding Government Procurement can be found on page 33 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

In trade agreements, the Government will look to secure more extensive market access to international procurement markets, creating much greater opportunities for UK businesses. The New Zealand public procurement market is valued at £22 billion²⁰ and we currently have some access via the World Trade Organization (WTO) Agreement on Government Procurement (GPA), which New Zealand joined in 2015. Bilateral trade negotiations provide an opportunity for the Government to pursue greater UK access that stakeholders have called for. During these negotiations, the Government will seek to maintain our high standards for businesses, workers, consumers and the environment.

There were some comments calling for the UK's international procurement obligations to favour UK domestic suppliers, but the UK's domestic

regulations that apply to government procurement require contracting authorities and contracting entities to treat suppliers equally and without discrimination. These principles continue to apply now that the UK has left the EU.

The Government can endeavour to maximise UK access to New Zealand markets via a number of routes, ensuring that a UK-New Zealand FTA is mutually beneficial. This is likely to include seeking additional market access commitments from New Zealand; addressing specific procurement trade barriers which the GPA does not already address to ensure greater access for UK businesses and ensuring that the procurement process in New Zealand is simple, fair, open, transparent and accessible for all potential suppliers, especially SMEs.

There were a number of comments from respondents relating to the protection of public services. The UK's obligations under the WTO GPA do not apply to the procurement of clinical healthcare services. Furthermore, they do not apply to the procurement of goods and services indispensable for national security or defence purposes. This will not change in any future trade deal, and we will not include such procurement of clinical healthcare services, or goods and services necessary for national security or defence, in a deal with New Zealand. Moreover, the Government will ensure that any commitments in a UK-New Zealand FTA have regard to areas of public interest, whilst ensuring that we remain in line with our existing international commitments under the GPA. Nor will these commitments undermine our ability to maintain the high standards for goods and services that are procured for the public sector, including where these reflect environmental or safety considerations.

Intellectual Property (IP)

The summary of what respondents said regarding IP can be found on page 34 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

A balanced and effective IP regime is an essential element of a vibrant and creative economy and an effective global trading system, providing confidence and protection for investors, entrepreneurs, inventors and creators to turn new

ideas and innovations into products and services, contributing to economic growth. At the same time, it ensures consumers are clear about the origins and quality of products that they buy. The UK has a balanced and effective IP regime that is widely recognised as world-leading and respondents expressed the importance of maintaining this. A UK-New Zealand FTA serves as an opportunity to promote this balance between rights holders, users and consumers and to continue to set global standards.

Respondents emphasised that copyright standards needed to be maintained to support the creative industries. The Government agrees with some respondents' views that the copyright framework should encourage growth and, support creativity and innovation, whilst ensuring there is an appropriate balance between creators being fairly remunerated for their work and providing fair access to that content. A UK-New Zealand FTA will endeavour to achieve this and reaffirm international treaties to which the UK is party.

The Government is aware that the recognition and protection of Geographic Indications (GIs) in New Zealand is a significant concern for some respondents on IP and recognises that GI products play an important role as exemplars of high quality British food and drink. The Government will ensure consumers are not misled about the origins or quality of a product, balanced against the need to ensure fair competition and consumer choice. In addition, the Government will continue to work with industry on how best to protect UK food and drink brands abroad.

Respondents raised concerns around the compatibility with international obligations to which the UK is already bound, such as in the European Patent Convention (EPC). The Government recognises the responsibility of continuing to comply with international treaties on IP, to which it is already party, such as the EPC, when negotiating with New Zealand. There are clear benefits for countries seeking a trade agreement with the UK to have access to patent protection in the UK and other EPC parties through the European Patent Office.

There was concern about how we strike the right balance in the level of IP protections, particularly in the areas of pharmaceuticals and patents. The Government recognises that an effective global IP system needs to strike a balance between supporting research and innovation, through the incentives created by the patent system, and reflecting wider public interests such as, the dissemination and affordability of medicines. In negotiating a UK-New Zealand FTA, we are committed to maintaining this balance. The UK and New Zealand are already committed to the Doha

Declaration on the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) and Public Health, and the UK will continue to support it having left the EU. The Doha Declaration allows the world's least developed countries, who are members of the WTO, to remain exempt from patents on pharmaceuticals until 2033, if they so wish. Additionally, the Government is committed to ensuring that patients have access to the medicines they need at prices that are affordable to the NHS.

Investment

The summary of what respondents said regarding Investment can be found on page 35 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below*.

Policy Explanation

The Government acknowledges the views expressed during the consultation that a UK-New Zealand FTA presents an opportunity to increase investment flows between both countries. Investment makes a valuable contribution to the economies of both the UK and New Zealand, through facilitating innovation, productivity and creating new opportunities for emerging industries. The Government recognises the importance of the trade agreement in facilitating investment flows, through reducing barriers to investment and ensuring legal certainty for investors. The Government has noted the responses on ensuring investors have accurate information to support investment decisions and on the need to ensure that investors can move their capital. Such provisions are consistent with international best practice and the UK will seek to ensure this in future agreements.

The Government notes the views expressed on the potential inclusion of investment protection and an associated Investor State Dispute Settlement (ISDS) mechanism. The Government believes that UK investors should receive the same standard of treatment as New Zealand investors investing in the UK. The Government notes the views that have been expressed on ISDS and is clear that that any legal mechanism for resolving investment disputes must reflect modern approaches, deliver fair outcomes of claims, require high ethical standards for arbitrators, and include transparent proceedings. The Government is clear that its right to regulate in the public interest will continue to be protected in the agreement, particularly with regard to the environment and provision of public services.

Sustainability

The summary of what respondents said regarding Sustainability can be found on page 37 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below.*

Policy Explanation

The Government is firmly committed to maintaining our high domestic standards of environmental protection as well as reaffirming and maintaining our commitments to international environmental standards. The responses to the consultation made clear that the public strongly shares these views. We recognise some concerns were expressed on the potential impact a UK-New Zealand trade agreement could have on the environment. The UK is a world leader on climate action and we will look to use our FTAs to support delivery of the UK's strong environmental and climate change commitments, in particular, to support the Government's aims in the low carbon economy. The Government will continue to consider how our FTA can be used to support both the UK's and New Zealand's Net Zero Climate Change commitments.

Respondents were equally clear in their desire for upholding the UK's high labour standards and agreeing robust protections with New Zealand. We share this desire and are committed to securing a deal that in a way promotes our own high standards and meaningful protections for workers. We will also seek, where appropriate through our FTAs, to improve protections such as the elimination of all forms of forced labour and modern slavery. Some concerns were also expressed around the impact on jobs from more trade with New Zealand. It is a fundamental objective of FTAs to promote growth of the economy and jobs, thereby increasing the opportunities for UK workers.

We will apply appropriate mechanisms for implementation and monitoring labour and environment provisions.

Trade Remedies

The summary of what respondents said regarding Trade Remedies can be found on page 39 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below.*

Policy Explanation

Trade remedies act as a safety net to protect UK businesses from injury caused by unfair trading practices, such as dumping and subsidies, or injury

caused by unforeseen surges in imports. The UK has developed a new trade remedies framework which will help to create fair competition for British industries so they can compete with overseas producers that benefit from unfair practices.

We recognise the respondents' desire for the UK to promote free and fair trade in a way that is transparent, proportionate, in-line with our existing commitments in the WTO and in a way that ensures appropriate protection for industries where necessary. As a result, the Government is committed to seek trade remedy provisions in FTAs which support market access, uphold our WTO commitments, and aim to ensure trading relationships encourage alignment with the key principles underpinning the new UK trade remedies regime of transparency, efficiency, impartiality and proportionality.

The UK will seek to negotiate a trade remedy chapter which facilitates trade liberalisation and acts as an appropriate safety net for industries threatened by import surges or unfairly traded imports.

Dispute Settlement

The summary of what respondents said regarding Dispute Settlement can be found on page 41 of the *Public consultation on trade negotiations with New Zealand: summary of responses annexed below.*

Policy Explanation

Dispute settlement is commonly used in reference to the formal state-to-state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement and it has not been possible to resolve the dispute informally.

The Government considers an effective dispute settlement mechanism to be an appropriate part of an FTA. Effective dispute settlement mechanisms give the parties and stakeholders the confidence that commitments made under the agreement can be upheld, and that any disputes will be addressed fairly and consistently.

The Government recognises that respondents want a dispute settlement mechanism that is robust, transparent, and based on existing international mechanisms, such as those found at the WTO and under many existing FTAs.

Some respondents stated that stakeholders should, where possible, be involved in the dispute settlement process. The Government recognises the importance of this issue and is interested in engaging with stakeholders on this

further. Respondents were also clear that they did not want lengthy or costly dispute settlements in a future FTA with New Zealand. The Government recognises this and sees the case for establishing appropriate mechanisms that enable disputes to be resolved in a timely manner, while also providing predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprise (SME) Policy

The summary of what respondents said regarding SME's can be found on page 41 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

SMEs are an integral part of the UK economy. Over 99% of private sector businesses in the UK are SMEs.²¹ However, barriers to trade disproportionately affect SMEs and may even stop them from exporting altogether. The Government is committed to seeking an FTA that reduces potential barriers to trade so as to benefit the SMEs that already trade with New Zealand and create opportunities for new SME exporters. The Government recognises the varied needs around the opportunities and the challenges for SMEs. We will want to discuss further with stakeholders on how even SMEs, including those with limited capacity to engage on trade policy issues, can best take advantage of the benefits achieved through the agreement as regards to a potential specific SME chapter and SME-friendly provisions throughout the agreement. We will also seek commitments from New Zealand to make information about rules relating to trade and investment more transparent and easily accessible, and to co-operate with the UK on trade issues beneficial to SMEs.

Other policy issues raised by respondents

The summary of what respondents said regarding Other policy issues raised by respondents can be found on page 42 of the *Public consultation on trade negotiations with New Zealand: summary of responses* annexed below.

Policy Explanation

Women's Economic Empowerment

We recognise that gender equality is an important issue for the public. We further recognise that the distributional impacts of trade can be gendered, and that women continue to face barriers in accessing the opportunities of free trade.

The UK is committed to exploring trade policy best practice in order to develop our own approach to advancing women's economic empowerment through trade. We will also explore opportunities with our partners to reflect this in our future FTAs. We will seek to build our evidence-base on how the impacts of trade vary by gender, including by exploring options for conducting gender-focused trade analysis.

Human Rights

We recognise that respondents highlighted the protection of human rights more generally as a part of their concerns. The UK has a strong history of protecting human rights and promoting our values globally and we will continue to encourage all states to uphold international human rights obligations.

Trade and Development

Some respondents raised issues that specifically addressed the Government's commitment to support developing countries to reduce poverty through trade, enshrined in the 2017 White Paper *Preparing for our future UK trade policy*.

To deliver on our public commitment to ensure our trade and development policies remain mutually reinforcing, we will assess the impacts of trade agreements on developing countries and consider measures to address risks and maximise opportunities for development.

²¹ BEIS Business population estimates for the UK and regions 2019.

Next steps

As we have been developing our independent UK trade policy, DIT continues to consult with stakeholders through both informal and formal mechanisms. These include dialogues with the Secretary of State for International Trade, Ministers and Officials.

We will ensure that our new agreements and our future trade policy work for the whole of the UK and its wider UK family; Parliament, DAs, Crown Dependencies, Overseas Territories, local Government, business, trade unions, civil society and the public from every part of the UK will have the opportunity to engage and contribute.

This will be delivered by:

- open public consultations, to inform our overall approach and the development of our policy objectives
- use of the Strategic Trade Advisory Group (STAG), to seek informed stakeholder insight and views on relevant trade policy matters
- use of Expert Trade Advisory Groups (ETAGs), to contribute to our policy development at a detailed technical level
- engagement outreach events across the UK nations and regions

The STAG's principal purpose is for the Government to engage with stakeholders on trade policy matters as we shape our future trade policy and realise opportunities across all nations and regions of the UK through high-level strategic discussion. The STAG's remit extends across the breadth of trade policy. Current membership of the STAG can be found on the *Strategic Trade Advisory Group* page on Gov.uk.

The objective of the ETAGs is to enable the Government to draw on external knowledge and expertise to ensure that the UK's trade policy is backed up by evidence at a detailed level and is able to deliver positive outcomes for the UK. We will draw on the expertise of these groups to gather intelligence for informing the Government's policy positions.

DIT is committed to ensuring we will have appropriate mechanisms in place during negotiations to inform the Government's position. As we move forward, we will review our approach to engagement, and consider whether existing mechanisms are fit for purpose. We welcome further and ongoing feedback and input from stakeholders during this process.

The Government is committed to ensuring that our trade policy is transparent and subject to appropriate parliamentary scrutiny. During negotiations, the Government will publish regular updates on negotiations.

After launching negotiations, we will be working closely with our New Zealand partners to agree a high-quality and mutually beneficial trade agreement which furthers the UK's key interests. Throughout this process we will reflect on the responses to the public consultation conducted in 2018 and work closely with our domestic partners, including the DAs, and stakeholders to deliver a high quality agreement for the whole of the UK.

Chapter 4:

Scoping Assessment
for a bilateral Free
Trade Agreement
between the United
Kingdom and
New Zealand



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The Department for International Trade (DIT) is preparing for negotiations with New Zealand. This Scoping Assessment provides a preliminary assessment of the potential long run impacts of a Free Trade Agreement (FTA) between the UK and New Zealand prior to the launch of negotiations.

Summary

The importance of trade and investment links between the UK and New Zealand

New Zealand is the UK's 34th largest non-EU trading partner and 53rd globally. Total trade between the two countries was worth £3.0 billion in 2018, with around 60% of this being goods trade. UK exports to New Zealand have been on an upward trend – growing from £0.7 billion in 2000, to over £1.8 billion in 2018.²² The UK is one of New Zealand's biggest trade and investment partners, the UK is New Zealand's sixth largest trading partner worth 3.5% of its total trade.²³ As of 2018, the UK is the fourth largest recipient of New Zealand's direct investment, representing 6% of New Zealand's outward Foreign Direct Investment (FDI), and the fifth largest direct investor in New Zealand, representing 5% of its inward FDI.²⁴

UK Businesses and UK Jobs

In 2018, 7,000 VAT registered businesses exported goods to New Zealand and 2,000 businesses imported goods from New Zealand.



7,000
UK exporters



2,000
UK importers

Goods trade

The UK's largest good export to New Zealand is cars and trucks. The UK's largest imported good from New Zealand is sheep and goat meat..



£200 million
Car & Truck exports



£263 million
Meat imports

Services trade

Personal travel is the UK's largest export and import service to and from New Zealand.



£252 billion
Personal travel exports



£237 million
Personal travel imports

Source: HMRC and ONS data, 2016-2018 annual averages

Scope to further enhance trade and investment

A UK-New Zealand FTA has the potential to generate benefits for the UK. New Zealand has removed trading barriers for other major economies, such as South Korea, and members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This means UK firms face higher barriers relative to these economies. An FTA provides the UK with the opportunity to remove barriers and increase opportunities for UK exporters and investors.

The aim of enhancing the UK-New Zealand trading and investment relationship through an FTA is supported by the public. A recent DIT survey found that over 70% of the UK public support the UK establishing an FTA with New Zealand.²⁵

The potential impact of a UK-New Zealand FTA

International evidence suggests that FTAs can reduce the costs of trade and investment, by eliminating tariffs and reducing non-tariff measures (NTMs) and regulatory restrictions to services trade. The analysis in this Scoping Assessment draws on robust evidence and the best tools available for assessing the impacts of an FTA. The results should be interpreted with caution, due to inherent uncertainty, and should not be considered as an economic forecast for the UK economy.

As the final details of the FTA are not yet known, ahead of negotiations the modelling is based on two plausible scenarios representing different depths of agreement. Scenario 1 assesses the impact of substantial, but not full, UK tariff liberalisation combined with a 25% reduction in the levels of actionable NTMs and regulatory restrictions affecting goods and services. New Zealand is assumed to undertake full tariff liberalisation and reduce its actionable NTMs by 25%. Scenario 2 represents a deeper trade agreement, with full tariff liberalisation and a 50% reduction in actionable NTMs and regulatory restrictions to services.

²² ONS (2020), UK total trade: all countries, non-seasonally adjusted.

²³ Stats NZ, Goods and services trade by country: Year ended March 2019.

²⁴ Stats New Zealand, FDI stock (Based on International Investment Position, net)

²⁵ <https://www.gov.uk/government/publications/public-attitudes-to-trade-tracker-wave-1>

The scenarios used for modelling are based upon the UK’s current tariff schedule (the EU’s ‘Common External Tariff’). Following a consultation, the UK has recently announced the UK Global Tariff (UKGT) schedule, which will apply following the end of the transition period. The estimates do not take into account the UKGT.

Coronavirus has had a major impact on most major economies. Its economic impact is expected to be highly significant for the next few years. However, the analysis of the impact of a trade agreement with New Zealand relates to the long-term. It is too soon to say what the lasting impacts of the pandemic will be on international trade and domestic sectors. Our analysis therefore implicitly assumes that in the long-term, the UK, New Zealand and global economies will have recovered from the impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.

In the short term, changes in barriers to trade and investment in response to the Coronavirus pandemic will affect the flow of trade, as countries take measures to address the crisis. In the longer term, the economic benefits from FTAs are driven by a sustained reduction in barriers to trade and investment, with greater benefits derived from reducing larger barriers, enabling a larger increase in trade to follow. Where barriers to trade and investment have increased in response to the Coronavirus pandemic, the economic benefits from reducing barriers via an FTA could also increase, if those increases in trade and investment barriers were to be sustained into the long term. And similarly, where barriers are reduced in response to the Coronavirus pandemic, such as a reduction in tariffs on imports of medical goods, an FTA provides an opportunity to sustain those reductions and the equivalent benefits.

A trade agreement with New Zealand is estimated to have limited effects on headline Gross Domestic Product (GDP) in the long run, with the estimated impact on GDP being 0.00% under both scenarios.

In both scenarios, productivity gains – resulting from a reallocation of resources within and across sectors - are expected to drive increases in take-home pay for UK workers; the modelling estimates an increase in the

Scenario 1:
UK substantial tariff liberalisation,
New Zealand full tariff liberalisation, and
a 25% reduction in NTMs

Scenario 2:
Full tariff liberalisation
and a 50% reduction
in NTMs



Source: DIT modelling; central estimates for GDP impacts. £ values in 2018 terms

long run level of the average real wage in the UK of around 0.01% (£100 million) in scenario 1 and 0.02% (£200 million) in scenario 2.²⁶

These productivity gains drive a small increase in economic output in the UK measured on a Gross Value Added (GVA) basis in both scenarios.²⁷ In scenario 2, output is estimated to increase across most sectors of the UK economy. The agriculture and semi-processed food sectors are estimated to see a reduction in output GVA and employment relative to the baseline as UK market access in these sectors increases and resources move towards the expanding sectors.

Based on the distribution of sectoral value added, the FTA has the potential to increase long run output across most nations and regions of the UK, although in Northern Ireland the higher concentration of the agriculture and semi-processed foods sectors may mean lower output compared to the baseline. This is not to say that GVA in Northern Ireland would be lower than now, as the economy overall is expected to grow over this period. In both scenarios, the FTA is estimated to lead to relatively large increases in bilateral trade. UK goods and services are expected to become relatively more competitive in New Zealand because of the FTA. UK exports to New Zealand could increase by 3.8% or 7.3%, depending upon the scenario. Firms would be able to expand trade as the result of the reduction in trade costs on both imported inputs and exported outputs to New Zealand, generating productivity gains. This could also lead to an increase in the global competitiveness of UK firms, as exports to other countries outside of the agreement are estimated to grow.

Imported goods and services from New Zealand facing lower trade costs could drive efficiency gains for UK businesses relying on or switching to inputs from New Zealand. UK consumers could also benefit if cheaper consumer goods become available. In the long run, prices adjust to higher demand, but, imports from New Zealand increase by 15% in scenario 1 and 40% in scenario 2. The estimated increase in imports would reflect growth in areas where New Zealand is relatively competitive, including categories such as semi-processed foods.²⁸ Changes on imports of specific products are not modelled, but given the current pattern of UK imports of semi-processed foods from New Zealand, it is expected that this would in part be an increase in imports of sheep meat, including lamb. While the modelling suggests that UK imports from New Zealand could increase by 40% in scenario 2, total imports to the UK from around the world increase by 0.1%. In 2018 UK imports from New Zealand were just over £1.3 billion (0.2% of UK total imports).

Both consumers and importing businesses may directly benefit from lower tariffs, with total annual tariffs on UK imports from New Zealand under the UK's current tariff schedule, estimated to be between £25.1 million and £35.6 million per year. Non-tariff trade cost reductions can drive import prices even lower creating further benefits.

The economic impacts of a UK-New Zealand FTA may have wider social and environmental implications. A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups and those who report having a disability are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline. Workers who are male, white, or older workers (over 65 years old) are more concentrated in sectors where employment is estimated to fall relative to the baseline.

The extent to which the UK-New Zealand FTA impacts the environment is dependent on the negotiated outcome, which will determine changes in the pattern of trade and economic activity. Changes in the UK's production and global trading patterns could favour UK sectors which are currently more emissions-intensive and could impact transport emissions. This Government is committed to ensuring that a UK-New Zealand FTA will not threaten the UK's ability to meet its environmental commitments, or its membership of international environmental agreements, and will pursue opportunities to further environmental and climate policy priorities.

Finally, GDP in New Zealand is estimated to see economic growth of 0.14% or 0.35% as a result of this FTA in scenario 1 and 2, respectively, equivalent to £200 million or £500 million compared to its 2018 level.

Next steps

Following the conclusion of negotiations and once the text of a UK-New Zealand agreement is known, a full impact assessment will be published prior to implementation. DIT will continue to review the potential economic impacts of FTAs, and the final impact assessment will update and refine the preliminary estimates of the scale and distribution of impacts outlined in this Scoping Assessment.

²⁶ £ values in 2018 terms.

²⁷ Gross Value Added (GVA) is a different measure of economic output to GDP. At the national level, GVA is the equivalent of GDP plus government subsidies, minus taxes. Unlike headline GDP, GVA therefore includes government subsidies and taxes.

²⁸ Competitiveness here is based on Revealed Comparative Advantage (RCA) or, export specialisation. See table 1 in the report for further detail.

1. Background

An FTA is an international agreement which seeks to increase trade and investment between its signatories by removing or reducing tariffs, NTMs and regulatory restrictions to services prohibiting trade and investment between partner countries.²⁹

Trade and investment barriers make it more difficult and costlier to trade or invest overseas. By removing or reducing them, FTAs can make it easier for businesses to export, import and invest. FTAs can also benefit consumers by providing a more diverse and affordable range of imported products.

The Government is committed to a transparent, inclusive and evidence-based approach to trade policy. A public consultation on a potential FTA between the UK and New Zealand was held between July and October 2018.

The aim of the Scoping Assessment is to provide Parliament and the public with a preliminary assessment of the broad scale of the potential long run impacts of an eventual FTA between the UK and New Zealand prior to the launch of negotiations. The content of any eventual FTA is not yet known. Once the provisions of the agreement have been negotiated, the Government will publish a full Impact Assessment based upon the provisions of the agreement.

This Scoping Assessment includes the rationale for an FTA with New Zealand, a description of the approach used for assessing its potential impacts, the results from modelling two scenarios for a UK-New Zealand FTA and sensitivity analysis.

The analysis throughout the Scoping Assessment is based upon the UK's current tariff schedule and does not account for the introduction of the UKGT following the end of the transition period.

Coronavirus has had a major impact on most major economies. Its economic impact is expected to be highly significant for the next few years. However, the analysis of the impact of a trade agreement with New Zealand relates to the long-term. It is too soon to say what the lasting impacts of the pandemic will be on international trade and domestic sectors. Our analysis therefore implicitly assumes that in the long-term, the UK, New Zealand and global economies will have recovered from the impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.

In the short term, changes in barriers to trade and investment in response to the Coronavirus pandemic will affect the flow of trade, as countries take measures to address the crisis. In the longer term, the economic benefits from FTAs are driven by a sustained reduction in barriers to trade and investment, with greater benefits derived from reducing larger barriers, enabling a larger increase in trade to follow. Where barriers to trade and investment have increased in response to the Coronavirus pandemic, the economic benefits from reducing barriers via an FTA could also increase, if those increases in trade and investment barriers were to be sustained into the long term. Similarly, where barriers are reduced in response to the Coronavirus pandemic, such as a reduction in tariffs on imports of medical goods, an FTA provides an opportunity to sustain those reductions and the equivalent benefits.

²⁹ Further background on Free Trade Agreements can be found in the Information note for the consultation on a bilateral free trade agreement between the UK and New Zealand (July 2018). <https://www.gov.uk/government/consultations/trade-with-new-zealand>

2. Rationale for an FTA with New Zealand

This section provides an overview of the current UK-New Zealand trade and investment relationship and sets out the rationale for further trade liberalisation by highlighting tariff, NTMs and regulatory restrictions that exist in goods and services trade.

New Zealand was the UK's 34th largest non-EU trading partner and 53rd globally in 2018. Total trade between the two countries was worth £3.0 billion in 2018, with around 54% of this being goods trade. UK exports to New Zealand have been on an upward trend, growing from £0.7 billion in 2000, to over £1.4 billion in 2018. The UK is one of New Zealand's largest trade and investment partners, representing New Zealand's sixth largest trading partner and 3.5% of its total trade. As of 2018, the UK was the fourth largest recipient of New Zealand's direct investment, representing 6% of New Zealand's outward FDI, and the fifth largest direct investor in New Zealand, representing 5% of its inward FDI.

A UK-New Zealand FTA has the potential to generate benefits for the UK. New Zealand has removed trading barriers for other major economies, such as South Korea and members of the CPTPP bloc. This means UK firms face higher barriers. An FTA provides the UK with the opportunity to remove barriers and increase opportunities for UK exporters and investors.

The aim of enhancing the UK-New Zealand trading and investment relationship through an FTA is supported by the public. A recent DIT survey found that 70% of the UK public support the UK establishing an FTA with New Zealand.³⁰

2.1 Policy objectives

An FTA with New Zealand represents an opportunity to strengthen the economic relationship between the UK and New Zealand.

Specific policy objectives for negotiations with New Zealand are set out in the Outline Approach for negotiations, found in chapter two of this document.

The overarching objectives are to:

- Agree an ambitious and comprehensive FTA with New Zealand that strengthens the economic relationship with a key like-minded partner, promoting increased trade in goods and services and greater cross-border investment.
- Secure broad liberalisation of tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture.
- Work together to reinforce our mutual interest in sustainable and inclusive trade policy.
- Supporting both Governments' Net Zero commitments on climate change, we will seek provisions that maintain the right to regulate for each party and support opportunities for global growth in low carbon sectors and associated R&D.
- Increase the resilience of our supply chains and the security of our whole economy by diversifying trade.
- Futureproof the agreement in line with the Government's ambition on climate and in anticipation of rapid technological developments, such as Artificial Intelligence.
- The Government has been clear that when we are negotiating trade agreements, the National Health Service (NHS) will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic.
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food safety standards.

³⁰ <https://www.gov.uk/government/publications/public-attitudes-to-trade-tracker-wave-1>

2.2 Overview of the UK – New Zealand trade relationship

Similar to the UK, trade is an important part of the New Zealand economy. Since the mid-2000s New Zealand's policy of trade liberalisation has predominantly focused on bilateral and plurilateral agreements. New Zealand is currently party to ten trade agreements.³¹ These trade agreements have reduced the tariffs faced by countries party to these agreements.

New Zealand signed its first FTA with Australia in 1983 and has since secured trade agreements with key trading partners. Trade is important for the New Zealand economy; total trade is equivalent to around 60% of GDP each year. Over time, New Zealand has reduced its tariffs to support its economy, as shown in Chart 1 below.

Chart 1: New Zealand applied tariff rate, all products, weighted average (%), 1991 to 2017³²



Source: World Bank staff estimates using the World Integrated Trade Solution database (WITS)

New Zealand has relatively low tariffs across all goods products and has reduced them further as part of bilateral and regional trade agreements. On services, New Zealand has consistently committed to greater liberalisation under its FTAs than under its World Trade Organization (WTO) commitments. As a result, UK exporters face higher tariffs and services barriers in the New Zealand market than exporters based in those countries.

On investment, New Zealand has included investment as part of recent agreements with Australia, South Korea, Taiwan, and China. This means that UK firms looking to invest in the New Zealand market may be asked to meet more stringent conditions than investors from countries which have FTAs with New Zealand.

New Zealand is a rapidly growing advanced economy. The different trade specialisations of the New Zealand and UK economies suggest that there are potential gains from enhancing trade.

Over the past decade, New Zealand has consistently ranked as one of the fastest growing advanced economies.³³ In 2017, New Zealand had the world's 19th highest GDP per capita, at \$42,583³⁴ (£33,041).³⁵ This compares to the UK's GDP per capita of \$39,954 (£31,001), which ranked 22nd highest in the world. An average consumer in New Zealand spent around \$22,803 (£17,693) a year on goods and services.³⁶

Despite both the UK and New Zealand being advanced economies, there are differences in economic structure. Table 1 below shows the areas of Revealed Comparative Advantage (RCA), or relative export specialism. Each country is relatively specialised in exports within sectors where the RCA index is greater than zero (highlighted green in the table). This can be considered as a proxy for the specialisms of the UK and New Zealand economies.

³¹ New Zealand Ministry of Foreign Affairs and Trade, Free trade agreements in force.

³² Dashed lines indicate years where data is incomplete and some interpolation has been done.

³³ International Monetary Fund, World Economic Outlook Database, April 2019.

³⁴ World Bank Development Indicators, current US dollars, 2017. Ranking excludes Macao and Hong Kong.

³⁵ Converted using Bank of England annual average spot exchange rates for 2017.

³⁶ World Bank Development Indicators.

Table 1: Revealed Comparative Advantage (RCA) by sector³⁷

		UK RCA	NZ RCA
Agri-foods	Agriculture	-0.67	0.18
	Beverages and tobacco products	0.28	0.04
	Semi-processed foods	-0.41	0.71
	Processed foods	-0.23	0.10
Industry	Chemical, rubber, plastic products	0.31	-0.20
	Electronic equipment	-1.52	-0.16
	Energy	-3.07	-0.29
	Manufactures of materials	-1.29	-0.03
	Motor vehicles and parts	0.03	-0.15
	Other machinery and equipment	-0.93	-0.21
	Other Manufacturing	-0.03	-0.03
	Other transport equipment	0.39	-0.04
	Paper and printing products	-0.01	0.03
	Textiles, apparel, and leather	-0.94	-0.05
Services	Business services	3.74	-0.04
	Communications	0.33	0.00
	Construction	-0.06	-0.01
	Financial services	2.49	-0.03
	Insurance	0.55	-0.01
	Other services (transport, water, dwellings)	0.46	0.06
	Personal services	0.29	0.06
	Public services	0.18	0.02
Wholesale and retail trade	0.10	0.04	

Source: GTAP9 (2011 Data) and DIT Calculations.

2.3 Overview of existing trade and investment relationship

New Zealand is already an important trade and investment partner for the UK. This is particularly the case with vehicles, meat, beverages, travel services, and transportation services.

New Zealand was the UK's 50th largest export market in 2018, accounting for 0.2% of the UK's total exports. In 2018, total trade between New Zealand and the UK was around £3.0 billion.³⁸

The UK is one of New Zealand's biggest trade and investment partners, representing New Zealand's sixth largest trading partner and 3.5% of its total

trade.³⁹ In 2018, the UK was the fourth largest recipient of New Zealand's direct investment, representing 6% of New Zealand's outward FDI, and the fifth largest direct investor in New Zealand, representing 5% of its inward FDI.⁴⁰ New Zealand was the 30th largest investor in the UK and the 34th largest recipient of UK FDI as of 2018.⁴¹

Of all UK exports to New Zealand in 2018, 54% were goods.⁴² Bilateral trade data shown in Chart 2 illustrates the goods sectors in which the UK exported the most to New Zealand and New Zealand exported the most to the UK. The three goods sectors in which the UK exported the most to New Zealand in 2016-2018 were vehicles and aircraft, machinery and electrical equipment, and prepared foodstuffs (beverages spirits, vinegar, tobacco). The three goods sectors in which the UK imported the most from New Zealand were live animals and products, prepared foodstuff, and machinery and electrical equipment.

38 ONS (2020), UK total trade: all countries, non-seasonally adjusted.

39 Stats NZ, Goods and services trade by country: Year ended March 2019.

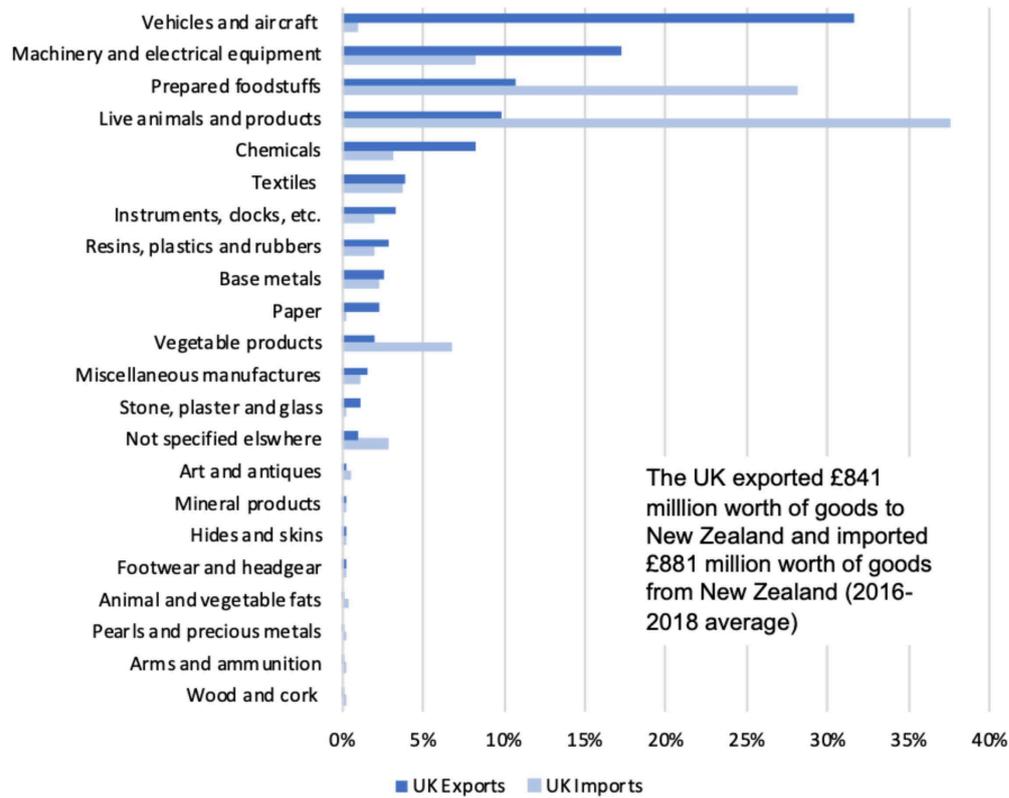
40 Stats New Zealand, FDI stock (Based on International Investment Position, net) Year ended March 2019.

41 ONS, Foreign direct investment involving UK companies: 2018. These rankings exclude UK Offshore Territories.

42 ONS (2020), UK total trade: all countries, non-seasonally adjusted.

37 23 Sectors are an aggregation of the 57 GTAP Sectors.

Chart 2: Sector shares of UK goods exports and imports to/from New Zealand as a proportion of total goods exports and imports to/from New Zealand (annual average shares 2016-18)⁴³



Source: HMRC trade statistics by commodity code. Sectors classified according to Harmonised System Sections. Data uses an average from 2016 to 2018.

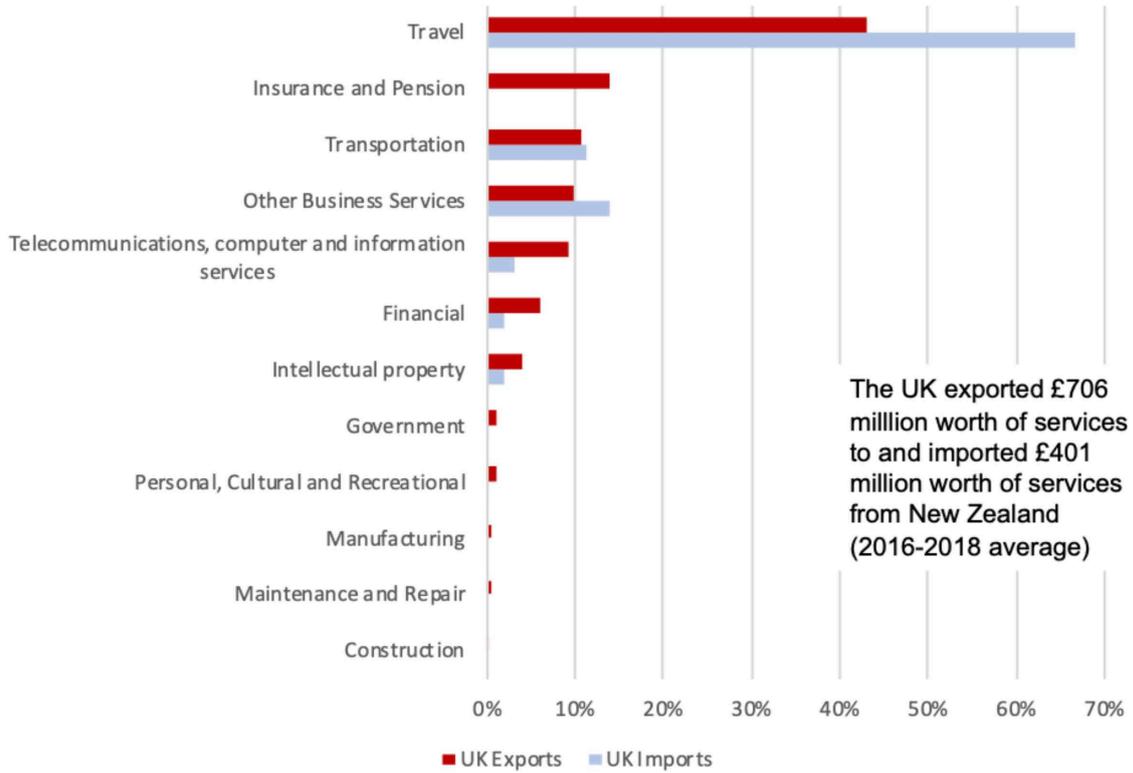
Of all UK exports to New Zealand in 2018, 46% were services.⁴⁴ Chart 3 below shows that the most important sectors for bilateral trade between New Zealand and the UK are travel, transport, telecommunications, and 'other business services'.

'Other business services' captures professional services including architecture and engineering. Contrary to the pattern of goods trade, the pattern of the UK's service exports to New Zealand is broadly mirrored by the pattern of New Zealand's service exports to the UK.

⁴³ Some bars do not appear due to size. When this is the case, the sector share is small and positive.

⁴⁴ ONS (2020), UK total trade: all countries, non-seasonally adjusted.

Chart 3: Sector shares of UK services exports and imports to/from New Zealand as a proportion of total services exports and imports to/from New Zealand (annual average shares 2016-18)⁴⁵

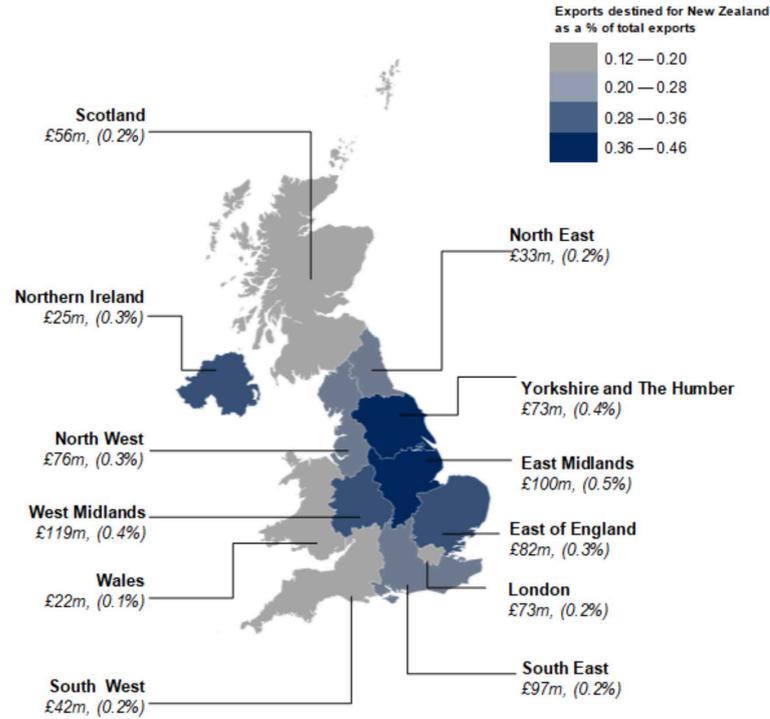


Source: ONS (2020), UK trade in services: service type by partner country, non-seasonally adjusted.

The UK’s regional goods trade with New Zealand is most concentrated in the East Midlands, from which 0.5% of the region’s exports are to New Zealand.

⁴⁵ Some bars do not appear in cases where values are suppressed by ONS for disclosure issues.

Chart 4: UK nations and regions goods exports to New Zealand as a share of total goods exports, 2018



Source: HMRC Regional Trade Statistics.

Table 2 below highlights the importance of trade with New Zealand for each UK nation by top goods sectors. This highlights the diversity among exports in different UK nations to New Zealand.

Table 2: Top three UK goods exports to New Zealand by nation (annual average 2016-18)

Nation	Goods exported	Values, £ million
England	Road vehicles	£224.3
	Machinery specialized for particular industries	£44.3
	Other transport equipment	£40.3
	Road vehicles	£6.3
Northern Ireland	Medicinal and pharmaceutical products	£5.3
	Machinery specialized for particular industries	£4.0
	Road vehicles	£10.2
Scotland	Beverages	£8.9
	Power generating machinery & equipment	£5.7
	Non-metallic mineral manufacturers n.e.s.	£3.0
Wales	Road vehicles	£2.9
	Furniture and parts thereof; bedding, mattresses etc.	£1.5

Small and medium-sized enterprises (SMEs) make up a high proportion of UK businesses exporting to Non-EU countries.

SMEs (firms employing less than 250 employees) are important to the UK economy. In 2018, these made up over 99% of the total number of private sector businesses, representing 60% of employment and 52% of private sector turnover.⁴⁶ UK SMEs play an integral role in engaging with the international economy. SMEs are increasingly international traders in their own right. For example, in 2018, 97% of businesses exporting goods were SMEs, representing 28% the UK's total exports.⁴⁷ SMEs also form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods. It is estimated that SMEs represent 85% of UK goods businesses exporting to Non-EU countries and 25% of the total value of UK goods trade. In total, 265,339 VAT registered SME businesses exported to Non-EU countries and 261,459 VAT registered SME businesses imported from Non-EU countries in 2017.⁴⁸

The UK currently participates in two trade-related EU-New Zealand agreements, which have been transitioned into UK-New Zealand agreements to ensure continuity. The first of these, the EU-New Zealand Agreement on Mutual Recognition in relation to Conformity Assessment, promotes trade in goods and facilitates market access by making it easier for businesses to demonstrate the conformity of products with certain regulatory requirements. The second agreement is the EU-New Zealand Agreement on sanitary measures applicable to trade in live animals and animal products, placing emphasis on sanitary measures applicable to trade in live animals and animal products.

An FTA with New Zealand would allow the UK to build on this growing trade and investment relationship, both in the sectors covered by these agreements and more widely.

2.4 Further scope to maximise trade and investment (UK-New Zealand barriers)

While there are strong trade and investment links between the UK and New Zealand, evidence on trade and investment barriers between the two countries suggests that there is scope to further enhance this relationship.

DIT has consulted widely on stakeholders' priorities for an FTA with New Zealand. The evidence gathered from these exercises includes:

- > responses from DIT's public consultation
- > DIT's Public Attitudes to Trade Tracker
- > targeted stakeholder engagement across UK regions

Responses from DIT's public consultation

In July 2018 the UK Government launched an online consultation for members of the public, businesses, trade experts and any other interested organisations to submit their views on an FTA with New Zealand.⁴⁹ A summary of responses to that consultation, outlining the views of the public was published on 18th July 2019.⁵⁰

Public attitudes to trade tracker

In September 2018, DIT commissioned a nationally representative survey of the UK public to examine public attitudes towards trade and to understand the public's priorities as they relate to trade policy, and how these may change over time.⁵¹

This found that 70% of the UK public support the UK establishing an FTA with New Zealand (with the remainder saying they neither support or oppose this (13%), they didn't know (13%) or they opposed the UK establishing an FTA with New Zealand (5%)).⁵²

46 BEIS Business Population Estimates (BPE, 2018).

47 HMRC, UK Trade in Goods by Business Characteristics 2018; estimates based on HMTC OTS and ONS IDBR data.

48 HMRC Trade in Goods by Business Characteristics.

49 Public consultation on a bilateral free trade agreement between the UK and New Zealand (DIT, July 2018). <https://www.gov.uk/government/consultations/trade-with-new-zealand>

50 Summary of responses to public consultation on a bilateral free trade agreement between the UK and New Zealand (DIT, July 2018). <https://www.gov.uk/government/consultations/trade-with-new-zealand>

51 <https://www.gov.uk/government/publications/public-attitudes-to-trade-tracker-wave-1>

52 Percentages do not add to 100% due to rounding.

Evidence on barriers in UK-New Zealand trade in goods

The average tariff on UK-New Zealand goods trade is relatively low but varies by type of good. WTO data suggests that Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) are the most prevalent NTMs on goods trade.

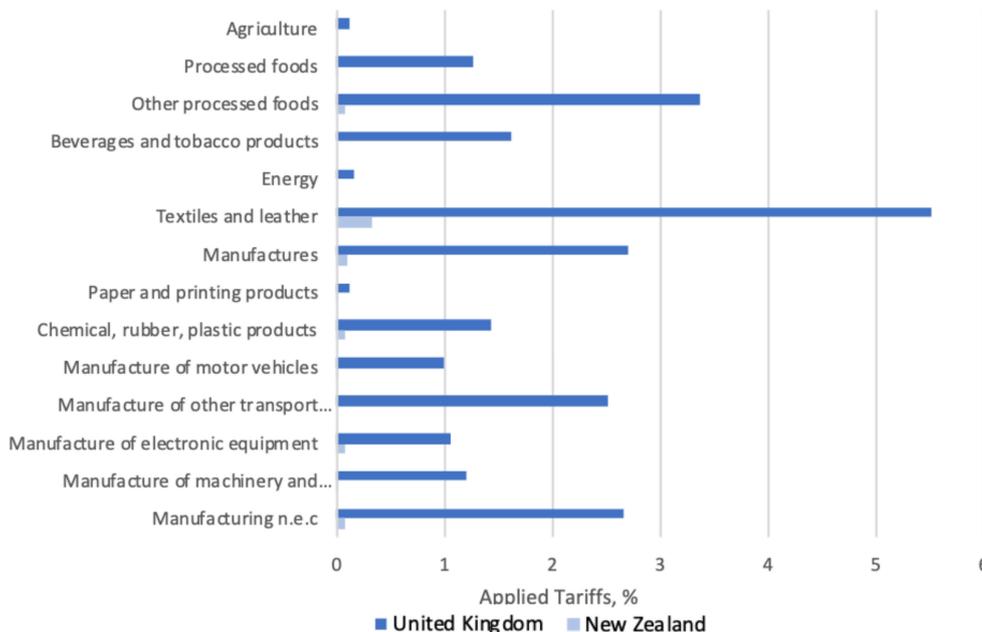
Tariffs

Following a consultation, the UK has recently announced the UK Global Tariff schedule, which will apply following the end of the transition period. The calculations below do not take into account the UKGT. The simple average applied tariff on New Zealand goods imported into the UK is 6%, based on MFN rates currently applied by the UK. For UK goods exported to New Zealand, this tariff is 2%. However, on a trade-weighted basis (which accounts for the specific value of bilateral UK-New Zealand trade in different sectors), the average tariff is 13% for New Zealand goods imported into the UK and 3% for UK goods exported to New Zealand.⁵³

The above headline figures contain a variety of applied tariffs, which vary across different types of goods. The current UK average tariffs across broad categories vary from 0% on vegetable plaiting materials to around 35% on sugars and confectionary. New Zealand's tariffs vary from 0% on live animals to around 10% on apparel and clothing accessories.

Chart 5 below illustrates the tariff barriers UK firms would currently face under an MFN scenario compared to the average tariff faced by the trade partners with which New Zealand had an FTA in force in 2017.⁵⁴ The chart presents an average across each sector and doesn't show the full range of tariffs that may exist within each sector. As highlighted below, UK exporters face higher tariffs in the New Zealand market than those of several other major countries. A UK-New Zealand FTA would seek to address this.

Chart 5: New Zealand simple average MFN tariffs on UK exports, compared to simple average tariffs faced by New Zealand's FTA partners, 2017⁵⁵



Source: DIT Calculations, World Integrated Trade Solution system (WITS), 2017 data.

⁵³ Simple average tariffs represent the mean average across all tariff lines. A trade weighted tariff accounts for patterns of trade. Source: International Trade Centre MacMap tariff data and HMRC trade data, 2017/2018.

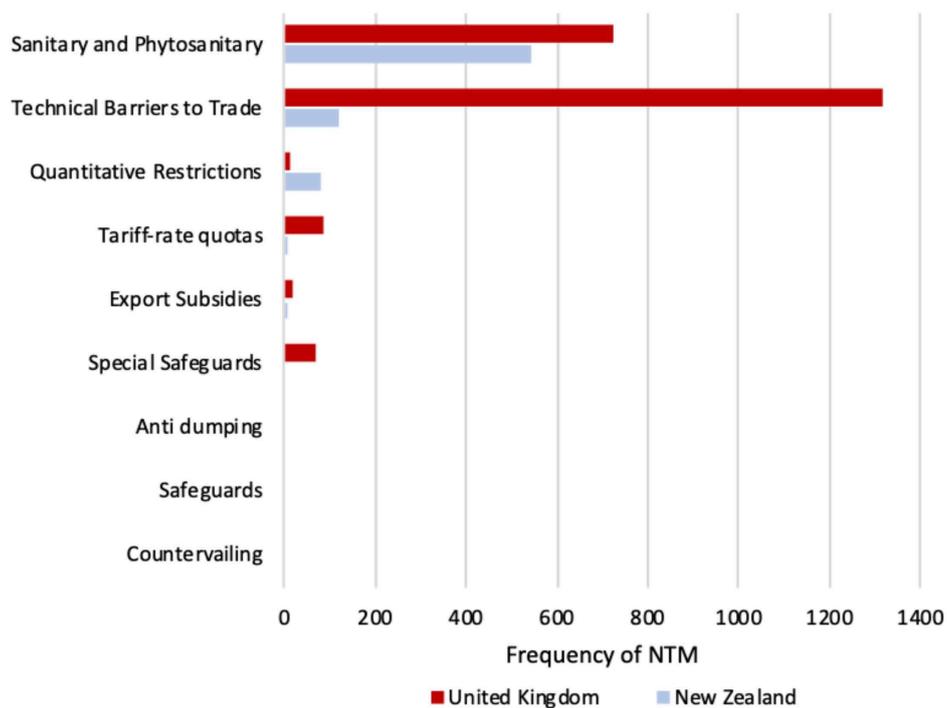
⁵⁴ FTA partner countries include: Australia, Brunei, Cambodia, Chile, China, Hong Kong, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Thailand, Vietnam. CPTPP Agreement not included.

⁵⁵ When no bar is visible this does not necessarily mean the applied tariff is zero.

Non-tariff measures on goods

NTMs on goods are defined as measures other than ordinary customs tariffs that can potentially have an impact on international trade. This includes customs controls and differences in national regulatory regime. Evidence from the WTO's Integrated Trade Intelligence Portal (I-TIP) suggests that most NTMs in New Zealand in 2018 fall under the categories of SPS measures and TBT measures.⁵⁶ SPS is a category which covers any standards a country applies to ensure food safety, animal health or plant health standards. TBT measures refer to mandatory technical regulations and voluntary standards that define specific characteristics that a product should have, such as its size or shape (see Chart 6).

Chart 6: NTMs in the UK and New Zealand, by frequency⁵⁷



Source: WTO, Integrated Trade Intelligence Portal (I-TIP). NTMs either initiated or in force.

Evidence on barriers in UK-New Zealand trade in services

Though bilateral trade flows in goods is larger, trade in services is important for both countries. Data from the Organisation for Economic Co-operation and Development (OECD) highlights the restrictions that are in place that affect foreign providers of services, including digital services trade.

In 2018 around 46% of UK exports to New Zealand were in services. The UK's total services trade with New Zealand, imports plus exports, has increased by over 38% in the last decade from £0.8 billion in 2008 to £1.2 billion in 2018.⁵⁸

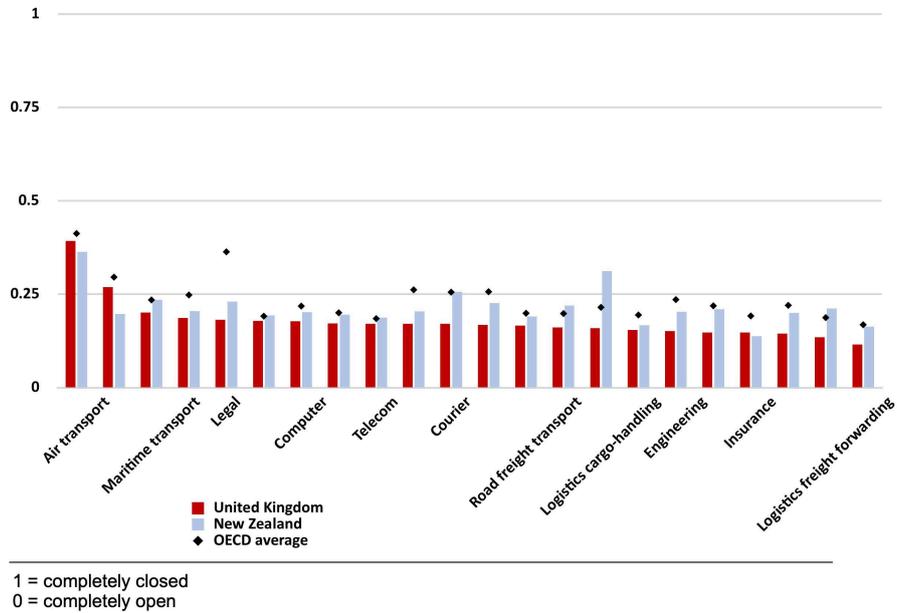
The OECD's Services Trade Restrictiveness Index (STRI) provides a measurement of regulatory restrictions to trade in services across 22 sectors, with 0 representing a sector which is completely open to foreign service suppliers and 1 representing a sector which is completely closed. The sectors with the highest levels of restrictiveness in New Zealand are air transport, logistics cargo-handling, and courier services. By type of restriction, the restrictions in New Zealand are highest for restrictions on foreign entry (for example, equity restrictions) and restrictions to the movement of people.

⁵⁶ Comparisons of the I-TIP data across countries may not be accurate due to reporting methods (for example not all measures in partner countries are notified by reporting countries).

⁵⁷ WTO, Integrated Trade Intelligence Portal (I-TIP). NTMs either initiated or in force.

⁵⁸ ONS (2020), UK total trade: all countries, non-seasonally adjusted.

Chart 7: UK and New Zealand Services Trade Restrictiveness Index (STRI)



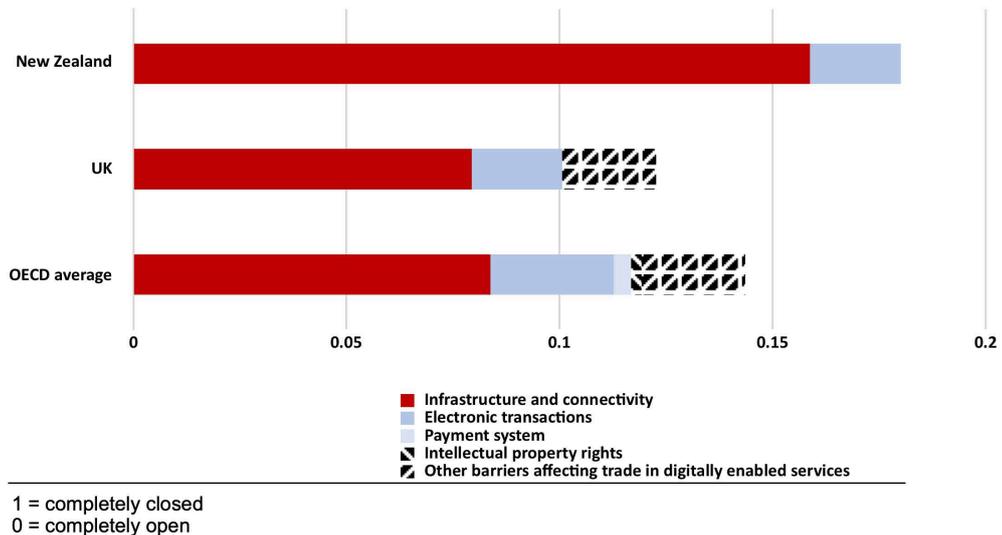
Source: OECD Services Trade Restrictiveness Index (STRI), 2018.

Evidence on barriers in UK- New Zealand trade in digitally enabled services

The OECD’s Digital Services Trade Restrictiveness Index (Digital STRI) builds on the STRI by identifying cross-cutting barriers that affect all types of services traded digitally across five broad categories. The index shows that New Zealand is relatively more restrictive in digitally traded services than other OECD countries on average (see Chart 8).

The majority of New Zealand’s digital trade restrictiveness falls under the category of ‘infrastructure and connectivity’; that is, restrictions related to communication infrastructures essential to engaging in digital trade, for example cross-border data flows.

Chart 8: UK and New Zealand digital STRI, by type of restriction

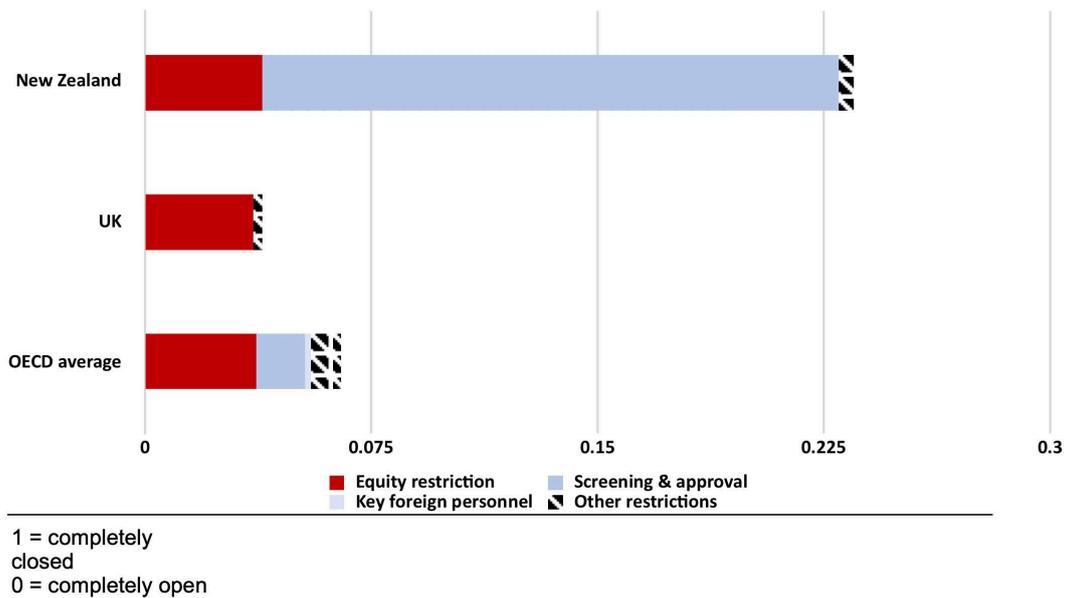


Source: OECD Digital Services Trade Restrictiveness Index (Digital STRI), 2018.

Evidence on barriers in UK-New Zealand investment

The OECD’s FDI Regulatory Restrictiveness Index assess the restrictiveness of a country’s FDI rules across the four main types of restrictions. The index shows that New Zealand is relatively more restrictive to FDI than other OECD countries on average (see Chart 9). The majority of New Zealand’s FDI barriers fall under the category of ‘screening and approval’ restrictions. This category includes any obligatory procedures that investors must undergo before obtaining approval for their planned investment.

Chart 9: UK and New Zealand investment restrictiveness, by type of restriction



Source: OECD FDI Regulatory Restrictiveness Index, 2018.

Overall, the evidence on existing UK-New Zealand trade barriers suggests that there is scope to further enhance the trading relationship, to maximise the trade and investment potential of the two countries.

3. Approach to accessing the potential impacts of an FTA with New Zealand

The approach used to assess the impacts of a UK-New Zealand FTA is discussed below.

Tariff data and estimates of NTM and regulatory restrictions to services from econometric modelling are used as inputs into the UK Government's Computable General Equilibrium (CGE) model. This is a stylised model of the world economy capturing links between countries and sectors within those countries.

The text of an agreement has not yet been negotiated, so scenarios have been created to illustrate the possible impacts of an agreement under different degrees of liberalisation. These two illustrative scenarios represent alternative depths of potential reductions in tariff, NTM and regulatory restrictions to services, and are used to model a range of long run impacts on the economy. Other analytical approaches are used to assess the impacts on UK nations and regions, protected groups and the environment.

3.1 Tools of analysis

The tools used to estimate the impacts in this Scoping Assessment include econometric modelling, CGE modelling and techniques to explore potential impacts on UK nations and regions, businesses, protected groups and the environment.

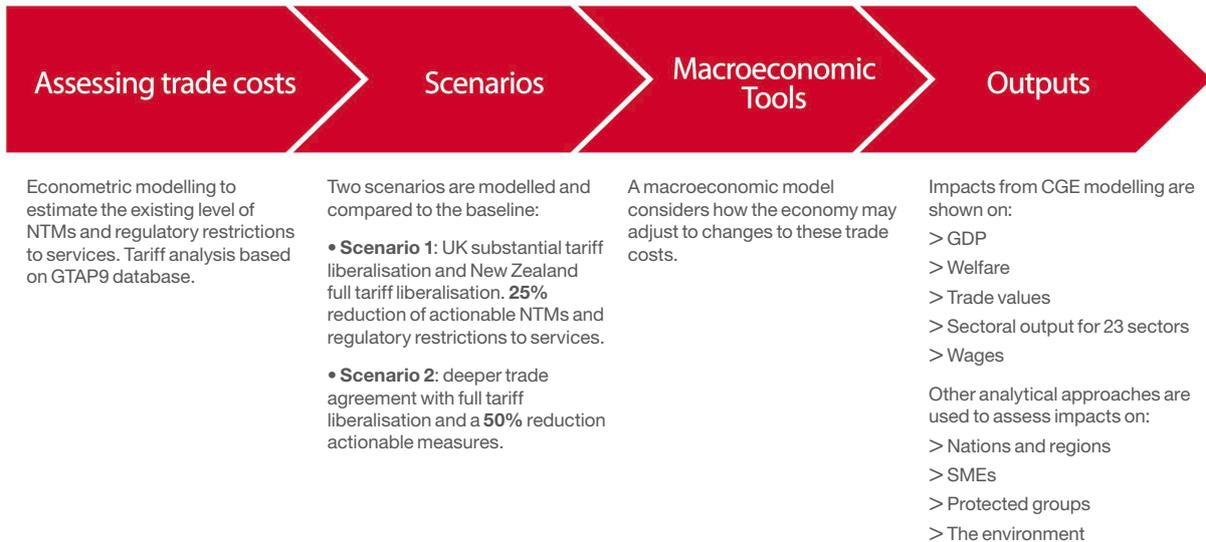
International evidence suggests that by reducing the costs of trade and investment, through eliminating tariff, reducing NTMs or reducing regulatory restrictions to services. In doing so, FTAs can have a wide range of macroeconomic, social and environmental impacts while also having important distributional consequences across economic sectors, groups and individuals. This report employs a suite of economic tools to assess these impacts:

- a) **Econometric modelling, NTM and tariff analysis:** As NTMs and regulatory restrictions to services are not directly observable, gravity modelling techniques are used to estimate the existing level of NTMs and regulatory restrictions to services for a given country. For tariffs, the GTAP9 database was investigated to understand the current mix of tariffs across sectors.⁵⁹ These estimates are transformed into scenario inputs, which feed into the CGE model. Annex B provides further details on the calculation of inputs and econometric specification.
- b) **CGE modelling:** The primary tool of macroeconomic analysis used in this report is the Government's CGE trade model, GETRADE. The model is a stylised representation of the global economy and trade linkages that capture long run economic responses to changes in trade policy. It can be used to assess macroeconomic variables, such as output, wages, and trade both at the sectoral and economy-wide level. Annex A provides further detail on the model structure and methodology.
- c) **Impacts on UK nations, regions and main groups:** A range of tools are used to further assess the CGE outputs and to explore the potential impacts on UK nations and regions, businesses, protected groups, and the environment. Annexes C, D, E, and F describe the methodologies used for these in further detail.

59 The GTAP data base is a fully documented, publicly available, global database which contains complete bilateral trade information along with transport and protection linkages. This is combined with data on production, consumption and intermediate use of goods and services to provide a representation of the world economy. Aguiar, A., Narayanan, B. and McDougall, R., 'An overview of the GTAP 9 data base', *Journal of Global Economic Analysis*, 1(1), pp.181-208, 2016.

The results of the overall approach can be interpreted as an estimation of the long run economic impact of the FTA relative to the baseline, with the long run generally assumed to mean approximately 15 years from the implementation of the agreement.

Chart 10: Summary of modelling approach of a UK-New Zealand FTA



Box 1: CGE models and the economic impacts of trade policy

CGE modelling is a standard method for assessing the impact of FTAs used by trade economists and international organisations. The modelling allows for an assessment of the economic impacts across different sectors, nations and regions of the UK, and agents. This approach provides the long run impacts resulting from trade liberalisation, capturing the supply chains between sectors as well as the wider economic interactions between households, firms, and government.

The impacts of trade policy are captured through trade cost reductions in the form of changes to tariffs, NTMs and regulatory restrictions to services (see Box 3 for more). The model calibrates to an initial equilibrium based on the underlying data, simulates the assumed changes to trade costs, and subsequently adjusts to a new equilibrium accounting for the wider economic impacts from these changes. The adjustment path to the new equilibrium is not modelled but it is typically assumed that the economy adjusts over a 15-year period. A comparison of the initial with the new equilibrium provides the long run economic impact of the trade policy change.

Application to sectors

The sectoral results presented in the next chapter are estimates derived from CGE modelling, which is typically conducted at a high level of sectoral aggregation. This implies that the results cannot provide a full account for impacts on granular sub-sectors and so while a CGE sector may be showing a particular outcome, it is uncertain as to whether all of its component sectors would experience the same direction of impact.

An alternative modelling approach is Partial Equilibrium (PE) modelling. This allows for more granular levels of analyses targeted at sub-sectors and more complex tariff or NTM structures – this is often used for investigating the impacts on specific agricultural commodities and other specific industrial goods. However, it does not consider the wider economic impacts and the potential knock-on effects that may occur as a result of changes to trade policy. Consequently, when comparing the two approaches, PE modelling results are often referred to as the ‘first round’ impacts while CGE impacts are associated with the long run economic impacts capturing the wider feedback effects across the economy (for example, reallocation of resources across sectors).

3.2. Inputs and assumptions

The CGE model in this Scoping Assessment combines an assumption for the UK's future trading relationship with the EU (baseline) with two illustrative scenarios for the 'depth' of a potential UK-New Zealand FTA, as measured by reductions in tariffs, NTMs on goods trade and regulatory restrictions in services trade.

Baseline

The baseline represents the state of the economy in the absence of a UK-New Zealand FTA. For the purposes of this analysis, stylised assumptions are made to represent a trading relationship between the UK and EU based on a hypothetical FTA, with zero tariffs and an increase in NTM costs based on historical FTAs.⁶⁰ These assumptions about the long run relationship are required to establish a baseline for modelling new trade agreements, but do not represent government policy. The modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/Northern Ireland (in the Withdrawal Agreement).

Because we do not yet know the future relationship with the EU we have also estimated the impacts against an alternative baseline where the UK trades with the EU under WTO MFN rules.⁶¹ This is to illustrate the potential effects of a UK-New Zealand FTA in this context, but again does not reflect government policy. This is assessed in the 'Sensitivity analysis, analytical limitations and risks' section of this document.

An adjustment to the standard GTAP data inputs has been undertaken to reflect the usage of Tariff Rate Quotas (TRQs). Whilst a number of agricultural products face a UK MFN tariff when imported from certain countries, New Zealand is eligible to export a quantity tariff free on certain agricultural products to the UK under WTO TRQs. TRQs provide reduced tariffs up to a specified quantity. Once the quota is fully used exporters face higher out of quota duties.

Data from the European Commission⁶² shows that for some TRQs, importantly a TRQ for sheep and goat meat,⁶³ New Zealand exporters are currently not using the full quota available and could therefore export more tariff free (the TRQ is 'underfilled'). It is therefore assumed that the tariff on New Zealand's exports to the UK in bovine and meat products (which includes sheep and goat meat), within the aggregated semi-processed foods sector, enters the UK tariff free. Whilst it is estimated these products enter tariff free, other products in the semi-processed food sector are expected to face a tariff.

For further technical information on this change, please see Annex A. For further information on the impact on key results of this adjustment, see the 'Sensitivity analysis, analytical limitations and risks' section of this document.

Due to the close relationship between the New Zealand and Australian economies, the baseline used in this modelling also takes account of assumptions regarding lowering the tariff faced by exporters of motor vehicles to Australia.⁶⁴ An equivalent review of New Zealand tariffs suggested no alterations were needed for the baseline tariffs faced by exporters to New Zealand.

Scenarios

As full details of the potential FTA between the UK and New Zealand are not yet known, two core scenarios have been defined to estimate impacts for a range of potential outcomes. These illustrative scenarios are used to generate the potential magnitude of impacts but should not be interpreted as specific options for a future agreement. In line with the literature, the provisions within the FTA are modelled as reducing the costs associated with trading between the UK and New Zealand.

- **Scenario 1** assesses the impact of substantial, but not full⁶⁵, tariff liberalisation by the UK combined with a **25%** reduction in the levels of actionable NTMs and regulatory restrictions affecting goods and services trade between the UK and New Zealand. New Zealand is assumed to fully liberalise its tariffs.⁶⁶

⁶⁰ The details of the modelled average FTA scenario is described in the Government's publication on the long-term economic analysis of EU Exit. This represents a hypothetical FTA between the UK and EU in the long run. HMG (2018), "EU Exit Long-term economic analysis".

⁶¹ This is the modelled no deal scenario in the HMG (2018).

⁶² TRQ usage data is available from the European Commission's quota database.

⁶³ Order number 092013 – Meat of sheep or goats, fresh, chilled or frozen.

⁶⁴ For more information on this, please see section 3.2.1 of the Scoping Assessment for a bilateral Free Trade Agreement between the United Kingdom and Australia.

⁶⁵ It is common in FTAs for some tariffs and tariff rate quotas to remain after negotiations, particularly in agricultural sectors. Scenario 1 assumes existing treatment is maintained for typically sensitive sectors including beef, lamb, dairy, fruit and vegetables, cereals and sugar.

⁶⁶ As shown in Chart 5 this is broadly in line with tariff liberalisation outcomes negotiated by New Zealand's existing FTA partners. In previous FTAs New Zealand has tended to reduce almost all tariff lines to zero.

- **Scenario 2** represents a deeper trade agreement. It assesses the impact of full bilateral tariff liberalisation, combined with a 50% reduction in the levels of actionable NTMs and regulatory restrictions affecting goods and services trade between the UK and New Zealand.

The scenarios do not reflect or assume the presence or otherwise of any specific provisions contained in an eventual UK-New Zealand agreement. The scenarios are intended to reflect a range of plausible outcomes relating to the depth of an eventual agreement to demonstrate the varying impacts associated with varying degrees of depth.

Considering the uncertainties surrounding the scenarios, the results should be interpreted as providing indicative orders of magnitudes for the expected impacts of a UK-New Zealand FTA.⁶⁷

The scenarios used for modelling are based upon the UK's current tariff schedule (the EU's 'Common External Tariff'). Following a consultation, the UK has recently announced the UK Global Tariff (UKGT) schedule, which will apply following the end of the transition period. The scenarios do not take into account the UKGT.

The impacts of additional scenarios and alternative baseline assumptions are outlined in the sensitivity section.

For further details on NTMs, regulatory restrictions to services and actionability, and their derivation see Box 2 and annex B.

Box 2: NTMs, regulatory restrictions to services and actionability

NTMs and regulatory restrictions to services

NTMs on goods are defined as measures other than ordinary customs tariffs that can potentially have an impact on international trade. This includes customs controls, differences in national regulatory regime and restrictions on the international movement of people. These only capture barriers to trade flows, not to investment or policy measures affecting domestic productivity.

Services trade is not subject to tariffs. However, services trade can be subject to a range of regulatory restrictions which raise the costs associated with trade in services.

Levels and actionability

As typically assumed in modelling exercises, only a portion of initial NTM levels and regulatory restrictions to services are assumed to be 'actionable'⁶⁸ in a trade agreement. The definition of 'actionability' in this context is taken to be the proportion of NTMs which can feasibly be addressed through trade policy measures.

Evidence relating to actionability is limited, but in line with assumptions widely applied in the literature, 50% of the initial levels of NTMs affecting goods are assumed to be actionable. Evidence suggests that regulatory restrictions affecting trade in services can be less actionable than those affecting goods. For this reason, a third of the initial levels of regulatory restrictions to services in services sectors are therefore assumed to be actionable.⁶⁹

In reality, actionability for individual goods or services may be either higher or lower than the levels assumed within this modelling. The provisions within the FTA are modelled as reducing the costs associated with trading between the UK and New Zealand – i.e. reducing the 'ad valorem equivalent' of tariff, NTMs and regulatory restrictions to services which currently exist between the two countries.

Annex B sets out the data and methodology used to estimate the initial levels of NTMs affecting trade in goods and regulatory restrictions affecting trade in services and how these are converted to 'ad valorem equivalents' for the purpose of modelling.

⁶⁷ Modelling assumptions will be updated as negotiations progress and the content of the agreement become known.

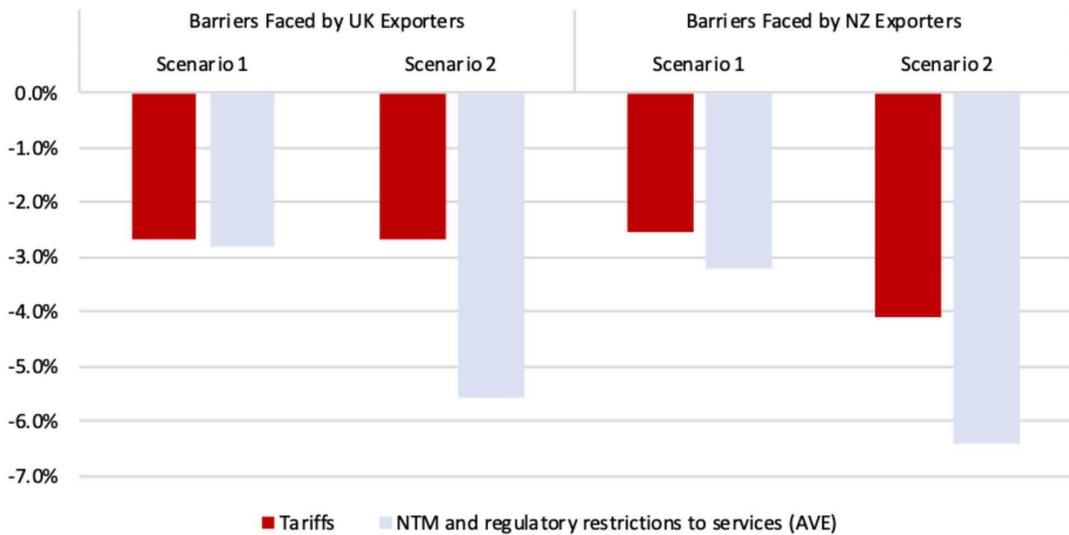
⁶⁸ Petri, P. A. and Plummer, M. G., 'The Economic Effects of the Trans-Pacific Partnership: New Estimates', Peterson Institute for International Economics Working Paper 16-2 (2017).

⁶⁹ Petri, P. A. and Plummer, M. G., 'The Economic Effects of the Trans-Pacific Partnership: New Estimates', Peterson Institute for International Economics Working Paper 16-2 (2017).

The implications of each scenario for the assumed reductions in tariff and non-tariff trade costs for each sector are shown in Charts 11, 12 and 13.⁷⁰ Box 3 sets out some indicative examples of how various FTA provisions can result in trade cost reductions between countries.

Chart 11 below shows that reductions in tariff barriers faced by UK exporters are the same for both scenarios, as full tariff liberalisation is assumed for New Zealand imports from the UK. In both scenarios, NTMs and regulatory restrictions on services are estimated to see larger reductions in costs for UK exporters than reductions in tariffs. For New Zealand exporters, under both scenarios NTMs and regulatory restrictions to services are assumed to see greater reductions in costs than reductions in tariffs. Overall, the reduction in trade costs in scenario 2 illustrate a deeper trade agreement than in scenario 1.

Chart 11: Weighted average trade cost reduction in each scenario, percentage point change⁷¹



Source: DIT estimates (2020).

Chart 12 shows tariff reductions are greatest in the industrial sector.⁷² The reduction in NTMs and regulatory restrictions to services faced by UK exporters is greater under scenario 2 for the three broad sector groups: industrial, services and agri-foods. This scenario is where actionable NTMs and regulatory barriers to services are assumed to reduce by 50%, a reduction which has the greatest change in services, given initial levels are estimated to be highest.⁷³

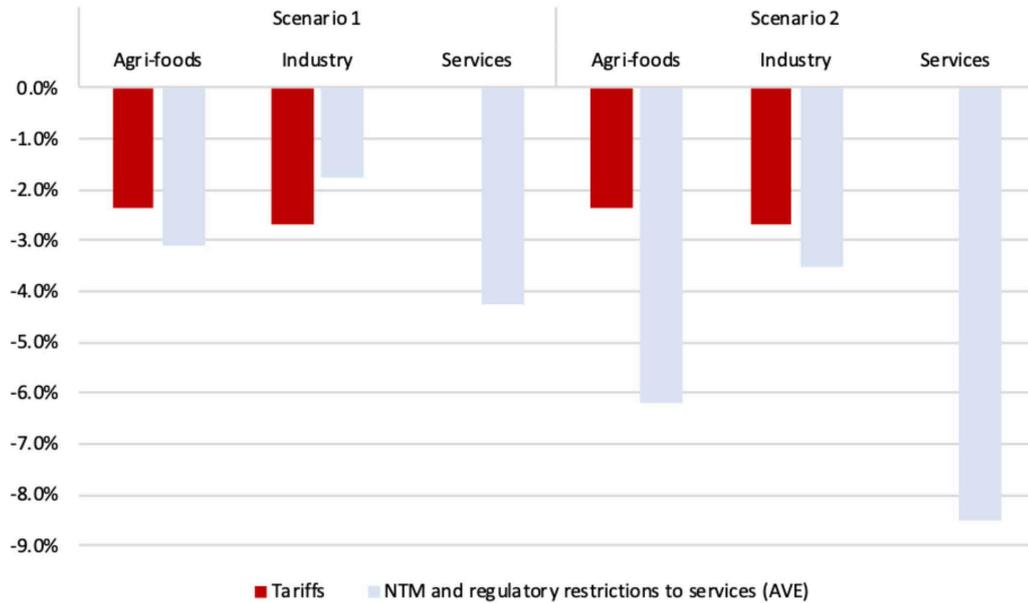
⁷⁰ The estimates of the initial levels of NTMs described in Annex B.

⁷¹ Weighted using GTAP trade data.

⁷² Note that services sectors do not attract tariffs. There are therefore no changes in tariff barriers in services sectors under either scenario modelled.

⁷³ See annex B for further detail of how initial NTM levels are estimated.

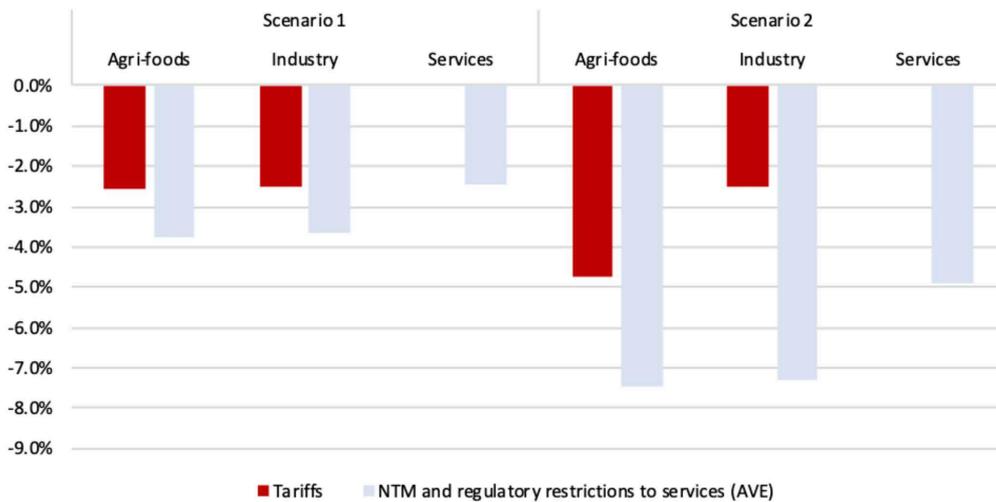
Chart 12: Weighted average change in trade costs in each scenario, barriers faced by UK exporters, by sector⁷⁴



Source: DIT estimates (2020).

Chart 13 shows that while the reduction in industrial tariff barriers faced by New Zealand exporters is identical under both scenarios, the reduction in agricultural tariffs faced by New Zealand exporters is greater under scenario 2. As was the case for UK exporters, the reduction in NTMs faced by New Zealand exporters is greater under scenario 2 where actionable NTMs and regulatory restrictions to services are assumed to reduce by 50%. This reduction in actionable NTMs is greatest in agri-food and industrial sectors, where UK’s initial levels of NTMs are estimated to be highest.

Chart 13: Weighted average change in trade costs in each scenario, barriers faced by New Zealand exporters, by sector⁷⁵



Source: DIT estimates (2020).

⁷⁴ Weighting on basis of GTAP data.

⁷⁵ Weighting on basis of GTAP9 trade volume data.

The approach set out above is not an assessment of specific provisions of an agreement, as these are not yet known. As such the results should be interpreted as providing an indicative range of expected impacts depending on the depth of a UK-New Zealand FTA.⁷⁶ Box 3 below explains the types of FTA provisions that change the cost of trading internationally.

Box 3: FTA provisions which reduce the costs of trading internationally

Charts 11 to 13 describe the scenarios relating to the assumed scale of trade cost reductions resulting from the trade agreement. The actual trade cost reductions will be determined by the provisions agreed within the eventual agreement. This box describes examples of the types of provisions within an FTA which can reduce the costs of trading goods and services.

Reductions in costs associated with trading agricultural and industrial goods

The tariff reductions in Charts 12 and 13 reflect the reduction or removal of tariffs on goods trade. The reductions in NTMs reflect generalised assumptions of ambition and do not attempt to model any specific provisions.

These could include:

- providing greater certainty to goods traders (for example removing or reducing the gap between maximum tariffs countries have committed to in their WTO schedules and the tariffs they apply in practice)
- providing greater ease for goods traders (for example streamlining customs procedures, reducing administrative costs and reducing delays at the border)
- addressing ‘behind-the-border’ barriers to goods trade (for example improving bilateral or international co-operation on NTMs)

The CGE modelling does not account for rules of origin compliance which may affect estimated impacts.

Reductions in costs associated with trading services

Services trade is not subject to tariffs. However, services trade can be subject to a range of regulatory restrictions which raise the costs associated with trading services. The trade cost reductions in Charts 12 and 13 reflect the reduction or removal of these regulatory restrictions.

From an economic perspective, it is assumed FTAs can reduce the costs associated with trading services by introducing provisions which:

- lower barriers and level the playing field (thereby allowing greater market access for foreign service suppliers)
- provide greater certainty to service suppliers by ‘locking-in’ current levels of market access
- reduce policy uncertainty on digital trade and flows of data which may positively impact a wider range of industries

⁷⁶ Modelling assumptions will be updated as negotiations progress and the content of the agreement become known.

4. Overall impact of a UK-New Zealand trade agreement

This section presents estimates of the long run impacts of a UK- New Zealand FTA on welfare, GDP, trade, sectoral output, and incomes in the UK.

A trade agreement with New Zealand could have limited effects on UK GDP in the long run, with the estimated impact on GDP being close to zero under both scenarios compared to the UK not having a trade deal with New Zealand (between 0.00% and 0.01% in scenario 1 and -0.01% and 0.00% in scenario 2).⁷⁷ The long run is generally assumed to mean 15 years from implementation of the agreement. The size of the impact on UK GDP is not particularly surprising given the size of the two economies.

However, in the long run, overall UK output – measured on a ‘GVA basis’ which differs from GDP⁷⁸ - is estimated to increase under both scenarios, with deeper liberalisation (scenario 2) indicating higher productivity gains from further specialisation within and between sectors through the reallocation of resources to more productive firms. Increases in UK GVA reflect increases sectoral output across most UK sectors in scenario 2. In both scenarios, these productivity gains are expected to drive increases in take-home pay for workers. The agriculture and semi-processed food sectors are estimated to see a reduction in output (GVA) and employment relative to the baseline as UK market access in these sectors increases and resources move towards the expanding sectors.

Based on the distribution of sectoral value added, a UK-New Zealand FTA has the potential to increase long run output across most nations and regions of the UK. However, in Northern Ireland, output may decrease relative to the baseline, reflecting a higher concentration of the agriculture and semi-processed food sectors. This is not to say that GVA in Northern Ireland would be lower than now, as the economy overall is expected to grow over this period.

UK goods and services could become relatively more competitive in New Zealand because of the FTA, with exports to New Zealand estimated to increase by 3.8% or 7.3%, depending on the scenario. UK firms could expand production to meet increased demand from New Zealand, experiencing productivity gains from increasing returns to scale. The productivity gains from a UK-New Zealand FTA could also result in increased exports from the UK to the rest of the world.

Imported goods and services from New Zealand will also initially become cheaper in the UK. This could drive further efficiency gains for UK businesses relying on or switching to inputs from New Zealand. UK consumers can also gain in the short run, through cheaper imported consumer goods. In the long run prices could adjust to higher demand, but a long run increase in imports from New Zealand of 14.9% or 40.3% are expected.

Imports from New Zealand increase significantly relative to UK exports to New Zealand due to the assumed pattern of tariff and NTM reductions, which occur in areas where New Zealand is relatively specialised such as semi processed foods. Given the current pattern of UK imports from New Zealand within the semi-processed foods sector, it is expected that this would reflect an increase in imports of sheep meat (including lamb). Although imports from New Zealand increase significantly, total UK imports from all countries (including New Zealand) are expected to increase by 0.1%. For context, in 2018 UK imports from New Zealand were just over £1.3 billion (0.2% of UK total imports).

Headline welfare changes are limited under scenario 1 and are estimated to decrease by 0.01% in scenario 2.

Finally, the impacts on GDP in New Zealand and countries outside the agreement are also presented. New Zealand is estimated to see additional economic growth of 0.14% or 0.35% depending on the scenario.

⁷⁷ All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details.

⁷⁸ Gross Value Added (GVA) is a different measure of economic output to GDP. At the national level, GVA is the equivalent of GDP plus government subsidies, minus taxes. Unlike headline GDP, GVA therefore includes government subsidies and taxes.

4.1. UK macroeconomic impacts

Results from modelling a UK-New Zealand FTA shows that trade with New Zealand is estimated to increase but there are limited long run effects on the UK's GDP.

In the long run, theory and evidence suggests that international trade increases output and raises living standards through four key channels:

- > domestic specialisation allows for each country to place more resources into what it is best at producing leading to higher productivity and real wages
- > greater variety of inputs and products for businesses and consumers, increased competition and lower prices leads to more efficient production for businesses, better value for money and increased consumer choice
- > access to new markets allows firms to expand their production leading to efficiency improvements where there are increasing returns to scale
- > exposure to competition leads to demand shifting away from the least competitive firms while the most productive firms gain new opportunities

The macroeconomic impacts estimated using the CGE model are summarised in Table 3.

While the analysis draws on robust evidence and the best tools available for this type of analysis, there is inherent uncertainty in the results. Results should be interpreted with caution and not considered economic forecasts for the UK economy.

The impacts indicate that the combination of increased competitiveness of UK exports in New Zealand, increased competition from New Zealand firms and price changes are expected to drive changes in the underlying structure of the UK economy. These in turn increase UK total trade, with limited macroeconomic effects on UK GDP and welfare.

Table 3: Summary of UK macroeconomic impacts, long run change on baseline

	Scenario 1	Scenario 2
Change in GDP	0.00% (0.00% to 0.01%)	0.00% (-0.01% to 0.00%)
Change in UK exports to NZ	3.8%	7.3%
Change in UK imports to NZ	14.9%	40.3%
Change in total UK exports	0.1%	0.2%
Change in total UK imports	0.0%	0.1%
Change in real wages	0.01% (£100 million)	0.02% (£200 million)

Source: DIT modelling; central estimates and ranges for consumer welfare and GDP impacts. £ values in 2018 terms⁷⁹

Real GDP

GDP can be defined as either:

- > the total value of goods and services produced domestically,
- > total domestic expenditure, or
- > total income from domestic production.

Equivalent variation and real GDP measure different aspects of the potential impacts of the trade agreement. The former focuses on welfare and the latter looks at the wider economic effects on a country's domestic production value.

Changes to long run GDP in the CGE model are driven by changes to the relative cost of materials and factor inputs (labour and capital) which are influenced by reductions in the cost of imports and exports (through lower tariff, NTMs and regulatory restrictions to services). Changes in GDP also derive from a reallocation of resources across the economy. Further, changes to the returns to capital can influence investment and productivity, which can also contribute to changes long run GDP.

⁷⁹ All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details.

A UK FTA with New Zealand is estimated to have limited effects on headline GDP, with the estimated impact on GDP being 0.00% under both scenarios.

These are central estimates. To account for uncertainty in the modelling, a range of estimates using 90% confidence intervals shows that the long run annual increase in UK GDP could vary by 0.00% to 0.01% in scenario 1 and -0.01% and 0.00% in scenario 2.

The long run is generally assumed to mean 15 years from implementation of the agreement.

The GDP result can be disaggregated by its components, covering spending by consumers and government, business investment and net trade (the value of exports minus imports). This is summarised in Table 4.

Table 4: UK GDP impact, by expenditure components of GDP, long run % change on baseline

Percentage point change in component	Scenario 1	Scenario 2
Consumption expenditure	0.00	-0.01
Investment	0.00	0.00
Government expenditure	0.00	0.01
Net trade (exports minus imports)	0.00	-0.01
UK GDP	0.00	0.00

Source: DIT modelling (2020)

The modelled trade cost reductions are set out in section 3.2, which show that under both scenarios the estimated reductions for NTMs and regulatory restrictions to services are larger than for tariffs. The exact magnitude of the change in GDP from an FTA is uncertain and will depend upon the actual trade cost reductions achieved through negotiations.

Trade

UK exports to New Zealand are estimated to increase by 3.8% in scenario 1 and 7.3% in scenario 2. Using UK trade data for 2018,⁸⁰ this would imply an increase in UK exports to New Zealand of £100 million in scenario 1 and £100 million in scenario 2.

UK imports from New Zealand are estimated to increase by 14.9% in scenario 1 and 40.3% in scenario 2. Using UK trade data for 2018, this would imply an increase in UK imports from New Zealand of £200 million in scenario 1 and £500 million in scenario 2.

Imports from New Zealand increase significantly relative to UK exports to New Zealand due to the assumed tariff and NTM reductions, especially in areas where New Zealand is relatively more competitive such as semi-processed foods. Given the current pattern of UK imports of semi-processed foods from New Zealand, it is expected that this will in part be an increase in imports of sheep meat (including lamb). Although imports from New Zealand increase significantly from New Zealand, total UK imports from all countries (including New Zealand) are expected to increase by a more modest 0.1%. For context, in 2018 UK imports from New Zealand were just over £1.3 billion (0.2% of UK total imports).

Welfare

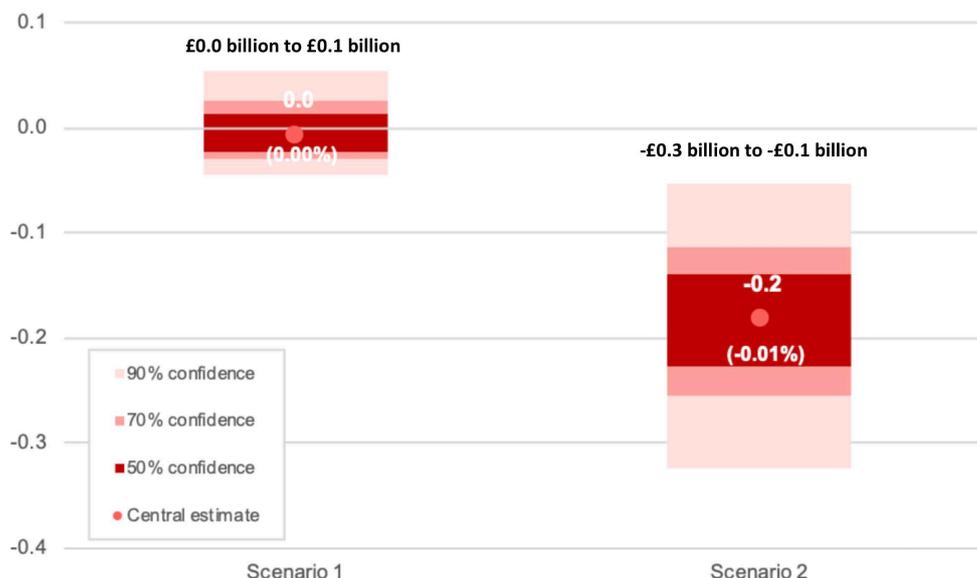
The impact of a UK-New Zealand FTA on overall welfare in the UK under scenario 1 is limited. Under scenario 2, the headline welfare measure is estimated to decrease by 0.01%. Using 2018 data, this implies a long run annual decrease in welfare in the UK by around £200 million.⁸¹ Consumers and businesses are expected to benefit from improved price and variety of goods and services available, as well as real wage improvements. This is outweighed by changes to other channels which affect welfare, including returns on capital and land investments. Welfare in the CGE model is calculated using 'equivalent variation' which estimates the change in income that, in the absence of the agreement, would have given households the same change in wellbeing.

To account for uncertainty in the modelling, a range of estimates using 90% confidence intervals show that the long run annual change in welfare could be 0.00% in scenario 1 and vary by -0.03% to 0.00% in scenario 2.

⁸⁰ ONS (2020), UK total trade: all countries, non-seasonally adjusted.

⁸¹ Note that £ values are provided to illustrate the potential magnitude of the deal in cash terms in 2018. These do not reflect the actual value of the FTA in the long run (approximately 15 years).

Chart 14: Long run annual impact on welfare



Source: DIT modelling (2020)

4.2. UK impacts on sector gross value added (GVA)

Overall output for the UK – measured on a GVA basis - is expected to see a small increase in both scenarios. In scenario 2, many sectors are estimated to increase their output as productivity gains result from further specialisation within sectors and a reallocation of resources across sectors.

GVA is a measure of economic output.⁸² The sectoral pattern of changes to GVA can depend on a variety of effects including the scale of assumed trade cost

reductions in each scenario, the existing sector trade flows, the relative competitiveness of the sector in relation to trade partners, and the reliance on other sectors' products in their own production.

The results in this Scoping Assessment provide an indication of the potential changes from assumed reductions in tariffs, NTMs and regulatory restrictions to services across all sectors. These results are a direct output of the CGE model (for discussion on sectoral analysis using CGE modelling, see Box 1). The actual pattern of changes to sectoral GVA resulting from implementation of an agreement will depend heavily upon the provisions of the agreement, which will determine the pattern of trade cost reductions across sectors. Therefore, we may see changes in sectoral results (and other analysis such as the regional results that rely on the sectoral figures) between the Scoping Assessments and final impact assessments.

Under scenario 1 there is little variation in GVA impact across most of the 23 sectors. A small reduction in GVA relative to the baseline is estimated in the agriculture sector and a relatively larger reduction in GVA relative to the baseline is estimated in the semi processed food sector.

Under scenario 2, the largest increases in GVA are estimated in the energy and motor vehicles sectors. Other sectors see small increases, with many sectors estimated to be positively impacted by a UK-New Zealand FTA. A fall in output relative to the baseline is estimated in the agriculture and semi-processed foods sectors.

As the details of a potential FTA between the UK and the New Zealand are not yet known, potential impacts have been estimated for broad scenarios. These impacts illustrate a range of potential outcomes. The scenarios do not reflect any specific provisions that could be contained in an eventual UK-New Zealand agreement.

⁸² GVA is an alternative measure of economic output to GDP. At a sector level, it is the output of that sector minus the value of intermediates that have been used to produce the goods and services in that sector. At the national level, GVA is also the equivalent of the value of GDP plus government subsidies, minus taxes.

Box 4: Impacts on the Agri-Food sector

The specific provisions of a UK-New Zealand FTA have yet to be negotiated. The two scenarios set out in this Scoping Assessment are intended to provide an illustrative view of what the impacts might be under different degrees of liberalisation, as reductions in trade costs are modelled through reductions in tariff barriers and NTMs. Table 5 explores the change in UK output (measured by GVA) based on two scenarios. Under both scenarios, CGE estimates suggest a contraction in output for agriculture and semi-processed foods, while processed foods is estimated to expand. The agriculture and semi-processed foods feature amongst those sectors expected to see the largest changes in output. Overall, the UK's total GVA is expected to increase.

Under an FTA where agriculture could be extensively liberalised the following mechanisms could take effect:

- **In the long run, New Zealand producers may be able to supply UK retailers and UK producers at lower cost relative to domestic producers.** In particular, UK suppliers of goods such as dairy products and vegetables, fruits and nuts may be subject to more price competition. The UK and New Zealand specialise in the production of different products which is likely to explain the contraction in the UK semi-processed food and agriculture sectors. For example, the trade flow data underpinning GTAP 9 shows that New Zealand has an export comparative advantage in vegetables, fruits and nuts, dairy products, swine, poultry and other live animals compared to the UK. New Zealand also has a comparative advantage in the bovine meat products, sheep, goats and horses (CMT) sector, which includes sheep meat, an important New Zealand export to the UK. The modelling set out in this Scoping Assessment assumes no tariff reductions in this sector, with NTMs reduced. It is likely that the marginal positive impact on UK output (measured by GVA) in processed foods reflects a combination of, a) a reallocation of resources from industries that experience a decline in output and, b) the fact that processed foods, will now have access to inputs at a lower cost.
- **As other UK sectors expand, resources may move from agriculture and the semi-processed food sector.** Capital and labour which was used in agriculture and semi processed food may, in the long run, be reallocated to expanding sectors.

Table 5: Changes in UK output (GVA, long run % change)

	Sector GVA Share	Sector GVA Share ⁸³	Scenario 1	Scenario 2
Agri-food	Agriculture	<1%	-	--
	Beverages and tobacco products	<1%		+
	Other processed foods	1%		+
	Semi-processed foods	<1%	--	--
Industry	Chemical, rubber, plastic products	2%		+
	Electronic equipment	1%		+
	Energy	3%		+
	Manufacture of materials	2%		+
	Motor vehicles and parts	1%		+
	Other machinery and equipment	<1%		+
	Other Manufacturing	<1%		
	Other transport equipment	<1%		+
	Paper and printing products	1%		
	Textiles, leather, and wearing apparel	<1%		+
Services	Business services	23%		+
	Communications	1%		
	Construction	6%		
	Financial services	<1%		+
	Insurance	6%		
	Other services (transport, water, dwellings)	12%		
	Personal services	4%		
	Public services	19%		
	Wholesale and retail trade	14%		

Key:

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)
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4.3. Impact on GVA in UK nations and regions

A UK-New Zealand FTA has the potential to increase long run output across most nations and regions of the UK. However, in Northern Ireland, output may decrease relative to the baseline, reflecting a higher concentration of contracting sectors.

International evidence suggests that trade agreements and trade liberalisation more generally have the potential to affect various regions within an economy differently.⁸⁴

This is because trade agreements affect sectors differently and the sectoral composition of output and employment vary systematically across regions.

As explained further in Annex C, the preliminary assessment in Chart 15 apportions the UK-wide results to the nations and regions of the UK based upon the sectoral composition of employment in each area, accounting for some second-round effects where a sector is particularly important (or not) for a region.⁸⁵

83 DIT calculations using 2018 ONS GVA output approach (current prices).

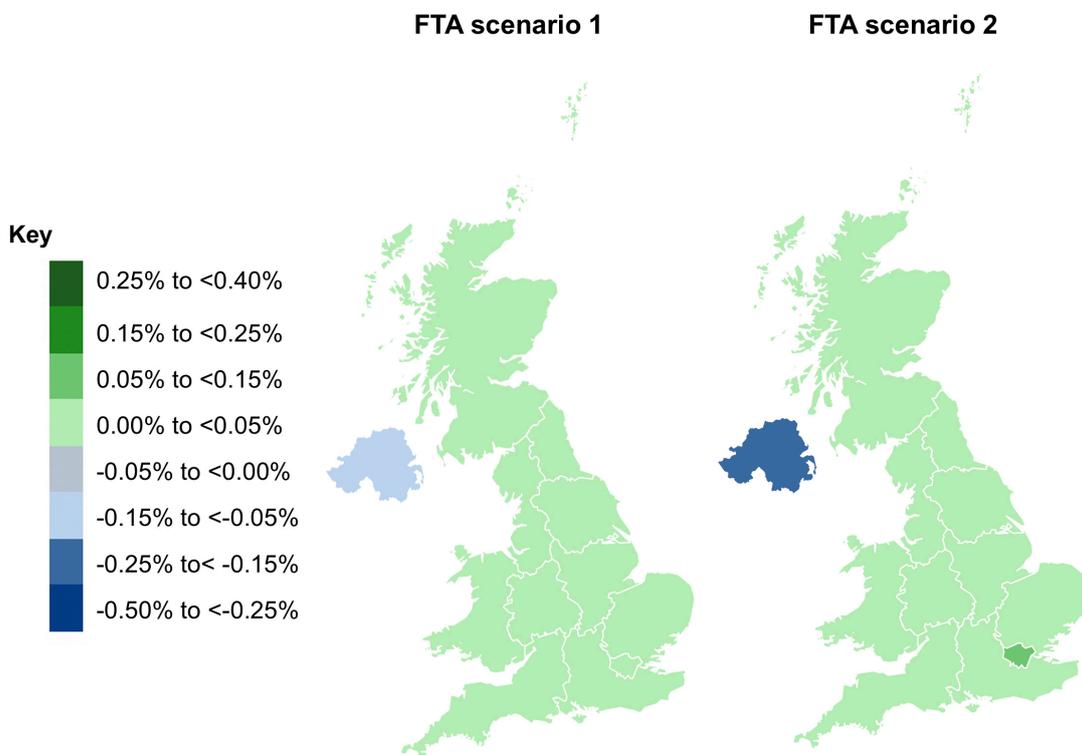
84 See, for example: 'Making Trade Work for All' (OECD 2017) and 'Making Trade an Engine of Growth for All' (IMF/World Bank/WTO 2017) for an overview of the international evidence.

85 To take account of these second-round effects, the impacts on each nation and region are impacted by a location quotient (explained in detail in Annex C). The location quotient-weighted approach amplifies positive and negative regional results, but for most regions the difference is small. In both scenarios the methods agree on which regions expand and contract. To acknowledge the uncertainty around the apportionment approach, the maps in Chart 15 use the mid-point of the two methods.

Based upon the pattern of estimated sectoral GVA changes in Table 5, the results suggest that an FTA with New Zealand could increase GVA in most nations and regions of the UK except Northern Ireland (represented in Chart 15).⁸⁶

DIT's estimates show a potential overall reduction in output on Northern Ireland relative to the baseline. This result is largely driven by the fall in GVA in the semi-processed foods and agriculture sectors, in which Northern Ireland is relatively specialised.⁸⁷

Chart 15: Changes in UK nations and regions value added, long run % change



Source: DIT modelling (2020)

4.4. Macroeconomic impacts on New Zealand

Results from modelling a UK-New Zealand FTA show a potential long run increase to New Zealand GDP.

As a result of a UK-New Zealand FTA, New Zealand's annual GDP is estimated to increase by 0.14% in scenario 1 and 0.35% in scenario 2. Using New Zealand's GDP values for 2018, this would equate to an increase in New Zealand's GDP of £200 million in scenario 1 and £500 million in scenario 2. Summary results for the impact on the New Zealand economy are set out in the table below.

⁸⁶ The modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/ Northern Ireland (in the Withdrawal Agreement).
⁸⁷ Annex C provides more detail on the methodology used to provide a preliminary assessment of the impacts of a UK-New Zealand FTA on UK nations and regions.

Table 6: Summary of estimated long run impacts on New Zealand

Impact	Metric	Scenario 1	Scenario 2
GDP	Change in GDP	0.14%	0.35%
Trade	Change in exports to UK	14.9%	40.3%
	Change in imports from UK	3.8%	7.3%
	Change in total exports	0.5%	1.1%
	Change in total imports	0.5%	1.4%

Source: DIT modelling (2020)

4.5. Impact on developing countries

Developing countries with a higher share of their trade with the UK and New Zealand, including countries in the Pacific Islands, are more likely to be impacted.

A UK-New Zealand trade agreement could affect economic activity in other countries outside of the agreement. On the one hand, increased UK-New Zealand economic activity may positively affect other countries through increases in the size of the UK and New Zealand as export markets.⁸⁸ On the other hand, consumers and businesses may shift their demand for imports from other countries, preferring cheaper imports from the UK and New Zealand.⁸⁹ The CGE modelling results indicate the GDP impact on developing countries to be negligible, with the exception of the Pacific Islands, where GDP is estimated to decrease relative to the baseline under scenario 2. As referenced in the Outline Approach, the Government will seek to ensure that relevant parts of the agreement support the objectives on trade and development, including through co-operation on the monitoring of, and response to, the impact of FTAs on developing countries.

At this stage, it is not possible to identify the specific countries that are most likely to be impacted. However, Table 7 presents developing countries' dependency on UK-New Zealand goods trade.⁹⁰

The analysis highlights the Pacific Islands to be the region most likely to be affected by a UK-New Zealand FTA. This is likely due to the geographic closeness of the Pacific Islands to New Zealand.

Table 7: Developing countries' share of goods trade with the UK and New Zealand⁹¹

High dependency	Bangladesh, Barbados, Belize, Cambodia, Cook Islands, Dominica, Fiji, Grenada, Guyana, Kenya, Mauritius, Nigeria, Niue, Samoa, Seychelles, South Africa, Sri Lanka, St. Vincent and the Grenadines, Tonga, Vanuatu
Low dependency	Afghanistan, The Bahamas, Bhutan, Burkina Faso, Chad, Comoros, Democratic Republic of Congo, East Timor, Eritrea, Guinea-Bissau, Lesotho, Liberia, Marshall Islands, Mauritania, Mongolia, Niger, South Sudan, Syrian Arab Republic, Tajikistan, Uzbekistan

Source: UN Comtrade database

⁸⁸ Other positive spill over effects may include increased foreign direct investment, higher remittances payments, reduction in compliance costs from harmonising to New Zealand and UK regulation standards.

⁸⁹ Other negative spill over effects may include the diversion of economic activity of firms from other countries to the UK and/or New Zealand (preference erosion). Increased compliance costs to adjust to changes in regulations and customs arrangements in the UK and New Zealand.

⁹⁰ The direction of the impact depends on a variety of factors, including the extent to which FTA partners compete in each other's markets with third countries.

⁹¹ 114 countries have been included in the analysis. Countries are listed in alphabetical order. High refers to the top 20 countries with the greatest share of goods trade with the UK and New Zealand, with the highest value recorded for Niue, where 39% of goods trade in 2015-2017 was with the UK (1%) and New Zealand (38%). Low refers to the 20 countries with the smallest share of goods trade with the UK and New Zealand, with the lowest value recorded for the Marshall Islands, where less than 1% of goods trade was with the UK or New Zealand. Analysis based on UN Comtrade (2015-2017).

5. Detailed impacts by main groups

This section provides an initial assessment of impacts on UK businesses, consumers, and workers.

UK businesses of all sizes may benefit from the opportunity to expand into the New Zealand market, in terms of increased exports or higher returns from business investment in New Zealand. While SMEs account for around 51% of total UK business turnover, these businesses represent 62% of turnover in the sectors which are estimated to fall relative to the baseline according to the CGE model results in scenarios 1 and 2.

Total annual tariff reductions on New Zealand imports are estimated to be between £25.1 million to £35.6 million per year, based upon the UK's current tariff schedule.

- Businesses could face tariff savings from liberalisation of intermediate goods of between £2 million and £2.5 million.

- Cost savings due to tariff liberalisation on final goods, are expected to be between £23.1 million and £33.2 million, which could be passed to consumers.

Workers of all skills types are expected to benefit from increased real wages. The modelling suggests only a small reallocation of employment across sectors, equivalent to between 1 and 4 in every 10,000 employees. This does not account for any wider changes in the labour market or any short run adjustment costs as the model assumes that in the long run the overall employment level is unaffected by changes in trade costs.

A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups and those who report having a disability are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline. Workers who are male, white, or older workers (over 65 years old) are more concentrated in sectors where employment is estimated to fall relative to the baseline.

5.1. Impacts on UK businesses

A UK-New Zealand FTA could positively impact on business in the UK and New Zealand, through export and investment growth, potential tariff savings and market access for SMEs.

FTAs can generate a range of opportunities and challenges for businesses. Existing exporters can benefit from the new trade opportunities offered by tariff liberalisation and reductions in NTMs and regulatory restrictions to services, while firms that do not currently export may be more incentivised to do so.⁹²

FTAs can also benefit businesses by expanding access to cheaper and increased varieties of imported inputs. Greater access to global supply chains are an important source of competitive advantage for businesses.

Some businesses may experience greater competition from imports from New Zealand exporters. The evidence shows that competition from trade promotes business innovation and growth. Some businesses may expand, creating more jobs, but some businesses, maybe adversely affected due to the increased competition.

⁹² Annex D provides more detail on the methodology used to provide a preliminary assessment of the scale of the potential impacts of a UK-New Zealand FTA on UK businesses.

Business growth

FTAs can help businesses expand their presence in a market into which they export. As well as increasing turnover, this can allow businesses to benefit from economies of scale which lower their operating costs and raising profitability. This can help them attract investment and expand further.

The modelling results estimate a 0.01% increase in business investment in the UK in scenario 1 and an 0.02% change in scenario 2. The increase in investment is driven by the FTA's impact on the returns to capital.

The modelling results show a 3.8% increase in UK exports to New Zealand under scenario 1 and an 7.3% increase under scenario 2 in the long run. This demonstrates that expanded market access to New Zealand could create opportunities for UK exporters.

Cost savings due to tariff liberalisation on UK imports of intermediates and capital goods

By reducing tariff on imports, FTAs can reduce costs and expand the choice of imported inputs for UK businesses. This can help to raise their competitiveness.

The extent to which UK firms (and consumers) benefit from reduced tariffs depends on whether importers or exporters bear the burden of the tariff when goods are traded across borders. Although the academic evidence is inconclusive,⁹³ it is generally accepted that importers in a country bear the cost associated with tariffs.⁹⁴

The magnitude of potential tariff savings for UK businesses that trade in goods with New Zealand can be calculated by considering the impact on tariffs levied on intermediate goods entering the UK, shown in Table 8. The analysis below is based upon the UK's current tariff schedule. It does not account for the UK Global Tariff (UKGT).

Table 8: Potential scale of tariff reductions owing to tariff liberalisation on UK imports of goods from New Zealand, £ million per year

	Scenario 1		Scenario 2	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Intermediate goods	2.0	2.5	2.0	2.5
Final goods	23.1	23.3	32.1	33.2
Total savings	25.1	25.8	34.1	35.6

Source: DIT internal analysis (2020), annual average estimates 2017-2018.

Note: the upper bound shows the average value of trade that entered the UK from New Zealand as "MFN Non-Zero" (thereby paying some tariff) between 2017 and 2018. The lower bound accounts for the percentage of trade which claimed some of duty relief for inward or outward processing between 2017 and 2018. Due to lack of data, we assume a 100% duty relief for this lower bound estimate. Tariff reductions are also subject to rules of origin. UK consumers and UK businesses which use components imported from the FTA partner will only benefit from cheaper imports if the goods being imported meet rules of origin requirements. See Annex D for more details.

Scenario 1 assumes that the UK retains tariffs in sensitive sectors⁹⁵ whereas scenario 2 represents the complete elimination of tariffs on goods imports from New Zealand. As seen in Table 8, both these scenarios generate tariff savings of around £2.0 million to £2.5 million.

Cost savings due to tariff liberalisation on UK exports

UK exporters could benefit from the removal or reduction in tariffs on UK goods exported to New Zealand, resulting in increased competitiveness for UK products in New Zealand's market. Increased competitiveness in the New Zealand market is expected to result in UK firms expanding production and trade.

Although it is generally accepted that tariffs are paid by importers, tariff liberalisation in New Zealand is likely to result in decreased costs for New Zealand consumers and UK exporters. For example, where UK exporters operate under 'Delivered Duty-Paid agreements',⁹⁶ decreases in tariffs may not change the prices that are paid by New Zealand importers, but may directly reduce costs for UK exporters. Even if goods are not under Delivered Duty-Paid, lower tariffs will make UK goods more attractive to New Zealand importers.

⁹³ A discussion of the literature can be found in Annex D.

⁹⁴ In some instances, the exporting business may absorb the cost of the tariff, for example when there is a considerable domestic supply of a product, foreign firms may be forced to absorb tariff costs in order to remain competitive in the market or may not trade at all.

⁹⁵ It is common in FTAs for some tariffs to remain after negotiations, particularly in agricultural sectors. Scenario 1 assumes existing treatment is maintained for typically sensitive sectors including beef, lamb, dairy, fruit and vegetables, cereals and sugar.

⁹⁶ Delivered Duty-Paid agreements are those in which exporters are contracted to pay for all potential costs, including tariffs and insurance risks, rather than these being paid by the buyer of a product. For an explanation, please see: <https://www.incotermsexplained.com/the-incoterms-rules/the-eleven-rules-in-brief/delivered-duty-paid/>

The patterns of New Zealand tariffs combined with the pattern of UK exports suggests that there were around £19.4 million of tariffs levied on UK exports to New Zealand annually in recent years. As such, the potential annual reduction in tariff costs under both scenario 1 and 2 is £19 million. Of this, £5.7 million were tariffs paid on intermediate goods and £13.6 million on exports of final goods in both scenarios.

Small and medium enterprises (SMEs)

Small and Medium Enterprises (SMEs) may be defined as:

- > Firms employing fewer than 50, and fewer than 250 employees, respectively; and
- > Firms not exceeding either (a) £44 million in annual turnover or (b) an annual balance-sheet total of £38 million.

SMEs play an integral role in engaging with the international economy. They are increasingly international traders in their own right. The data suggest that 97% of businesses exporting goods in 2017 were SMEs, accounting for 29% of total UK goods exports.⁹⁷ Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

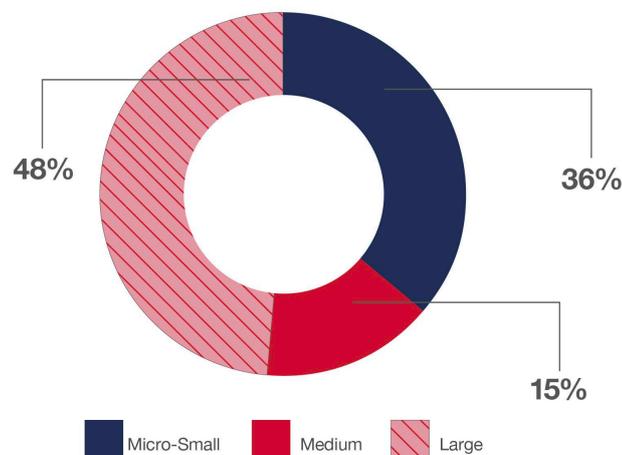
NTMs to trade addressed in FTAs may have a greater impact on SMEs than on larger businesses. This is because SMEs may have more limited financial and human resource capacities than larger businesses. They may be less equipped to overcome the challenges posed by different regulatory frameworks, have less access to information to help them navigate through trade regulations and absorb the financial risks associated with international trade. This means that FTA provisions which reduce the fixed costs of exporting can provide particular benefits for SMEs. This can raise the number of smaller firms which find it profitable to export, helping to spur innovation and increase productivity.

Using Business Population Estimates turnover data, Annex D shows that the distribution of SMEs across the 23 sectors included in the CGE model.

Overall, while SMEs account for around 51% of total UK business turnover, these businesses represent 62% of turnover in the sectors which are estimated to see output fall relative to the baseline according to the CGE model results in scenarios 1 and 2 (Chart 16). Under scenario 2, SMEs account for 47% of the turnover in expanding sectors, which is in line with the general business population.⁹⁸

Some businesses may experience greater competition from imports from New Zealand exporters than others. At this stage we are not able to compare the impacts on SMEs compared to other businesses in the UK economy.

Chart 16: Share of total business turnover by firm size⁹⁹



Source: DIT estimates (2020). Calculations based on BEIS Business Population Estimates, 2018.

⁹⁷ HMRC Trade in Goods by Business Characteristics.

⁹⁸ This includes 'micro'-sized firms which are included in 'small' firms in the data.

⁹⁹ Figures may not sum up due to rounding.

5.2. Impacts on UK consumers

Lowering tariffs and NTMs through FTAs could benefit consumers directly through increased consumer choice, better product quality and lower prices for imported goods.

Lower consumer prices for a given quality of product (known as quality-adjusted prices), can result from reductions in tariffs and regulatory barriers which reduce the costs associated with cross-border trade. Consumers can also benefit indirectly from the lower costs and greater variety of imported intermediate goods that are used by firms to produce final consumption goods and services.

Consumer savings owing to tariff liberalisation on UK imports

As shown in Table 9, UK imports of final goods from New Zealand attracted tariff costs of around £32.1 million - £33.2 million annually, based upon the pattern of UK-New Zealand trade flows between 2017-2018 and tariffs in 2018.¹⁰⁰ Based upon the UK's current tariff schedule, these represent the broad magnitude of potential savings for UK consumers resulting from the complete elimination of tariffs on goods imports from New Zealand under scenario 2 set out above. As previously discussed, the evidence of the extent to which UK consumers, as opposed to New Zealand exporters and UK importers, will benefit from these tariff reductions is inconclusive.

Scenario 1 assumes that the UK retains tariffs in sensitive sectors (for example on certain agricultural products). In sectors which are liberalised, it is estimated that tariff costs of around £23.1 million - £23.3 million are levied annually on final goods. Table 9 below presents the estimates for these scenarios.

Table 9: Potential scale of tariff reductions owing to tariff liberalisation on UK imports of goods from New Zealand, £ million per year

	Scenario 1		Scenario 2	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Intermediate goods	2.0	2.5	2.0	2.5
Final goods	23.1	23.3	32.1	33.2
Total savings	25.1	25.8	34.1	35.6

Source: DIT internal analysis.

If the savings are passed onto consumers, then consumers may also benefit from reductions in the cost of intermediate goods imported by business in the form of lower prices. However, not all of the tariff reductions will pass through into consumer prices as some businesses may absorb the benefit from the reduced tariff cost on intermediate goods. Calculated in this way, consumer savings when importing final goods are equivalent to the reduction in tariff revenues accruing to the UK Exchequer.

5.3. Impacts on UK workers

Workers can benefit from an FTA through higher incomes and more opportunities for employment. The modelling suggests that the potential small reallocation of employment across sectors represents a very small proportion of the total UK labour force.

Workers can benefit from FTAs through a variety of channels.

Higher incomes and wages - Where FTAs boost productivity within firms and sectors, and across the economy, this is likely to increase employment opportunities and worker incomes. Where FTAs lower consumer prices, this is likely to benefit workers in the form of higher real wages, meaning that they can purchase more even if wages were constant.

Changes to the composition of employment - Trade liberalisation can affect the structure of the economy over time. Workers may move between jobs and sectors, as changes in the pattern of trade cause some sectors to expand and others to decline. The UK has one of the most dynamic and flexible labour markets in the world, which helps to facilitate adjustment and reduce transition costs for workers.¹⁰¹

¹⁰⁰ Figures may not sum up due to rounding.

¹⁰¹ For example, the UK is rated as having the fifth most efficient labour market in the world in the World Economic Forum's Global Competitiveness Report, 2016-17, behind only Switzerland, Singapore, Hong Kong and the United States.

The CGE model estimates long run impacts (with the long run interpreted as the period of time taken for the economy to fully adjust to the FTA). Therefore, the model does not provide estimates of the magnitude of any potential short run impacts, such as the impact on unemployment associated with workers moving jobs within or across sectors or within and across nations and regions of the UK economy.

As is common in CGE modelling exercises, the CGE model assumes that both the supply of labour and overall rates of employment and unemployment in the economy are fixed in the long run (i.e. they are assumed to be unaffected by the FTA). This is appropriate as the labour market would be expected to adjust over the timeframe and FTAs would not be expected to influence the underlying drivers of the long run employment rate.

These mean that the results below show estimates of the impacts on wages (5.3.1) and the composition of employment across sectors over the long run (5.3.2), but do not provide estimates of any potential impacts on the short or long run employment and unemployment rates.

Impact on wages

The modelling estimates an increase in the long run level of the average real wage in the UK (nominal wages adjusted for the impact of inflation) of around 0.01% (£100 million) in scenario 1 and 0.02% (£200 million) in scenario 2.¹⁰²

The real wage changes can be broken down into type of occupation, which vary in their skill levels (Table 10). The results show that all skill types benefit from increasing liberalisation.

Table 10: Change in wages by occupation, %

	Scenario 1	Scenario 2
Managers	0.01	0.03
Technicians	0.01	0.03
Clerks	0.01	0.03
Service workers	0.01	0.02
Labourers	0.01	0.01

Source: DIT modelling (2020)

Impact on sectoral employment

This section presents indicative estimates of long run impacts on the composition of employment in UK sectors.¹⁰³

As was the case for GVA impact by sector, under scenario 1 there is relatively little change in the sectoral composition of UK employment, with a potential decrease in employment in the agriculture and semi-processed foods sectors in the long run.

Under scenario 2 the sectors in which there is estimated to be the greatest increases in employment following an FTA with New Zealand are energy, processed foods, and beverages and tobacco. Employment is estimated to fall in the agricultural and semi-processed foods sectors in the long run. The modelling assumes no overall changes in UK employment, so this represents a movement of labour between sectors.

¹⁰² Values were calculated by converting \$ to £ using the 2011 exchange rate and then using a GDP inflator to convert to 2018 prices. For comparison, an alternative methodology using the percentage change applied to the total compensation of employees (S1D11 in national accounts), was also used and arrives at the same values to two decimal places.

¹⁰³ Employment is according to the ILO definition as specified by the relevant LFS indicator (ILODEFR). That is, a person is considered employed if they are 16 or over/16-64 and have been engaged for at least one hour within a 7-day reference period in any activity to produce goods or services. This also includes employed persons 'not at work' i.e. those who did not work in the reference period due to temporary absence or working patterns.

Table 11: Long run changes in employment (long run % change)

		Scenario 1	Scenario 2
Agri-food	Agriculture	—	—
	Beverages and tobacco products		+
	Processed foods		+
	Semi-processed foods	—	—
Industry	Chemical, rubber, plastic products		+
	Electronic equipment		
	Energy		+
	Manufacture of materials		
	Motor vehicles and parts		+
	Other machinery and equipment		
	Other Manufacturing		
	Other transport equipment		
	Paper and printing products		
	Textiles, leather, and wearing apparel		
Services	Business services		+
	Communications		
	Construction		
	Financial services		
	Insurance		
	Other services (transport, water, dwellings)		
	Personal services		
	Public services		
	Wholesale and retail trade		

Key:

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (—)
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Source: DIT modelling (2020)

Modern, dynamic economies change continually in response to global developments. This causes an ongoing process of worker and job transition in the labour market. Lower trade barriers and greater import competition could accelerate this ongoing process.

Overall, the modelling suggests that the small reallocation of employment across sectors represents an estimated 0.01% of the labour force in scenario 1 and 0.04% in scenario 2. In other words, between 1 and 4 in every 10,000 jobs may be expected to move between sectors as a result of this agreement in the long run. However, it is important to note that this does not necessarily represent the movement of individuals and that the magnitudes are small in comparison with regular changes in the labour market.

These results show the change in composition of employment across sectors over the long run, but do not provide estimates of any potential impacts on total employment or unemployment rates. The model assumes that both the supply of labour and overall rates of employment and unemployment in the economy are fixed in the long run (i.e. they are assumed to be unaffected by the FTA). This is appropriate, as over the long run, the labour market would be expected to adjust, and FTAs would not be expected to influence the underlying drivers of the long run employment rate.

The transition of employment across sectors has the potential to generate long run gains for workers, for example leading to higher wages. However, some workers may also incur short run adjustment costs and periods of transitional unemployment. The UK has a dynamic and flexible labour market, helping to facilitate the adjustment and reduce the transition costs for workers. It is, however, important to ensure that the potential for adjustment costs are not concentrated disproportionately among certain groups of the labour market.

5.4. Preliminary assessment of implications for protected groups in the labour market

Workers can benefit from an FTA through higher incomes and more opportunities for employment. The modelling suggests that the potential small reallocation of employment across sectors represents a very small proportion of the total UK labour force.

The pattern of potential long run changes to the sectors where workers are employed may affect different groups in the labour market differently. This is because the characteristics, such as gender, age, ethnicity and disability status, of workers differ across sectors (see Table 21).

Annex E provides descriptive statistics describing the characteristics of workers located in sectors where employment is expected to fall relative to the baseline as a result of the agreement.

Workers currently located in sectors where employment is estimated to be lower than would otherwise be the case (in the absence of the agreement) cannot be assumed to be adversely affected by the FTA. For example, in some cases, workers who remain in the sector stand to benefit from increases in wages, owing to higher productivity in the sector. In addition, some of the adjustment may take place as workers leaving the labour market are not replaced, with new entrants more likely to find employment in sectors where employment is higher. Any workers who do transition across sectors may incur short run adjustment costs or periods of transitional unemployment but may also benefit from the creation of higher wage jobs in other sectors of the economy. The analysis is based on the structure of the UK workforce from 2015-17. Whereas the CGE modelling results reflect the global economy in the long run when the composition of the workforce may have changed.

A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups and those who report having a disability are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline. Workers who are male, white, or older workers (over 65 years old) are more concentrated in sectors where employment is estimated to fall relative to the baseline.

Gender

- 47% of those in employment in the UK are female and 53% are male.¹⁰⁴
- In scenarios 1 and 2, 28% of the workforce in sectors where employment is estimated to fall relative to the baseline are female and 72% are male.

Ethnicity

- 12% of those in employment in the UK are from an ethnic minority group and 88% report that they are white.
- In scenarios 1 and 2, 3% of the workforce in sectors where employment is estimated to fall relative to the baseline are from an ethnic minority background and 97% are white.

Age

- 12% of those in employment in the UK are aged 16-24, 85% are 25-64 and 4% are over 65.
- In scenarios 1 and 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline who are aged 16-24 is around 10%. The proportion of workers in sectors where employment is estimated to fall relative to the baseline who are aged 65+ make up around 15%.

Disability

- Around 12% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010).¹⁰⁵
- In scenarios 1 and 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline who have a disability is estimated to be around 14% and those without a disability are estimated to be around 86%.

¹⁰⁴ According to DIT Analysis of the ONS three-year pooled Annual Population Dataset (2015-2017).

¹⁰⁵ It is possible that non-response to this question in the Annual Population Survey affects the estimated proportion.

6. The environment

This section presents current environmental policy in the UK and New Zealand and the potential implications of a UK-New Zealand FTA on the environment, including a preliminary assessment of the potential implications on UK CO₂ emissions, trade-related transport emissions, biodiversity, natural resources and air pollution.

Changes in the UK's production and global trading patterns as a result of a UK-New Zealand FTA could favour more or less emissions-intensive sectors in the UK and could change levels of transport emissions. The extent of environmental impacts, positive or negative, is dependent on the negotiated outcome of the agreement, which will determine changes in the pattern of trade and economic activity. This Government is committed to meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment. This agreement may provide opportunities to further environmental and climate policy priorities.

6.1. Background – New Zealand and UK environmental policy and performance

The environment is an important part of government policy in the UK and New Zealand. Both countries are also party to a range of Multinational Environmental Agreements (MEAs).

FTAs have the potential to impact on the environment, by changing patterns of production, the types of goods and services that are traded and the commitments made by countries in respect of environmental policies and outcomes.

Sustainable development is a key objective of the UK government, highlighted across the UK's Industrial Strategy,¹⁰⁶ Clean Growth Strategy,¹⁰⁷ Bioeconomy Strategy,¹⁰⁸ and 25 Year Environment Plan.¹⁰⁹ The Climate Change Act commits the UK government by law to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050, and to set legally binding 'carbon-budgets' to act as stepping stones towards the 2050 target.¹¹⁰ The UK has met its first (2008-12) and second (2013-17) carbon budgets and is on track to outperform its third (2018-2022).¹¹¹ In New Zealand, the Resource Management Act is New Zealand's principal legislation for environmental management. Both parties are committed to MEAs such as the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change.

The UK and New Zealand are party to a range of MEAs that aim to improve global environmental conditions across a broad range of issues, such as air pollution, chemicals and waste, fisheries, terrestrial ecosystems and biodiversity and species.¹¹² The UK and New Zealand are also members of international agreements related to the prevention of climate change, including the Paris Agreement.¹¹³

The findings from the Department for International Trade's public consultation were published in the Government's response on 18th July 2019, and highlighted a number of priorities and concerns related to FTAs and the environment.¹¹⁴ A preliminary assessment of the environmental impacts of a future UK-New Zealand trade agreement has been undertaken.

¹⁰⁶ The Industrial Strategy highlights the importance of harnessing cleaner growth and becoming a world leader in the development, manufacture and use of low carbon technologies, systems and services.

¹⁰⁷ The Clean Growth Strategy sets out the UK's reaffirmed ambition to promote the ambitious economic and environmental policies to mitigate climate change and deliver clean, green growth.

¹⁰⁸ <https://www.gov.uk/government/publications/bioeconomy-strategy-2018-to-2030>

¹⁰⁹ The 25 Year Environment Strategy sets out government action to help the natural world regain and retain good health, calling for a new approach to industry which highlights the importance of sustainable land use and resource efficiency.

¹¹⁰ <https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/the-climate-change-act/>

¹¹¹ The Committee on Climate Change: <https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/how-the-uk-is-progressing/>

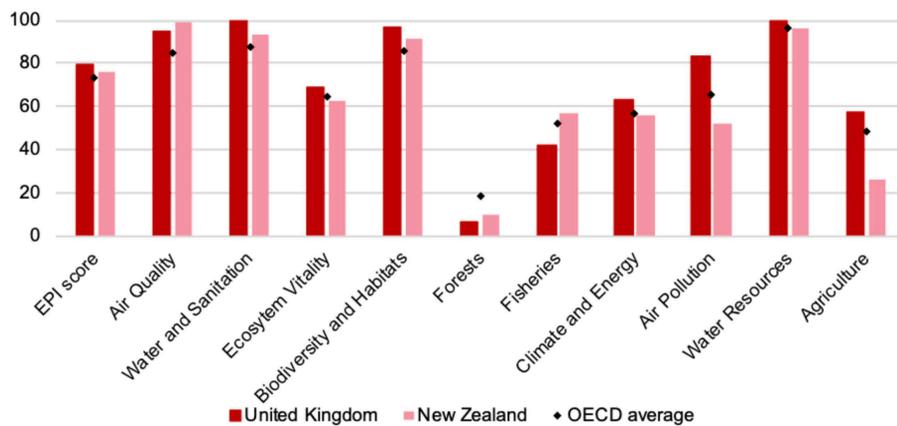
¹¹² Annex 3 of HMG's 25 Year Environment Plan sets out a non-exhaustive selection of international agreements that the UK is party to which seek to improve the international environment. Available here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/678681/25-env-plan-annex3.pdf

¹¹³ Including the Kyoto Protocol (1997) and the Paris Agreement (2016).

¹¹⁴ Further detail can be found in the Government's Summary of the consultation responses, available at: <https://www.gov.uk/government/consultations/trade-with-new-zealand>

The Environmental Performance Index (EPI), an internationally comparable index of environmental variables, is used to outline each country's environmental performance. The EPI score reflects how close countries are to the best environmental outcomes for a given measure – a score of 100 indicating a world-leading performer. As shown in Chart 17, the UK is better performing than the OECD average in all measures apart from forestry and fishing. New Zealand performs better than the OECD average in 6 of the 11 selected measures.

Chart 17: Environmental Performance Index scores for UK and New Zealand, 2018¹¹⁵



Source: DIT analysis 2020

6.2. Potential implications of FTAs on the environment

This Government is committed to meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment. This agreement may provide opportunities to further environmental and climate policy priorities. The overall environmental impact of FTAs is difficult to assess, but environmental impacts, positive or negative, could arise due to the resulting changes in production and trade volumes, shifting of economic activity across different sectors and efficiency gains.

Further economic integration of the UK and New Zealand economies through an FTA could be used to foster greater co-operation on addressing these environmental issues, both bilaterally and globally.

Assessing the impact of any future environmental provisions in FTAs is challenging for two reasons: (a) the content of the environmental provisions is not yet agreed, and (b) the currently available empirical studies have not robustly concluded whether provisions in FTAs intended to protect the environment have had a significant effect.¹¹⁶ This is particularly true when an agreement is between two high income economies, such as the UK and New Zealand, where high existing environmental standards are expected to be enforced already.

However, the economic changes resulting from FTAs have the potential to affect some aspects of the environment including, for example, greenhouse gas emissions, air pollution, water quality and land use. Impacts on the environment may occur:

- > as a direct result of greater volumes of bilateral and world trade (for example, from increased production and transport emissions)
- > as economic activity shifts between sectors with different levels of emissions (a 'composition effect')
- > as economic activity shifts between countries with differing levels of environmental protection¹¹⁷
- > as increased trade leads to the transfer and adoption of new and potentially more environmentally friendly technologies as well as production methods (a 'technique effect')

¹¹⁵ Source: EPI 2018 <https://epi.envirocenter.yale.edu/> EPI is used to illustrate relative performance, there are other international indices which may measure additional environmental performance metrics and give different scores.

¹¹⁶ OECD (2018), 'Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements'. The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.

¹¹⁷ The pollution haven hypothesis (PHH) predicts that trade liberalisation will lead to the relocation of pollution-intensive production to countries with lower environmental protections, where firms face lower costs of compliance with environmental regulations. This could in theory encourage a 'race to the bottom' where governments lower environmental protections to give domestic firms a competitive advantage over foreign competitors. However, with harmonised environmental regulations FTAs can reward the most efficient, therefore low-cost producers which have the smallest environmental impacts. The evidence on the PHH is mixed, although recent credible studies find some support for it (see Broner, Bustos and Carvalho, 2012; Millimet and Roy, 2016; Martínez-Zarzoso, Vidovic and Voicu, 2016).

Further, an ambitious and comprehensive trade agreement is expected to bring income gains in both countries, which could be used to pay for measures to mitigate any negative environmental impact, while leaving an economic surplus. However, distributional policies to reallocate benefits towards mitigating measures are outside the scope of this FTA.

CO₂ emissions from UK production

The impact of a UK-New Zealand FTA on CO₂ emissions is uncertain but potential changes may result from a shift in economic output between more and less CO₂-intensive sectors. This will also be determined by other factors such as efficiency gains, the potential adoption of new technologies, the design of the final agreement or future carbon pricing policies.

A simple preliminary and partial assessment of the potential implications of the estimated shifts in economic activity across sectors for UK CO₂ emissions and land is outlined in Annex F.

The results of the preliminary assessment suggest that under both scenarios 1 and 2, the resulting shift in sectoral output will marginally move the composition of UK output from sectors that are relatively less CO₂-intensive towards sectors which are, on the whole, more CO₂-intensive. In the UK, power and heat generators, energy-intensive industrial sectors, and aircraft operators must pay for the carbon they emit under the EU Emissions Trading scheme and will continue to do so under its proposed UK replacement. For these sectors, expansion may translate into greater costs to business which are not captured in the modelling.¹¹⁸

The assessment does not account for potential efficiency gains or the potential adoption of new technologies and production techniques resulting from the agreement (which would change the CO₂ intensity of output within sectors). It also does not account for the impacts of any specific environmental provisions in the agreement, or instances where increases in domestic output displaces output in third countries (where emissions could be higher or lower) due to trade diversionary effects.

Transport emissions

The impact of a UK-New Zealand FTA on transport emissions is uncertain but potential changes may result from the change to the volume of trade, the distance goods are transported and the composition of goods traded.

International transport is responsible for 33% of worldwide trade-related emissions,¹¹⁹ with shipping freight alone accounting for at least 3% of global greenhouse gas emissions.¹²⁰

The extent to which trade affects emissions is dependent on three variables, namely: the type of good being traded, the mode of transport and the distance travelled by those goods. For example, different modes of transport vary greatly in their carbon intensity; one kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).¹²¹

A UK- New Zealand FTA is expected to increase the value of total UK goods trade (exports plus imports). As such, we can expect several potential changes to the level of transport emissions, resulting from:

- > scaling impacts to transport emissions from increased trade
- > increased UK-New Zealand bilateral trade displacing trade with partners that are geographically closer to the UK, which could increase the distance travelled by transported goods (or vice versa)
- > a change in the types of goods traded between the UK and New Zealand and the modes of transport used (transport emissions are aligned with the weight, rather than value of trade; shifts in the value of traded goods between sectors where the £ per kg ratio is low, such as agriculture and energy, to sectors where it is high, such as electronic equipment, could reduce transport emissions; shifts between sectors may also impact transport emissions by changing the overall proportion of goods that are travelling by sea and air freight)

¹¹⁸ These sectors do not map exactly on to the modelled sectors, but are likely to account for the majority of emissions from the 'Energy', 'Chemicals, rubber and plastics' and 'Manufactures' sectors.

¹¹⁹ For example, see A. Cristea, et al., "Trade and the greenhouse gas emissions from international freight transport", *Journal of Environmental Economics and Management* (2012), <http://dx.doi.org/10.1016/j.jeem.2012.06.002>.

¹²⁰ T. Smith, et al., "CO₂ emissions from international shipping: Possible reduction targets and their associated pathways," *UMAS* (2016), http://www.lowcarbonshipping.co.uk/files/ucl_admin/DSA_2016_Co2_emissions_in_shipping.pdf

¹²¹ For more information on transport carbon emissions, see BEIS greenhouse gas reporting conversion factors (2018). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

Therefore, despite knowing that an FTA will result in goods being transported across greater distances, we cannot state the extent to which total carbon emissions will be affected. A simple preliminary assessment of the impact of transport emissions from bilateral goods trade as well as simple descriptive statistics are outlined in Annex F.

Air pollution

Increased trade could result in air pollution from additional production and trade-related transport, however, there is also evidence that membership of Regional Trade Agreements (RTAs) is linked to better air quality.

Air pollution negatively affects human health and productivity as well as ecosystem integrity and function.

Unlike carbon emissions, many of the impacts of air pollution can be localised and depend on the source of the emissions, the scale of the population in the relevant area and the ecosystems affected. Since 1970, New Zealand has experienced a significant decline in sulphur dioxide levels,¹²² in part supported by New Zealand's Air Quality standards. The UK has also experienced declining national air pollutant concentrations, supported by the UK Department for Environment, Food and Rural Affairs (DEFRA), Clean Air Strategy.¹²³

In most places where industrial and domestic pollutant sources impact on air quality, effects tend to be steady or improving over time. Traffic pollution problems buck this trend and are generally worsening worldwide.¹²⁴ Air pollution from traffic has been reducing in the UK, but at a slower rate than air pollution from other sources.¹²⁵ Air pollution is not captured in the CO₂ emissions modelling, but increased trade could increase pollution from production and trade-related transport. As explained above for CO₂ emissions, the impacts would depend the volume of goods and transport modes used.

There is evidence that membership of RTAs both with and without environmental provisions, is linked with improvement in two measures of air quality: concentrations of sulphur dioxide and nitrogen oxides.¹²⁶ The study does not find a definite causal link, but academics have suggested that rising incomes as a result of free trade increase demand for environmental protections.¹²⁷ If this is the case, rising incomes from a UK-New Zealand FTA could help improve air quality.

The Government has published its Clean Air Strategy which includes new and ambitious goals, legislation, investment and policies. Building on the commitments set out in the Clean Air Strategy, the Government has introduced air quality measures in the Environment Bill, which delivers key parts of the Strategy. Emissions of nitrogen oxides have fallen by 33% since 2010 and are at their lowest level since records began.

Biodiversity, land and water use

Modelling shows an increase in trade and production which may result in increased use of resources.

Species population sizes have seen a 60% decline between 1970 and 2014 globally, highlighting the urgency of action needed to prevent further decline. Some of the main dangers worldwide include those arising from invasive alien species, climate change, nutrient loading,¹²⁸ pollution, and ecosystem changes. Habitats which are important for ecosystem services, including water-related ecosystem services, continue to be lost and degraded.¹²⁹ As mentioned, the UK is committed to tackling these threats as a member of the Convention on Biological Diversity and within the 25-Year Environment Plan. In New Zealand, the Resource Management Act is New Zealand's principal legislation for environmental management. Both parties are committed to MEAs such as the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change.

All the scenarios modelled predict an increase in bilateral trade and increases in UK and New Zealand output and total trade. Additional production will result in increased use of resources – water, land and raw materials – and production of waste products. The modelling estimates a decrease in the output of some agricultural sectors.

122 <https://www.mfe.govt.nz/air/specific-air-pollutants/sulphur-dioxide>

123 DEFRA (2019) 'Clean Air Strategy'. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/770715/clean-air-strategy-2019.pdf

124 UK AIR: Air Information Resource. <https://uk-air.defra.gov.uk/air-pollution/causes>

125 Table 301: <https://www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env>

126 OECD (2018), 'Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements'. The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.

127 Cherniwchan et al. (2016) <https://www.nber.org/papers/w22636>

128 WWF, Living Planet Report 2018.

129 Secretariat of the Convention on Biological Diversity (2015) Water and Biodiversity: Summary of the findings of (GBO4) and implications for action as they relate to water.

The overall impacts on resource use and biodiversity globally are difficult to assess fully, as some additional production could be the result of trade diversion from less efficient producers based in countries with lower environmental standards. For example, in some large agricultural exporters, deforestation for agricultural land use takes place, with negative consequences both for biodiversity and climate change. Until the final negotiated outcome is known, it is difficult to accurately quantify trade diversionary effects.

The modelled sectors are not disaggregated enough to assess the environmental impacts arising from changes in fishing outputs. However, both the UK and New Zealand are committed to sustainable fishing practices and combatting illegal, unreported and unregulated fishing.

7. Labour standards

This section provides an overview of the labour protections in place in the UK and New Zealand and outlines the potential impacts of an FTA on labour standards. Although it is not possible to assess the exact impact of an agreement on labour issues prior to the conclusion of FTA negotiations, New Zealand maintains high labour standards and, as such, additional imports from New Zealand resulting from an FTA should be produced in line with such standards. A UK-New Zealand FTA is also not expected to impact on the UK's legislation elsewhere related to UK labour issues.

7.1. Labour issues and FTAs

Both the UK and New Zealand have strong legislation on labour standards.

A UK-New Zealand FTA is expected to increase imports from New Zealand, and as such the UK will consume more goods and services produced under New Zealand labour standards. In line with the priorities and concerns raised through the DIT's public consultation, the potential impacts of a UK-New Zealand FTA on labour standards are set out below.¹³⁰ Table 12 below provides an overview of the labour protections in place in the UK and New Zealand.

Table 12: Summary of UK and New Zealand labour standards

Provision	
Wage and statutory leave entitlement	Both the UK and New Zealand have legislation guaranteeing a national minimum wage, statutory leave, sick pay and paid parental leave. ¹³¹
International Labour Organisation (ILO) conventions	The UK was a founding member of the ILO and has signed and ratified all 8 fundamental conventions. ¹³² New Zealand was also a founding member of the ILO and has adopted 6 of the 8 fundamental conventions. ¹³³
Collective bargaining rights	Both the UK and New Zealand have legislative acts in place which guarantee the right to collective bargaining. ¹³⁴
Preventing labour discrimination	Both the UK and New Zealand have legislation in place which prevents discrimination of employment on the basis of gender, sexual orientation, ethnicity, religion, race or national origin. ¹³⁵
Child labour	Both New Zealand and the UK have signed the ILO Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour. The UK is also a signatory of the ILO Convention concerning Minimum Age for Admission to Employment, committing to pursue a national policy of having 16 as the minimum age for employment. New Zealand is not a signatory of this convention because it breached exemptions in New Zealand legislation.
Prevention of modern slavery	The UK and New Zealand have been leading countries in the prevention of Modern Slavery, in particular with the introduction of the Modern Slavery Act in the UK in 2015.

¹³⁰ The findings from the Department for International Trade's public consultation were published in the Government's response on 18th July 2019. Available from: <https://www.gov.uk/government/consultations/trade-with-the-us>

¹³¹ The Social Security Contributions and Benefits Act 1992, National Minimum Wage Act 1998 and Working Time Regulations Act 1998 for the UK and the Minimum Employment Rights and Obligations (2013) for New Zealand.

¹³² Excluding C129 - Labour Inspection (Agriculture) Convention, 1969.

¹³³ Excluding C138 - Minimum Age Convention, 1973 and C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948.

¹³⁴ The Trade Union and Labour Relations (Consolidation) Act 1992 for the UK and the Employment Relations Act 2000 for New Zealand.

¹³⁵ The Equality Act 2010 for the UK and the Human Rights Act 1993 for New Zealand.

7.2. Potential impacts of a UK-New Zealand FTA

New Zealand maintains high labour standards. Additional imports from New Zealand resulting from an FTA will be produced in line with those standards. A UK-New Zealand FTA is not expected to impact on any of the UK's labour legislation.

The UK is a world leader in workers' rights and will continue to advocate for the highest standards and conditions for its citizens after leaving the EU. The UK-New Zealand FTA may include specific labour provisions which promote higher levels of labour standards and ensure global standards are adhered to among signatories.

Labour provisions can be used to ensure that partners do not lower their standards in order to gain a competitive advantage in relation to trade. These provisions in trade agreements have become increasingly common over the past two decades,¹³⁶ however, there is limited literature as to their effect on working outcomes (for example, on wages).¹³⁷ Where impacts have been identified, they have generally been positive¹³⁸ and provisions have been found to ease labour market access, narrow the gender wage gap and not divert or decrease trade flows.¹³⁹ Cross-country empirical analysis of the impact of labour provisions is difficult for several reasons:

1. different agreements contain different kinds of labour provisions
2. countries improving their labour standards may be more likely to agree to sign-up to ambitious labour provisions (a selection bias effect)
3. labour provisions are a recent addition to FTAs (meaning there is limited available data) and depend on effective implementation which is a lengthy and iterative process

As set out above, New Zealand also maintains high labour standards, so additional imports from New Zealand resulting from an FTA should be expected to be produced in line with such standards. Whilst a UK-New Zealand FTA is expected to increase average wages in the UK, as set out in Table 12 above, it would have no direct impact on statutory minimum wages or leave entitlement offered within a country. More generally, the UK-New Zealand FTA is not expected to impact on any of the UK's labour legislation. Prior to the conclusion of negotiations, it is not possible to assess the exact impact of an agreement on labour issues.

¹³⁶ In 1995, 7% of trade agreements in force included labour provisions, rising to 29% by 2016. 'Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements', ILO, 2017.

¹³⁷ Analysis by the International Labour Organisation (ILO, 2016) noted that "aggregate cross-country analysis does not indicate any impact of labour provisions on other labour market outcomes" (for example wages or working hours), but that there was a "possibility that labour provisions may still have an impact at the country-level." Available at: https://www.ilo.org/global/publications/books/WCMS_498944/lang--en/index.htm

¹³⁸ Doumbia-Henry, C, & Gravel, E. (2006). Free trade agreements and labour rights: Recent developments. *Int'l Lab. Rev.*, 145, 185. For example, Samaan & Lopez (2017) examined labour provisions in the 1999 Bilateral Textile Agreement between Cambodia and the US and found that combining obligations to comply with core labour standards with the incentive of higher exports led to a statistically significant reduction in the gender wage gap in the textiles sector.

¹³⁹ Summary of ILO research (2016), found in 'Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements', ILO, 2017.

8. Sensitivity analysis, analytical limitations and risks

To account for the uncertainty associated with the selected core scenarios, the baseline and the modelling assumptions, further analysis using different inputs has been conducted. This section presents the modelling results of a limited ambition FTA scenario, an alternative baseline for the future trading relationship between the UK and the EU. Monte Carlo analysis was undertaken to give ranges around the results presented in Section 4 (overall impacts) to account for uncertainty in model parameters. The limitations of the analysis are also explained, both the data limitations and the areas not covered by the model.

8.1. Alternative scenarios

The depth of the final negotiated UK-New Zealand FTA may differ from the central scenarios used in the modelling. Sensitivity analysis using a limited UK-New Zealand trade agreement has been modelled and shows limited impact on UK GDP.

The central estimates presented in this document only account for the potential changes in trade costs resulting from an FTA between New Zealand and the UK. They do not represent an overall economic forecast, nor do they consider the uncertainty of modelling exercises.

The uncertainty surrounding the inputs and assumptions used to construct the core scenarios is driven primarily by the content of the agreement being unknown. This means that the impacts of the negotiated agreement may fall outside the range of estimated impacts if it is far deeper or limited in scope when compared to the headline scenarios.¹⁴⁰

To assess the sensitivity of the main results to the choice of scenarios, a number of alternative scenarios are assessed (Table 13).

- Sensitivity A represents a limited UK-New Zealand trade agreement. It assesses the impact of substantial tariff liberalisation combined with a 10% reduction in the levels of actionable NTMs and regulatory restrictions to services affecting goods and services. This sensitivity shows no change in GDP.
- Sensitivity B represents a comprehensive trade agreement. It assesses the impact of substantial tariff liberalisation by the UK combined with a 50% reduction in the levels of actionable NTMs affecting goods and services in both countries. New Zealand is assumed to fully liberalise its tariffs to UK exporters. This sensitivity shows no change in GDP.

Table 13: Summary of macroeconomic impacts under alternative scenarios

	Sensitivity A Shallow trade agreement	Sensitivity B Comprehensive trade agreement with substantial but not full tariff liberalisation
Change in GDP	0.00%	0.00%
Change in UK exports to NZ	2.1%	7.0%
Change in UK imports from NZ	6.8%	29.3%

Source: DIT modelling (2020)

140 For example, see Egger et al. (2015) 'Non-tariff measures, integration and the transatlantic economy'.

8.2. Alternative baseline

UK-EU relationship

The baseline is based on stylised assumptions to represent the potential long run future trading relationship between the UK and the EU. However, to reflect uncertainty around the future relationship between the UK and EU, a WTO relationship baseline is also modelled.

All modelling outputs are estimated relative to a 'baseline'. The baseline represents the economy in the absence of the agreement. An important assumption in this case concerns the future trading relationship between the UK and the EU. Stylised assumptions are used to represent a future hypothetical FTA between the UK and EU using assumptions taken from the Government's published long run economic analysis of EU Exit.¹⁴¹

The choice of baseline influences the impact of the agreement due to the significant trade diversionary impacts resulting from the UK's future economic partnership with the EU.

To assess the sensitivity of the main results to the choice of baseline inputs, the impacts of scenarios 1 and 2 are assessed against an alternative baseline where the UK trades with the EU on WTO terms and MFN rules. This is illustrated in the 'modelled no deal' scenario in the Government's long run economic analysis of EU Exit.¹⁴²

This sensitivity analysis suggests that under an alternative WTO baseline, the impact of a UK-New Zealand FTA would be limited in scenario 1, and estimated to be a decrease of -0.02% to 0.00%, with a central estimate of -0.01% in scenario 2 (equivalent to a decrease of £200 million). Under scenario 2, this is lower than the estimated impact using the core baseline included in the assessment. Table 14 below summarises the differences in results.

Table 14: Summary of macroeconomic impacts under WTO baseline

	Scenario 1 under Core Baseline	Scenario 1 under WTO baseline	Scenario 2 under Core Baseline	Scenario 2 under WTO baseline
Change in GDP	0.00% (0.00% to 0.01%)	0.00% (0.00% to 0.01%)	0.00% (-0.01% to 0.00%)	-0.01% (-0.02% to 0.00%)
Change in UK exports to NZ	3.8%	4.3%	7.3%	8.0%
Change in UK imports from NZ	14.9%	14.2%	40.3%	37.1%

Source: DIT modelling (2020)

Non-adjusted semi-processed food sector

The core results reflect an adjustment to the baseline tariff on New Zealand's exports in sheep and goat meat traded under a TRQ with the UK. A baseline sensitivity using a non-adjusted tariff for bovine and meat products, within the aggregated semi-processed foods sector, shows some changes to GDP estimates, with larger impacts on trade flows in scenario 2.

As set out in section 3.2.1, an adjustment has been made to the baseline for New Zealand's semi-processed food tariffs. To understand the impact of the scenario where there is the greater tariff liberalisation in the semi-processed foods sector, a sensitivity analysis has been undertaken. In this sensitivity scenario, no adjustment to the baseline was made for the semi-processed food sector. This means that all tariffs for the sector have been taken directly from GTAP 9. As a result, the tariffs for the semi-processed food sector are higher than those in the core baseline and so greater liberalisation occurs.

The sensitivity analysis, set out in the table below, shows some change in key variables. Under scenario 1, GDP is estimated to increase by 0.01%, whilst under scenario 2 are estimated to decrease by 0.01%. The most noticeable difference is under scenario 2, where imports are estimated to increase to a much greater extent.

¹⁴¹ Underpinning assumptions taken from HMG (2018), 'EU Exit: Long-term economic analysis: Technical Reference Paper'.

¹⁴² EU Exit: Long-term economic analysis, HMG (2018).

Table 15: Summary of macroeconomic impacts under non-adjusted semi-processed food baseline

	Scenario 1 under Core Baseline	Scenario 1 under non-adjusted semi-processed food baseline	Scenario 2 under Core Baseline	Scenario 2 under non-adjusted semi-processed food baseline
Change in GDP	0.00%	0.01%	0.00%	-0.01%
Change in UK exports to NZ	3.8%	3.8%	7.3%	9.6%
Change in UK imports from NZ	14.9%	12.1%	40.3%	320.0%

Source: DIT modelling (2020)

8.3. Analytical limitations

There are several other limitations not explicitly accounted for in the central estimates or sensitivity analysis described above. This includes data limitations, the statistical uncertainty around model parameters and assumptions and other areas not modelled that could have a potential impact on the results. The uncertainty around model parameters has been accounted for in ranges generated by Monte Carlo analysis.

Data

The data used to produce modelling results is drawn from the GTAP 2011 dataset, which draws on data from 2009, 2010 and 2011, except where adjustments have been made as discussed in more detail in Section 3.2. As such, changes in the pattern of world trade between this 2009-11 and 2018 will not be reflected in results produced by the model. Depending on changes in the pattern of trade over this period, this could lead to under- or over-estimation of the impact of a UK-New Zealand FTA. For example, for a given sector an increase in the proportion of UK exports being sent to New Zealand between 2011 and 2018 could lead to the model underestimating the UK impact of an FTA with New Zealand.

Similarly, any changes in tariff schedules between 2009-11 and 2018 will not be reflected in results produced by the model. However, analysis using 2017 tariff and trade data from World Integrated Solutions (WITS) showed that there have not been significant, permanent, changes in tariffs and trade shares between New Zealand and the UK between 2011 and 2017. The tariff data used for modelling and wider analysis are based upon the UK's current tariff schedule (the EU's 'Common External Tariff'). The UK has recently announced the UK Global Tariff (UKGT) schedule, which will apply following the end of the transition period. The estimates do not take into account the UKGT.

In order to assess economy-wide impacts, the model provides a sectoral aggregation of 23 sectors based on the underlying GTAP dataset. While this is appropriate for looking at broad magnitudes of impact, it may not fully capture the more granular interactions that occur at a sub-sector level. This limitation is common to CGE and macroeconomic analysis.

Model parameter uncertainty and Monte Carlo analysis

Where available, key elasticities have been sourced from academic literature and the GTAP 9 database.

The analysis includes ranges around the central point estimates of GDP and equivalent variation, generated by a Monte Carlo statistical process. This accounts for uncertainty in both policy inputs and key structural parameters in the modelling by drawing several thousand input values from their full distributions. The resulting ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range.

A summary of the parameters varied is provided in Annex A below.

8.4. Investment channel sensitivity

When productivity increases, so too do the returns to capital. Increased returns to capital lead to increases in the capital stock. This endogenous capital channel of impact is included in the core Scoping Assessment results, and this channel is turned off as a sensitivity analysis to understand the importance of accounting for capital accumulation effects.

In the sensitivity analysis of GETRADE with endogenous capital turned off, the impact of scenario 1 and 2 is unchanged.

8.5. Areas not modelled

As detailed in the Government's publication on the long run analysis of EU Exit, there are a number of areas not explicitly modelled:

- > ongoing or recently concluded negotiations, including EU-Australia negotiations, EU-New Zealand negotiations, and the United States-Mexico-Canada Agreement
- > future domestic policy choices
- > global trends such as the rise of global value chains, the increasing importance of services trade, changing demographics, technological advancement, and economic development¹⁴³
- > the results set out the potential long run economic impacts of trade agreement scenarios between the UK and New Zealand, assuming no other changes, this analysis is not a forecast of the UK economy over a specific timeframe and does not model any transitional or short run impacts)

8.6. Risks

There are resource implications for the Government associated with negotiating a UK-New Zealand FTA. These include staff time as well as the specific costs associated with conducting international negotiations.

The changes outlined in the analysis assume that a negotiated outcome is reached, and an agreement implemented. If the agreement were not implemented these changes would not materialise, but the Government would still incur the operational costs associated with pursuing the negotiations.

¹⁴³ EU Exit: Long-term economic analysis, HMG (2018).

9. Summary of analysis and next steps

The Scoping Assessment provides a preliminary assessment of the scale of the potential macroeconomic and distributional impacts of a UK-New Zealand FTA. These are summarised below in Table 16.

Table 16: Summary of estimated impacts of scenarios

Impact	Metric	Scenario 1	Scenario 2
Macroeconomic indicators			
Growth	Change in GDP	0.00% (0.00% to 0.01%)	0.00% (-0.01% to 0.00%)
Trade	Change in UK exports to NZ	3.8%	7.3%
	Change in UK imports from NZ	14.9%	40.3%
	Change in total UK exports	0.1%	0.2%
	Change in total UK imports	0.0%	0.1%
Businesses / commercial opportunities			
Direct tariff savings on imports of goods from New Zealand	Potential annual tariff savings for businesses, owing to tariff liberalisation on imports of intermediate goods (Static estimate)	£2.0 million to £2.5 million	£2.0 million to £2.5 million
Direct tariff reductions on UK exports to New Zealand	Potential annual tariff savings owing to tariff liberalisation on exports of all goods to partner country (Static estimate)	£19.4 million	£19.4 million
Consumer savings			
Direct tariff savings on imports of consumer goods from New Zealand	Potential annual tariff savings for consumers owing to tariff liberalisation on goods (Static estimate)	£23.1 million to £23.3 million	£32.1 million to £33.2 million
Workers			
Wages	Change in real wages	0.01% (£100 million)	0.02% (£200 million)
Employment adjustment	Proportion of labour force affected	0.01%	0.04%

Source: DIT modelling (2020); central estimates and ranges for welfare and GDP impacts¹⁴⁴

The estimates are based upon a range of scenarios which relate to the scale of trade costs reductions achieved by the agreement. The provisions in the agreement are not yet known and the estimates are subject to a high degree of uncertainty. If the eventual agreement results in different reductions in trade costs in various sectors to those modelled in this assessment, then the scale and distributional impacts are likely to differ from those outlined here.

¹⁴⁴ All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical annex A for more details.

Next steps

DIT is committed to a transparent and evidence-based approach to trade policy. Therefore, following the conclusion of negotiations and once the text of the agreement is known, a full impact assessment will be published prior to implementation. DIT will continue to review the potential economic impacts of FTAs and the full impact assessment will update and refine the preliminary estimates of the scale and distribution of impacts outlined in this Scoping Assessment.

The full impact assessment will include:

- > updated modelling of the scale and distribution of impacts based upon refinements to the assumptions underpinning the scenarios in line with further detail of the negotiated outcome and in line with new evidence as it emerges
- > further analysis of the sectoral, distributional, social and environmental impacts of the agreement

DIT has established several stakeholder engagement mechanisms to seek expert insight on relevant trade policy matters and to help build the evidence base to support future detailed impact assessments. These groups will enable the Government to draw on external knowledge and experience to enhance the evidence base underpinning the UK's trade policy.

Prior to implementation of this agreement, DIT will publish a monitoring and evaluation framework explaining how the department intends to monitor and evaluate FTAs. Following implementation of the agreement, over the long run, DIT will monitor the implementation of the agreement and publish an evaluation of the impacts of the agreement at the appropriate time.

Technical Annexes

10. Annex A: Description of Computable General Equilibrium model

The macroeconomic analysis in the report uses the Government's CGE model, GETRADE. The model is based on the standard GTAP model and GTAP 9 dataset (referenced to 2011 as the base year) and has been extended further to incorporate insights from modern economic trade theory. The GTAP model and dataset is one of the most widely used tools for international trade analysis. The following section highlights the key model features and assumptions on model structure underpinning the model. For a full technical description of the model and dataset please see the technical reference paper accompanying the Government's recent publication on the long run economic analysis of EU Exit.¹⁴⁵

10.1 Model features

There are a number of model features that capture key channels of impact arising from international trade:

- > **Ricardian comparative advantage** – the gains from trade arising from specialisation across countries
- > **Armington varieties** – using a variety of imported inputs in intermediate production can help firms lower production costs
- > **Krugman scale effects** – changes to the number of firms in the economy can affect aggregate productivity
- > **Melitz effects** – lower trade costs can lead to changes in the number of firms active in each bilateral trade route which affects productivity
- > **Capital accumulation** – changes in productivity resulting from changes to trade costs can affect returns to capital, the level of investment and capital in the economy, and a change in the capital to labour ratio
- > **Mode 3 trade in services** – services firms can access other markets by establishing a commercial presence

10.2. Key assumptions on model structure

The model is based upon a set of structural assumptions describing the interactions between agents in the domestic economy, and the trade linkages between different regions.

This encompasses a number of standard structural assumptions including:

- > full employment of labour and capital, this is because in the long run the economy would have time to adjust to new trade policy and displaced workers would be reallocated to jobs in other sectors¹⁴⁶ the model assumes a fixed labour supply
- > perfect labour mobility between sectors in the same country but not between skill type or different countries
- > two types of capital: sector-specific capital, which cannot move between sectors, and mobile general-purpose capital which can
- > countries are linked only via trade in goods and services, the primary trade policy lever impacting these links are tariffs, NTMs and regulatory restrictions to services

10.3. Treatment of the New Zealand's WTO sheep TRQ

The core results in this document reflect an adjustment to the baseline tariff on New Zealand's exports to the UK in sheep and goat meat eligible to be traded under TRQs.

In the GTAP 9 (2011) database used in this analysis, New Zealand's exports to the UK face a 46% trade-weighted *ad valorem* equivalent tariff on the bovine meat products, sheep, goats and horses (CMT) sector. This sector is then aggregated with other GTAP sectors to create a semi-processed sector, which has a trade-weighted *ad valorem* tariff of 45%. CMT contributes to around 92% of the tariff weighting for the semi-processed foods sector.

Recent data suggests that the CMT sector is strongly influenced by those trade flows in products which are eligible to be traded under TRQs. These account for over 90% of these imports.

Where TRQs are almost fully used (usage higher than 99%), the GTAP assigns the out-of-quota tariff (or AVE where tariffs are specific) to the product.

Where historical usage data suggest that TRQ usage is between 90-99%, the GTAP assigns a simple arithmetic average of the AVEs for the in and out of quota tariffs. Where usage data suggests that TRQs are not fully utilised (less than 90% usage), the in-quota tariff rate (sometimes zero) is applied. It is common practice to apply the in-quota tariff (zero per cent for this TRQ) in the case where tariff rate quotas are below 90% utilisation.¹⁴⁷

Data from the European Commission¹⁴⁸ suggests that the specific sheep and goat meat TRQ for New Zealand¹⁴⁹ is not being fully used; usage was estimated to be around 67% over the period 2016 to 2018. The trade weighted *ad valorem* equivalent tariff in the GTAP database (45%) on UK imports for the semi-processed foods sector is therefore adjusted. For simplicity, given the importance of TRQ eligible products for the CMT sector, an assumption was made to set the tariff for the whole CMT sector to zero, reflecting that these imports enter the UK duty free. This reduces the baseline tariffs for the sector to under 3%.

146 As argued by Petri and Plummer (2017:10), the assumption is used in most applied models of trade agreements.

147 For example, see Ciuriak (2017) 'Quantifying the termination of NAFTA'.

148 TRQ usage data is available from the European Commission's quota database.

149 Order number 092013 – Meat of sheep or goats, fresh, chilled or frozen.

10.4. Monte Carlo analysis

The analysis includes ranges around central point estimates generated by a Monte Carlo statistical process. The ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range.

The process is identical to that used in HMG's EU Exit: Long-term Economic Analysis publication (HMG, 2019). However, given the focus is on the value of an FTA with a new country partner there are two key differences that have been introduced into the process:

- > the Monte Carlo analysis includes statistical distributions around NTM reduction estimates between the UK and the new FTA country partner
- > the parameters in the Monte Carlo analysis affect the UK-EU baseline as well as the FTA impacts - in order to isolate the uncertainty around the FTA results the Monte Carlo analysis is sequentially run, first for the EU exit baseline in isolation and then again for the EU exit baselines with the FTA scenario switched on; the difference between the Monte Carlo results of each run provides the distribution underpinning the ranges reported for the FTA's impact - these two components are required to elicit the ranges presented in this document

A summary of the parameters varied is provided below. For further detail on the parameters common to both this analysis and EU exit, see HMG's publication on EU Exit: Long-term Economic Analysis (HMG, 2018).

Table 17: Summary of the parameters varied for Monte Carlo analysis

Parameter	Definition	Distribution used	Range of values
UK-FTA partner NTMs	Estimated NTM levels on UK-FTA partner trade (AVE)	Log-normal	Statistical distributions estimated econometrically around central estimates
UK-EU NTMs	Estimated NTMs on UK-EU trade (AVE) with an FTA and No Deal baseline	Log-normal	Statistical distributions estimated econometrically around central estimates
NTM symmetry parameter	Parameter to reflect the fact that NTM increases on leaving an FTA may not be as high as joining one (applied only to the UK-EU relationship in the baseline)	Uniform	70-100% (midpoint 85%)
Technical and rent generating NTM ratio	Ratio of NTMs assumed to be efficiency-reducing or rent-generating	Uniform	55:45 – 85:15 (midpoint 70:30)
Sigma	Firm-level elasticity of substitution between varieties	Uniform	2 – 5 (midpoint 3)
Etav	Scalar altering the magnitude of the bilateral export supply elasticity	Uniform	0.5 – 1.5 (midpoint 1)

Source: DIT (2019), HMG (2018)

10.5. Sectors

Table 18 shows how the sectors provided in the source data (GTAP 9) are grouped together for the purposes of the Scoping Assessment analysis.

Table 18: Sector grouping

Sector Group	Sector Name	GTAP 9 Codes	Description
Agri-foods	Agriculture	PDR, WHT, GRO, V_F, OSD, C_B, PFB, OCR, CTL, OAP, RMK, WOL, FRS, FSH	Paddy rice; Wheat; Cereal grains n.e.c.; Vegetables, fruit, nuts; Oil seeds; Sugar cane, sugar beet; Plant-based fibers; Crops n.e.c.; Bovine cattle, sheep and goats, horses; Animal products n.e.c.; Raw milk; Wool, silk-worm cocoons; Forestry; Fishing
	Beverages and tobacco products	B_T	Beverages and tobacco products
	Other processed foods	CMT, OMT, VOL, MIL, PCR, SGR	Bovine meat products; Meat products n.e.c.; Vegetable oils and fats; Dairy products; Processed rice; Sugar
	Semi-processed foods	OFD	Food products n.e.c.
Industry	Chemical, rubber, plastic products	CRP	Chemical, rubber, plastic products
	Electronic equipment	ELE	Electronic equipment
	Energy	COA, OIL, GAS, OMN, P_C, ELY, GDT	Coal; Oil; Gas; Minerals n.e.c.; Petroleum, coal products; Electricity; Gas manufacture, distribution
	Manufacture of materials	LUM, NMM, I_S, NFM, FMP	Wood products; Mineral products n.e.c.; Ferrous metals; Metals n.e.c.; Metal products
	Motor vehicles and parts	MVH	Motor vehicles and parts
	Other machinery and equipment	OME	Machinery and equipment n.e.c.
	Other Manufacturing	OMF	Manufactures n.e.c.
	Other transport equipment	OTN	Transport equipment n.e.c.
	Paper and printing products	PPP	Paper products, publishing
	Textiles, leather, and wearing apparel	TEX, WAP, LEA	Textiles; Wearing apparel; Leather products
Services	Business services	OBS	Business services n.e.c.
	Communications	CMN	Communication
	Construction	CNS	Construction
	Financial services	OFI	Financial services n.e.c.
	Insurance	ISR	Insurance
	Other services (transport, water, dwellings)	WTR, OTP, WTP, ATP, DWE	Water; Transport n.e.c.; Water transport; Air transport; Dwellings
	Personal services	ROS	Recreational and other services
	Public services	OSG	Public administration, defense, education, health
	Wholesale and retail trade	TRD	Trade

11. Annex B: Derivation of modelling inputs

This annex outlines the methodology used to estimate the initial levels of NTMs affecting trade in goods and regulatory restrictions affecting trade in services. These are then applied to the modelling as set out in section 3.2 (see Box 3).

11.1 Methodology

NTMs and regulatory restrictions to services are policy measures that can influence trade by changing what can be traded, and at what price. These can increase the cost of trade and therefore reduce the amount that is traded, even though NTMs and regulatory restrictions to services can serve legitimate public policy objectives. Some NTMs and regulatory restrictions to services may also increase trade – for example, the enforcement of high product standards may increase consumer demand for some goods.

NTMs and regulatory restrictions to services can be hard to observe and are often wide-ranging, resulting in difficulties in estimating the costs they place on businesses. There is a growing body of literature estimating how NTMs affect trade (most commonly expressed in terms of *ad valorem* tariff equivalents).¹⁵⁰ There are two main approaches to estimating the scale of measures affecting trade between partners in the literature: *direct* (observing how prices have changed due to barriers or FTAs) and *indirect* (inferring the impact of NTMs and regulatory restrictions from distortions in the patterns of trade).¹⁵¹

This assessment uses the indirect approach. Building upon best practice in the literature, a gravity model is used to provide estimates of the levels of NTMs and regulatory restrictions to services to trade in various countries. Gravity modelling is an econometric framework for estimating the determinants of international trade patterns. It is referred to as the ‘workhorse model of international trade’, due to its ability to consistently explain patterns of international trade.¹⁵² The NTM estimation methodology used here follows from one developed by the Centre d’Études Prospectives et d’Informations Internationales (CEPII).¹⁵³

The gravity model assesses the patterns of trade between each country in the dataset (120 countries) for 30 sectors for the years 2004, 2007, and 2011. It controls for the impact of a range of common characteristics between countries. The specifications for the gravity model are set out in Box 5 below. The importer-time fixed effects can be used to estimate the level of NTMs and regulatory restrictions into each country.

¹⁵⁰ This represents the equivalent tariff (as a % of the value of the good) that would restrict trade by the same amount as the NTM. For example, if a labelling requirement were to increase the cost of wine production by 3%, the impact of the labelling requirement would be estimated as equivalent to a 3% tariff.

¹⁵¹ For further discussion of each approach see: Chen, N and Novy, D. (2012) “On the measurement of trade costs: direct vs. indirect approaches to quantifying standards and technical regulations.” *World Trade Review*, Volume 11

¹⁵² For a discussion of the history and uses of gravity modelling, see Head, K & Mayer, T, 2014. “Gravity Equations: Workhorse, Toolkit, and Cookbook,” *Handbook of International Economics*, Elsevier.

¹⁵³ See Fontagne et al, “Estimations of Tariff Equivalents for the Services Sectors”, 2011, CEPII & Fontagne et al, “Estimated Tariff Equivalents of Services NTMs”, 2016, CEPII Working Paper.

For each sector and each year, a benchmark country is identified as the country which has the highest importer-time fixed effect. This corresponds to the country which is observed to trade the most given its observed characteristics. This benchmark fixed effect is used as a proxy for the ‘free trade’ level of barriers that would exist across countries and other countries’ fixed effects are then compared to this to estimate how distorting the overall levels of barriers to trade are for exporters to each country. This ‘trade distortion’ is then converted into an *ad valorem* tariff equivalent using the formula below:

$$\ln(1 + AVE)^{1-\sigma} = u_i - u_{free\ trade}$$

Box 5 - Gravity Model Specifications

The specification for goods¹⁵⁴ and agriculture sectors is:

$$\begin{aligned} \ln(\text{imports}_{ij}) = & \beta_1 + \beta_2 EU + \beta_3 FTA + \beta_4 EEA + \beta_5 \ln(\text{Distance}_{ij}) + \beta_6 \text{Border}_{ij} + \beta_7 \text{History}_{ij} + \\ & \beta_8 \text{OfficialLanguage}_{ij} + \\ & \beta_9 \text{EthnicLanguage}_{ij} + \beta_{10} \ln(\text{Tariffs}_{ij}) + \beta_{11} \text{CommonHistory} + \beta_{12} \text{TimeDiff}_{ij} + 0.8 \ln(\text{GDP}_i) + \\ & \beta_k \sum_{i=1}^{n^*t} \alpha_i + \beta_l \sum_{j=1}^{n^*t} \gamma_j + \varepsilon \end{aligned}$$

The specification for services¹⁵⁵ trade is:

$$\begin{aligned} \ln(\text{imports}_{ij}) = & \beta_1 + \beta_2 EU + \beta_3 FTA + \beta_4 EEA + \beta_5 \ln(\text{Distance}_{ij}) + \beta_6 \text{Border}_{ij} + \beta_7 \text{History}_{ij} + \\ & \beta_8 \text{EthnicLanguage}_{ij} + \beta_9 \text{TimeDiff}_{ij} + 0.8 \ln(\text{GDP}_i) + \beta_k \sum_{i=1}^{n^*t} \alpha_i + \beta_l \sum_{j=1}^{n^*t} \gamma_j + \varepsilon \end{aligned}$$

Where:

- *The natural logarithm of imports between exporter i to importer j is the dependent variable in the regression*
- *EU is a dummy variable equal to 1 when both countries are members of the EU*
- *FTA is a dummy variable equal to 1 when both members are partner to a Free Trade Agreement*
- *EEA is a dummy variable equal to 1 if trade is between Norway and an EU member*
- *Distance relates to the bilateral distance between each trading partner*
- *Border is a dummy variable equal to 1 where trading partners share a common border*
- *History is a dummy variable equal to 1 where trading partners were part of a colonial relationship*
- *Official Language is a dummy variable equal to 1 where both trading partners share an official common language*
- *Ethnic Language is a dummy variable equal to 1 where the language spoken by more than 9% of the population is the same*
- *Time Difference in hours (between capital cities)*
- *Common History is a dummy variable equal to 1 where trading partners shared a colonial history since 1945 (for example, Commonwealth states)*
- *For goods and agriculture sectors, the natural logarithm of tariffs between each country is included. To remain consistent with DITs CGE modelling, the coefficient of tariffs is constrained to be equal to 1 minus the elasticity of intra-imports from the GTAP CGE model*
- *GDP for the importer in each year is included, so separate the impact of economic size from the importer-year fixed effect, the coefficient is constrained to 0.8 to avoid the problem of multicollinearity with the importer-time fixed effects.¹⁵⁶*
- *α_i represents a set of exporter-year fixed effects controlling for exporter specific characteristics that are prevalent in each year*
- *γ_j represents a set of importer-year fixed effects, controlling for importer specific characteristics that are prevalent in each year*

154 The only exception is for the automotive sector, where an additional variable is added to control for membership of UN Economic Commission for Europe, which regulates international standard in vehicles.

155 The only exceptions were made for the business services sectors (where an additional variable was added to control for visa waiver programmes) and automotive (where an additional variable was added to control for UNECE membership).

156 0.8 is chosen in line with Fontagne et al. (2011)'s judgement as it represents the most reliable estimate of GDP's impact.

12. Annex C: Methodology and results for preliminary assessment of impacts on production in the nations and regions of the UK

12.1 Methodology

The modelling apportions the UK-wide GVA shocks from the CGE modelling to the NUTS1 regions of the UK nations and regions.¹⁵⁷ Firstly, we take the sectoral shocks from the CGE modelling, set out in Table 5, and apply these to the GVA of the relevant sector in each region. The full impact in each region is derived by summing the impact on each sector in a region to give the percentage change from the baseline level of GVA for each region, as set out below:

$$Shock_r = \sum_s Share\ of\ GVA_{rs} \times National\ Shock_s$$

where r stands for NUTS 1 region and s stands for sector.

There is a risk that this approach underestimates the overall impact in each region because it does not account for second-round effects from a shock resulting from the concentration of, and UK regional specialisation in, different industries. To take this into account and to provide a sensitivity check, the model weights the shock using location quotients (see Box 6 for an explanation of how the location quotients are calculated). For each sector, the shock for each region is derived by multiplying the location quotient for that sector and region by the estimated impact for each sector in each region. The sectoral changes are constrained to ensure the overall change in a sector matches the sectoral change from the CGE results. For this method:

$$Shock_r = \sum_s Share\ of\ GVA_{rs} \times National\ Shock_s \times Location\ Quotient_{rs} \times Constraint_s$$

where r stands for NUTS 1 region and s stands for sector.

The location quotient-weighted approach amplifies positive and negative UK regional results, but for most regions the difference is small. In both scenarios the methods agree on which regions **are estimated to increase or decrease their output relative to the baseline**. To acknowledge the uncertainty around the apportionment approach, the maps in Chart 15 use the mid-point of the two methods.

Box 6: Location quotients

Location quotients are used to reflect how concentrated or specialised a sector is within a given nation or region. The location quotient is calculated by dividing a sector's employment share in a region by the employment share in the UK. A value of 1 indicates that that an industry's share of employee jobs in the region is the same as its share of employee jobs nationally. A value greater than 1 means that the industry makes up a larger share of employee jobs in the region than at the national level (i.e. the nation or region is particularly specialised in a sector). For example, Northern Ireland has a location quotient of 4.63 for 'semi-processed foods', meaning the share of jobs in the semi-processed foods sector in Northern Ireland is over four times the share of jobs in the sector in the UK as a whole. Table 19 presents employment-based location quotients for UK by nation and region.

¹⁵⁷ NUTS-1 regions of the UK are used. These include Northern Ireland, Scotland, Wales and nine English regions. Further information on the NUTS-1 classification can be found at 'The establishment of a common classification of territorial units for statistics (NUTS)', Eurostat 2018.

Table 19: Specialisation of sectors across the 12 NUTS 1 regions of the UK (using location quotient approach)

	Sectors (27)	NE	NW	Y&H	EM	WM	East	London	SE	SW	Wales	Scotland	N. Ireland
Agri-Food	Agriculture	0.61	0.65	1.15	1.12	1.14	1.33	0.03	0.93	1.40	2.07	2.03	2.32
	Semi-processed foods	0.56	1.06	2.09	1.98	1.47	1.14	0.16	0.17	1.57	1.59	0.90	4.63
	Processed foods	1.01	1.43	1.74	2.34	0.90	0.64	0.45	0.50	0.93	1.07	1.11	1.16
	Beverages and tobacco products	0.32	0.78	1.23	0.60	1.15	1.54	0.37	0.40	1.36	0.82	2.98	1.34
Industries	Petroleum and coal products	2.27	1.45	2.36	0.03	1.13	0.15	0.03	0.95	0.39	2.37	2.15	0.08
	Mining and extraction	0.85	0.24	0.73	1.16	0.09	0.29	0.38	0.32	0.63	0.99	6.63	1.37
	Textiles, leather and wearing apparel	1.58	1.49	1.32	3.28	0.91	0.41	0.46	0.35	0.54	0.64	1.48	1.06
	Other manufacturing	0.81	1.27	1.35	1.92	1.57	0.95	0.23	0.64	1.22	0.90	1.11	1.92
	Paper and printing products	0.81	0.98	1.22	1.09	0.65	1.29	1.32	0.94	0.80	0.94	0.54	0.65
	Chemical, rubber, plastic products	1.83	1.57	1.37	1.66	1.22	0.96	0.16	0.84	0.83	1.29	0.81	1.55
	Metals	1.70	1.25	1.43	1.13	1.75	1.02	0.23	0.73	0.85	2.03	0.71	0.93
	Motor vehicles and parts	2.61	1.33	0.62	0.70	3.89	0.60	0.18	0.70	0.75	1.29	0.29	0.93
	Other transport equipment	0.50	1.49	0.18	1.98	0.71	0.90	0.12	0.76	2.86	1.89	0.85	1.79
	Electronic equipment	0.76	0.65	0.34	1.15	0.95	1.27	0.26	1.90	1.42	1.46	1.17	1.57
	Other machinery and equipment	1.61	0.84	1.28	1.23	1.63	1.38	0.26	0.96	1.23	0.80	0.88	1.21
	Manufacturing n.e.c.	1.00	0.93	1.49	1.56	1.06	0.98	0.30	1.00	1.25	2.25	0.65	1.01
	Electricity and gas	1.01	0.93	0.89	1.70	1.21	0.52	0.42	1.18	0.87	1.30	1.78	0.67
Services	Other services (water, dwellings)	0.77	1.08	1.08	1.00	1.24	1.09	0.97	1.13	0.79	0.63	0.83	0.61
	Construction	0.86	0.87	1.05	1.09	0.83	1.20	0.78	1.07	1.14	1.16	1.17	0.90
	Wholesale and retail trade	0.99	1.01	0.99	1.08	1.05	1.03	0.86	1.02	1.13	1.05	0.96	1.08
	Transport services	1.04	1.12	0.97	1.04	0.98	0.99	1.26	0.99	0.67	0.63	0.87	0.96
	Communications	1.53	1.02	0.74	0.42	0.75	1.07	1.04	1.46	0.78	0.69	1.17	0.70
	Financial services	0.61	0.85	0.87	0.46	0.65	0.65	2.23	0.71	1.01	0.50	0.91	0.71
	Insurance	0.41	0.78	0.36	0.12	0.90	0.84	1.24	1.63	0.93	1.80	1.25	0.45
	Business services	0.76	0.93	0.85	0.86	0.84	1.07	1.48	1.10	0.79	0.63	0.79	0.63
	Personal services	0.89	0.81	0.86	0.84	0.90	0.98	1.39	0.99	0.85	0.85	1.13	0.77
	Public services	1.22	1.05	1.08	0.95	1.02	0.92	0.82	0.96	1.07	1.23	1.14	1.22

Source: Business Register and Employment Survey, 2016 (ONS, NISRA) and DIT calculations.

12.2. Results

Based on this approach, Chart 15 presents the estimated changes in UK regional GVA under each FTA scenario modelled, compared to the baseline. It shows there is expected to be a small positive impact across most regions of the UK except for Northern Ireland from an FTA with New Zealand under both scenarios. London, the North East and South East are expected to expand the most. The negative impact on Northern Ireland is attributable to the agriculture and semi-processed foods sectors.

12.3. Limitations

The analysis requires several simplifying assumptions and is subject to limitations, for example, it:

- > is based on sector results at an aggregate level, so will not fully reflect differences in patterns of production across nations and regions of the UK
- > does not explicitly consider the varying trade patterns of individual sectors across each part of the UK
- > uses employment location quotients to weight the apportionment of the national, sectoral GVA shock, which may not accurately reflect the structure of regional economies
- > assumes that the sector GVA shock is the same for all nations and regions of the UK i.e., the CGE model provides only a UK-wide sectoral shock
- > does not give any insight into how regions adjust to a new long run equilibrium position
- > the modelling does not explicitly take account of any impacts from the Protocol on Ireland/ Northern Ireland (to the Withdrawal Agreement)

The aim is to provide a high-level overview of potential UK regional impacts, using an intuitive analytical approach rather than precise point estimates or forecasts.

13. Annex D: Methodology and results for preliminary assessment of potential impacts on businesses, including SMEs

FTAs can generate a range of opportunities and challenges for businesses. Benefits arise from increased trade liberalisation as firms gain greater market access to cheaper, and more varied, imported inputs. SMEs may benefit from increased trading opportunities but may also face more competition from businesses from the partner country in the FTA.

This annex sets out the methodology for providing an approximation of the potential scale of tariff savings for UK businesses on the imports of intermediate and final goods. The impacts on UK SMEs and one-off costs associated with familiarisation of the agreement are also discussed.

13.1. Calculating the scale of improved market access for businesses and cheaper production inputs owing to tariff liberalisation

Methodology

UK imports from New Zealand

The order of magnitude of potential tariff savings for businesses and consumers importing goods from New Zealand are calculated using trade flow data in 2017 and 2018 at the 8-digit product classification (HS2017) sourced from HMRC.

The HMRC data is aggregated into the UN's 'Broad Economic Categories' via the conversion table developed by the UN. The BEC classification of goods is then assigned to the two basic kinds of domestic end-use categories as laid out in the System of National Accounts (SNA), namely – intermediate or final goods.¹⁵⁸

Before aggregation, the trade data is matched to corresponding data for applied tariffs in 2018 in the UK which are downloaded from the MacMaps database.

The initial scale of tariff liberalisation is calculated by multiplying the 2-year average import values over 2017 and 2018 with the corresponding EU common external tariffs. In line with the assumptions set out for the modelling above in scenario 2 – that the UK eliminates its import tariffs with New Zealand – this presents a simplified estimate of the total potential tariff liberalisation from the agreement.

¹⁵⁸ See accompanying manual of the fifth revision of BEC <https://unstats.un.org/unsd/trade/classifications/bec.asp>. For the purposes of this analysis, goods that are allocated as 'Capital Goods' are treated as 'Intermediate', as they are likely to be purchased by businesses.

Upper and lower estimates are provided. To calculate the upper estimate, we multiply the estimated level of tariff reductions by the percentage of trade that entered the UK from New Zealand as 'MFN Non-Zero' (thereby paying some tariff that the UK offers to non-EU countries through the WTO; duty relief that is granted for goods and traded under inward and outward processing rules; and suspended duties under international agreements. This percentage is estimated from 2017-2018 trade flow data from the EU Comext Database.^{159,160}

To calculate the lower estimate, we multiply the figure calculated in the step above by the percentage of MFN Non-Zero trade that claimed no duty relief for inward or outward processing (2017 and 2018 average from EU Comext).¹⁶¹ Due to lack of data, this assumes 100% duty relief for trade claiming duty relief. The final estimated results are aggregated to a single figure.

It is important to note that reductions in tariff costs facing importers also reflect an equivalent reduction in government tariff revenues on these products, which may be offset by increased tax revenues from higher economic activity in the UK.

UK exports to New Zealand

The order of magnitude of potential tariff savings for businesses exporting goods to New Zealand are calculated using trade data from the ITC-Trade Map for the year's 2017-2018 at the 8-digit product classification (HS2017).¹⁶² The ITC-TradeMap data is aggregated into the UN's 'Broad Economic Categories' via the conversion table developed by the UN. The BEC classification of goods is then assigned to the two basic kinds of domestic end-use categories as laid out in the SNA, namely – intermediate or final consumption goods.¹⁶³ Before aggregation, the trade data is matched to corresponding data for applied tariffs in 2018 in New Zealand which are downloaded from the MacMaps database.

The initial scale of tariff liberalisation is calculated by multiplying the average import values over the period with the corresponding tariffs. It is not possible from published datasets to replicate the adjustments made for UK exports that is undertaken for UK imports.

Limitations

Following a similar approach widely applied in the literature, the calculations aim to provide an indication of the magnitude of direct savings owing to tariff liberalisation.¹⁶⁴

They are subject to a number of limitations:

- > they are based upon current trade patterns and do not take into account the likely changes in trade patterns resulting from the price changes, therefore, these estimates may understate the gains to UK businesses and consumers from reduced tariffs if trade were estimated to increase after price effects
- > the analysis is based on the UK's current tariff levels and does not take into account future changes to its MFN tariff levels
- > the proportion of the savings passed through to consumers is not known, as some businesses may consume final goods or not fully adjust the prices of their products/services to UK consumers

13.2. Impact on SMEs

SMEs may be defined as:

- > Firms employing fewer than 50, and fewer than 250 employees, respectively; and
- > Firms not exceeding either (a) £44 million in annual turnover or (b) an annual balance-sheet total of £38 million.

¹⁵⁹ EU-Extra Imports by Tariff Regime. Trade that enters the UK under an 'Unknown' import regime is excluded from the analysis.

¹⁶⁰ Such as under a Tariff-rate Quota with an in-quota tariff rate that is not zero.

¹⁶¹ For information about inward processing, see <https://www.gov.uk/guidance/inward-processing>, and for outward processing see <https://www.gov.uk/guidance/outward-processing-relief-opr>. Goods not claiming some form of duty relief are recorded as 'normal' trade in 'Stat regime' in the EU database. This adjustment may slightly understate potential tariff reductions, as it assumes that processing trade receives 100% tariff relief, which is unlikely to be the case.

¹⁶² Specifically imports into New Zealand from the United Kingdom.

¹⁶³ See accompanying manual of the fifth revision of BEC <https://unstats.un.org/unsd/trade/classifications/bec.asp>

¹⁶⁴ For example, see, "Consumer benefits from EU trade liberalisation: How much did we save since the Uruguay Round?" Lucian Cernat, Daphne Gerard, Oscar Guinea and Lorenzo Isella - Chief Economist Note, DG Trade, Issue 1, February 2018.

SMEs represent a key component of the UK economy: in 2018 these made up over 99% of the total number of private sector businesses, representing 60% of private sector employment and 52% of private sector turnover.¹⁶⁵ UK SMEs play an integral role in engaging with the international economy. SMEs are increasingly international traders in their own right. For example, in 2017, 97% of businesses exporting goods were SMEs, representing 29% of the UK's total exports.¹⁶⁶ Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

SMEs typically face larger impacts from trade barriers than larger firms, since larger firms are better able to leverage influence or exploit economies of scale to reduce the associated costs and risks of internationalisation. This is particularly the case where trade barriers represent fixed costs to businesses, as regulatory and NTMs can be burdensome to comply with.

This section considers the variation of SMEs across sectors of the economy in order to compare with the estimated pattern of impacts across sectors set out in Table 5.

Methodology

The CGE model presents the indicative impact on each of the 23 sectors of the model, as identified in the main results section (Table 5).

The BEIS Business Population Estimates (BPE) show that the concentration of SMEs varies markedly across sectors of the economy.¹⁶⁷ The BPE data, classified according to the Standard Industrial Classifications (SIC), are mapped to the sectors included in the modelling.

Table 20: SMEs in the profile of UK businesses

Business size (# of employees)	No. of Businesses	% of Total Businesses	Employment Contribution (number of employees)	% of Employee Contribution	Turnover Contribution (£ million)	% Turnover Contribution
None	4,278,225	75.5%	4,643,000	17.1%	274,917	7.2%
1 to 49	1,346,940	23.8%	8,242,000	30.5%	1,123,586	29.1%
50 to 249	34,835	0.6%	3,399,000	12.6%	595,003	15.3%
> 249	7,510	0.2%	10,743,000	39.7%	1,868,106	48.4%
Total	5,667,510	100.0%	27,027,000	100.0%	3,861,612	100.0%

Source: BEIS Business Population Estimates (2018)

¹⁶⁵ BEIS Business Population Estimates (BPE, 2018).

¹⁶⁶ HMRC Trade in Goods by Business Characteristics (2017).

¹⁶⁷ BEIS Business Population Estimates (BPE) combines a number of data sources on the business population (UK Business: Activity, Size and Location (ONS), Business Demography (ONS) and Small and Medium Enterprise Statistics (BEIS)) to generate holistic estimates for all active businesses, including sole-traders and unregistered businesses. See Economic & Labour Market Review (Vol. 5, No. 4) (ONS). Please note in the turnover data, there is no data for Financial Services and Insurance sectors.

Table 21: SMEs across sectors by number and turnover

GTAP sector	Sectoral distribution of SMEs	SMEs Turnover by Sector (£ million)	Estimated Contribution to Turnover (%)		
			Micro/Small	Medium	Large
Agriculture	2.78%	38,196.4	81.50%	9.00%	9.50%
Beverages and tobacco products	0.27%	9,861.8	15.82%	18.12%	66.07%
Processed foods	0.40%	29,585.3	15.82%	18.12%	66.07%
Semi-processed foods	0.81%	14,792.7	15.82%	18.12%	66.07%
Chemical, rubber, plastic products	0.40%	14,792.7	15.82%	18.12%	66.07%
Electronic equipment	0.50%	4,930.9	15.82%	18.12%	66.07%
Energy	0.13%	28,325.1	14.14%	9.13%	76.73%
Manufacture of materials	0.13%	19,723.6	15.82%	18.12%	66.07%
Motor vehicles and parts	0.94%	4,930.9	15.82%	18.12%	66.07%
Other machinery and equipment	0.40%	34,516.2	15.82%	18.12%	66.07%
Other Manufacturing	0.54%	9,861.8	15.82%	18.12%	66.07%
Other transport equipment	0.27%	14,792.7	15.82%	18.12%	66.07%
Paper and printing products	1.34%	29,480.9	24.48%	16.61%	58.91%
Textiles, leather, and wearing apparel	0.40%	14,792.7	15.82%	18.12%	66.07%
Business services	22.39%	378,980.3	44.65%	16.38%	38.97%
Communications	1.07%	19,619.1	30.37%	15.58%	54.05%
Construction	17.50%	238,945.7	62.10%	13.00%	24.90%
Financial services	1.02%	-	-	-	-
Insurance	0.51%	-	-	-	-
Other services (water, dwellings)	8.62%	154,104.0	36.53%	13.93%	49.54%
Personal services	8.97%	79,056.7	28.17%	10.66%	61.16%
Public services	15.57%	128,310.3	44.66%	14.70%	40.64%
Wholesale and retail trade	15.04%	723,604.3	35.07%	16.31%	48.62%

Source: DIT Internal Analysis of BEIS Business Population Estimates (2018), no turnover data available for Financial or Insurance sectors.

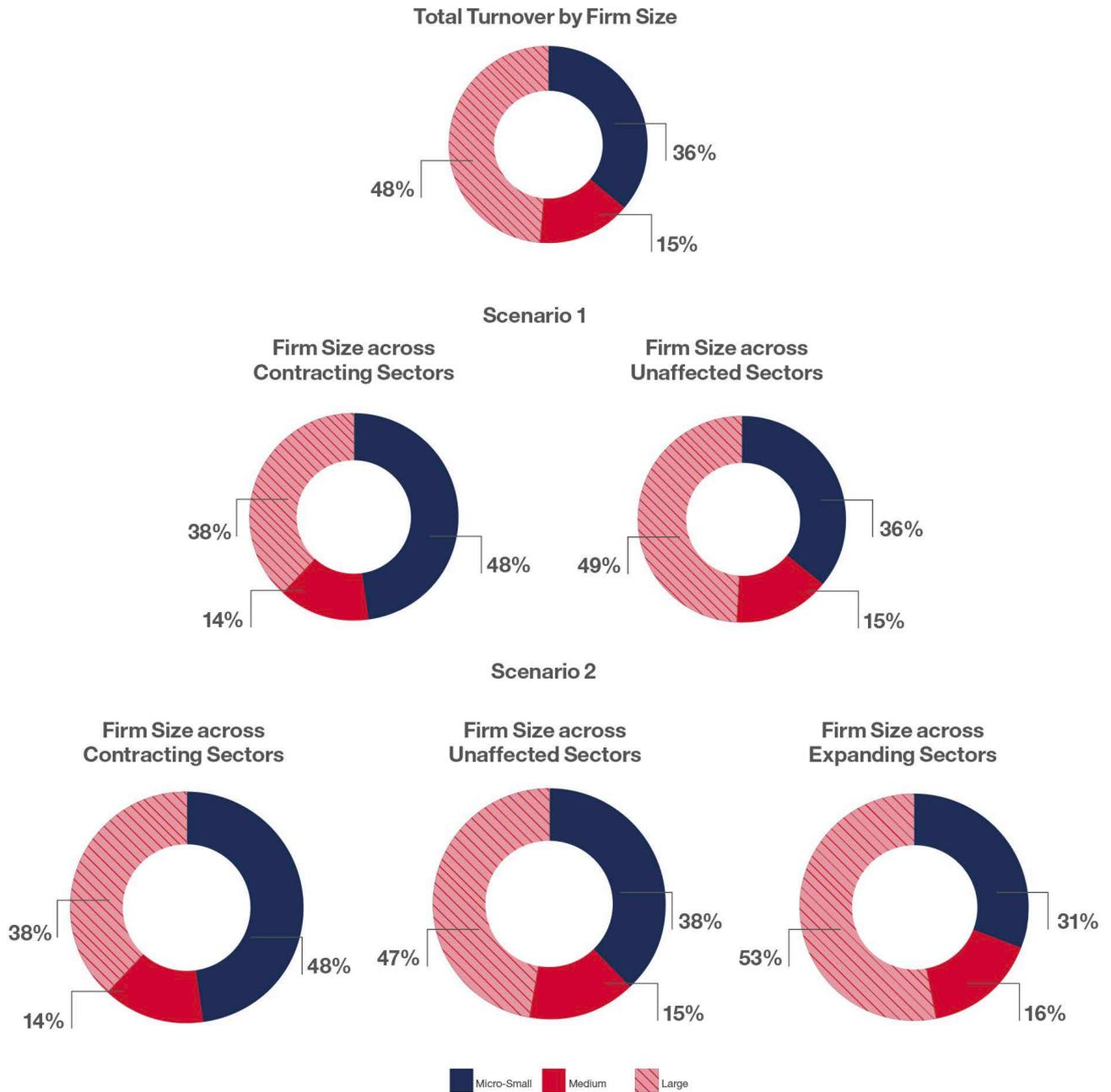
SMEs are present in all sectors of the economy, but four sectors – Construction, Business Services, Public Services, and Retail and Wholesale Trades – are estimated to make up over two-thirds of the total number of UK SMEs (Table 21).

The data on sectors where SMEs are located above are combined with the sectors where output is expected to increase or decrease relative to the baseline, as set out in Table 5 of the main report.

Results

While SMEs account for around 51% of total UK business turnover, these businesses represent 62% of turnover in the sectors which are estimated to see output fall relative to the baseline according to the CGE model results in scenarios 1 and 2 (Chart 18). Under scenario 2, SMEs account for 47% of the turnover in expanding sectors relative to the baseline, which is in line with the general business population.

Chart 18: Distribution of impacts by firm-size in each scenario¹⁶⁸



Limitations

The aim of the analysis is to provide an indication of whether the potential implications of long run changes to the sectoral composition of output are likely to exert a disproportionate impact on SMEs.

The preliminary analysis is in line with best practice in this area but requires several simplifying assumptions and is subject to several limitations:

- > this approach does not take into account whether SMEs may be more or less affected by changes in trade barriers than other businesses, for example for reasons set out above

¹⁶⁸ Figures may not sum up due to rounding.

- > mapping the Standard Industrial Classifications to the sector aggregations used in the GTAP modelling requires several simplifying assumptions which could result in biases in the estimated distribution of SMEs across GTAP sectors
- > BEIS BPE data captures data on unregistered and sole traders, however it does not allow for disaggregation between small and micro businesses and there is no available turnover data for Finance or Insurance sectors

13.3. Business administration costs for goods trade

There are administration costs incurred by businesses associated with trading internationally. For example, for goods trade there may be administration costs associated with meeting the requirements of border procedures. In the UK, businesses exporting outside of the EU must acquire appropriate licenses and certification and make customs declarations to HMRC through the National Export System.

FTAs have the potential to affect the administration procedures facing businesses trading internationally. Some provisions, such as those which streamline customs and border procedures, can reduce the administration costs. Other aspects of trade agreements may give rise to increases in business administration costs which should be weighed against the overall benefits of the agreement.

Businesses have the option to choose whether to trade with a partner under a new FTA or the current WTO MFN trading terms. Therefore, there is no net cost to businesses for those who do not wish to trade under a new FTA. Below are two broad areas where choosing to trade under an FTA has the potential to increase business administration costs.

Potential changes to Rules of Origin (RoO) requirements

FTAs provide an opportunity for members to liberalise tariffs on a preferential basis. In order to ensure that only members of an FTA can benefit from these preferential trade arrangements, the parties to the FTA need to agree a set of RoO to determine which goods imported from a partner country can qualify for preferential tariff treatment under the agreement. However, implementing, administering and complying with RoO can generate costs for businesses. For example, businesses can submit RoO forms to HMRC to process free of charge.

There are a wide range of product-specific rules used to determine whether goods have been substantially produced or transformed within the FTA countries and thereby qualify as originating under an FTA. It is therefore not possible to provide a preliminary assessment of the impact of the FTA on the costs associated with RoO at this stage as the implied changes to RoO are not yet known.

One-off familiarisation costs

There are costs associated with business becoming familiar with the agreement.

Whilst there is data on the number of businesses that trade in goods there is limited data on the number of businesses that trade in services. In addition, one would hope that access to preferences under an agreement would encourage further businesses to begin trading with New Zealand. It is therefore not possible to comprehensively estimate the one-off familiarisation cost to businesses trading in goods and service.

The one-off familiarisation cost could affect around 6,952 VAT registered businesses that exported goods to New Zealand in 2018 and potentially 1,997 VAT registered businesses that imported goods from New Zealand in 2018.¹⁶⁹ As mentioned above, data is not available on the number of businesses that trade in all service sectors. However, for context, of all UK exports to New Zealand in 2018, £964 million (54%) were goods and £807 million (46% were services). In addition, of all UK imports from New Zealand in 2018, £912 million (72%) were goods and £353 million (28%) were services.

14. Annex E: Methodology and results for preliminary assessment of potential impacts of various groups in the labour market

This annex assesses the implications of the agreement for various groups in the labour market, including gender, ethnicity, disability, and age.¹⁷⁰

The international evidence suggests that trade agreements and trade liberalisation have the potential to affect various sectors of the economy and groups differently.¹⁷¹ This is because consumption patterns and employment patterns can differ systematically across groups.

14.1. Methodology

The CGE modelling assumes that a UK-New Zealand FTA would not impact on overall UK employment. However, the model presents indicative impacts on the number of jobs located within each of the 23 sectors of the model. For the purposes of estimating potential impacts on groups in the labour market, we only include sectors in which employment changes by more than +/-0.05%. The analysis shows the proportion of the workforce in each sector that come from particular groups. The analysis does not infer changes in employment levels for each group nor other work-related impacts such as whether these groups see a change in pay or productivity.

¹⁷⁰ These characteristics are a subset of those protected under Equalities Act 2010. Other characteristics are not analysed due to a lack of data covering their demographics across sectors of the economy.

¹⁷¹ The characteristic that has been studied in the greatest depth is gender. (UNCTAD, 2017) uses a method similar to the one used in this annex and (OECD, 2018) extends this approach to look at how women are affected as a result of impacts to global value chains.

Table 22 presents data from the Annual Population Survey (2015-2017) (APS) showing estimates of the proportions of those employed in each of the 23 sectors with various characteristics.¹⁷²

Table 22: Proportion of employment by sector and protected characteristics¹⁷³

GTAP Sector (23 Disaggregation)	Women	Disabled	Ethnic Minorities	Age (16-24)	Age (65+)
Agriculture, forestry, and fishing	27.4%	15.6%	1.4%	10.0%	18.2%
Semi-processed foods	28.4%	7.6%	9.5%	8.2%	2.1%
Other processed foods	38.0%	11.6%	13.8%	9.7%	1.5%
Beverages and tobacco products	26.0%	9.8%	5.8%	7.8%	1.5%
Energy	21.2%	8.8%	7.0%	8.2%	2.6%
Textiles, apparel, and leather	52.0%	11.8%	15.6%	9.7%	3.8%
Manufactures	16.6%	10.6%	4.6%	10.2%	4.4%
Paper and printing products	35.8%	11.5%	9.0%	7.5%	4.0%
Chemical, rubber, plastic products	31.6%	9.6%	8.1%	8.5%	2.5%
Manufacture of motor vehicles	16.0%	10.4%	8.4%	9.6%	2.2%
Manufacture of other transport equipment	14.4%	9.6%	5.5%	10.5%	2.5%
Manufacture of electronic equipment	27.2%	8.6%	10.5%	8.4%	3.0%
Manufacture of machinery and equipment n.e.c.	19.0%	10.9%	6.5%	8.2%	3.2%
Manufacturing n.e.c.	31.9%	12.9%	6.1%	8.8%	4.0%
Other services (transport, water, dwellings)	26.3%	12.5%	15.9%	7.7%	4.2%
Construction	12.2%	10.2%	5.4%	10.4%	3.6%
Wholesale and retail trade	48.5%	13.2%	14.1%	24.6%	3.4%
Communications	26.6%	10.3%	14.2%	7.8%	1.2%
Financial services	43.3%	8.9%	15.7%	8.2%	2.1%
Insurance	46.5%	10.4%	9.0%	11.6%	1.6%
Business services	39.6%	11.1%	12.9%	9.0%	4.7%
Personal services	55.2%	12.8%	8.4%	19.1%	4.9%
Public services	68.7%	13.4%	11.8%	7.7%	3.3%
Total	46.9%	12.2%	11.6%	12.1%	3.7%

Source: ONS 3-year Annual Population Survey (Mapped using an internal DIT GTAP-SIC mapping)

The estimated employment changes in various sectors are combined with the data from the APS to consider the characteristics of the workforce within sectors where employment may decline or expand relative to the baseline over the long run. The results focus on whether the protected groups are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline to see whether such groups are more or less likely to work in these sectors. This does not imply other work-related impacts such as changes in wage.

¹⁷³ Employment is defined as set out in the ILODEFR. For further information see Labour Force Survey User Guide: Details of LFS variables 2019.

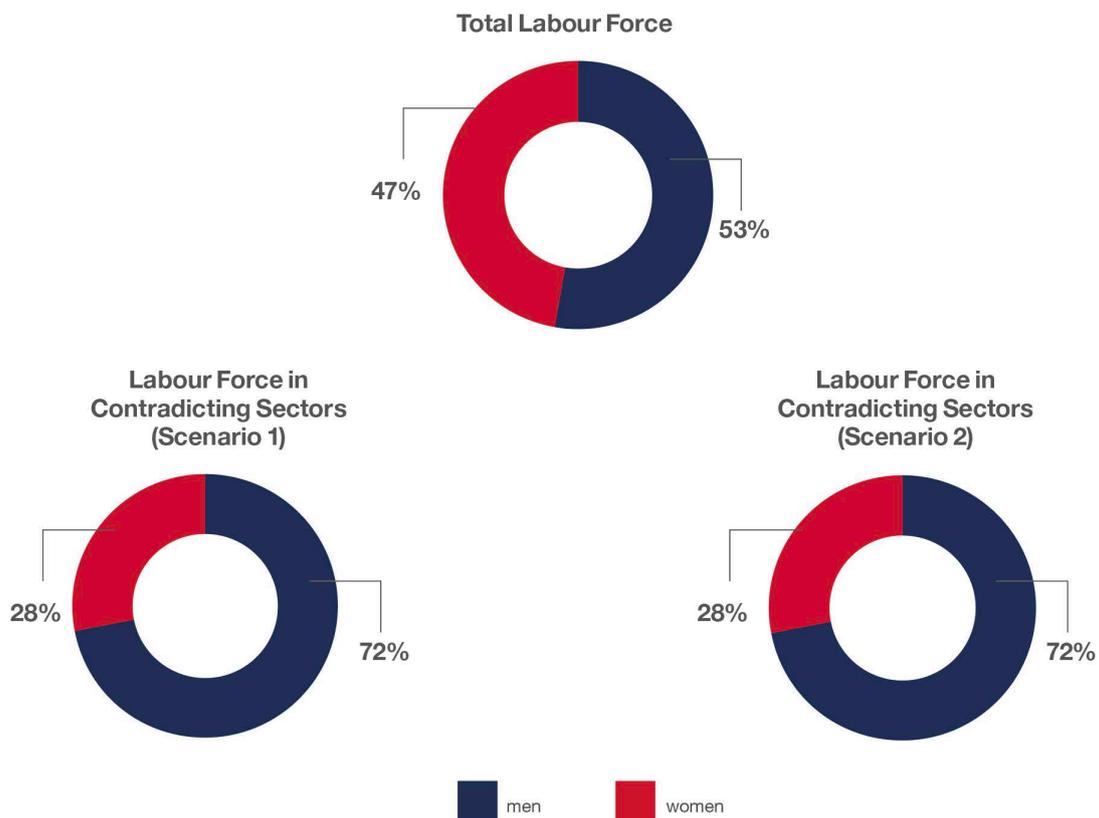
14.2 Descriptive statistics

Gender

- > Based upon DIT's analysis of the APS, 47% of those in either full-time or part-time employment in the UK are female and 53% are male.
- > The preliminary analysis shows that in both scenarios 1 and 2, the proportion of workers that are female in sectors where employment is expected to decrease relative to the baseline is 28%, which is less than the proportion of females in the total workforce (47%). Therefore, female workers are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce relative to the baseline.

Chart 19: Gender breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

Source: DIT internal analysis using Annual Population Survey

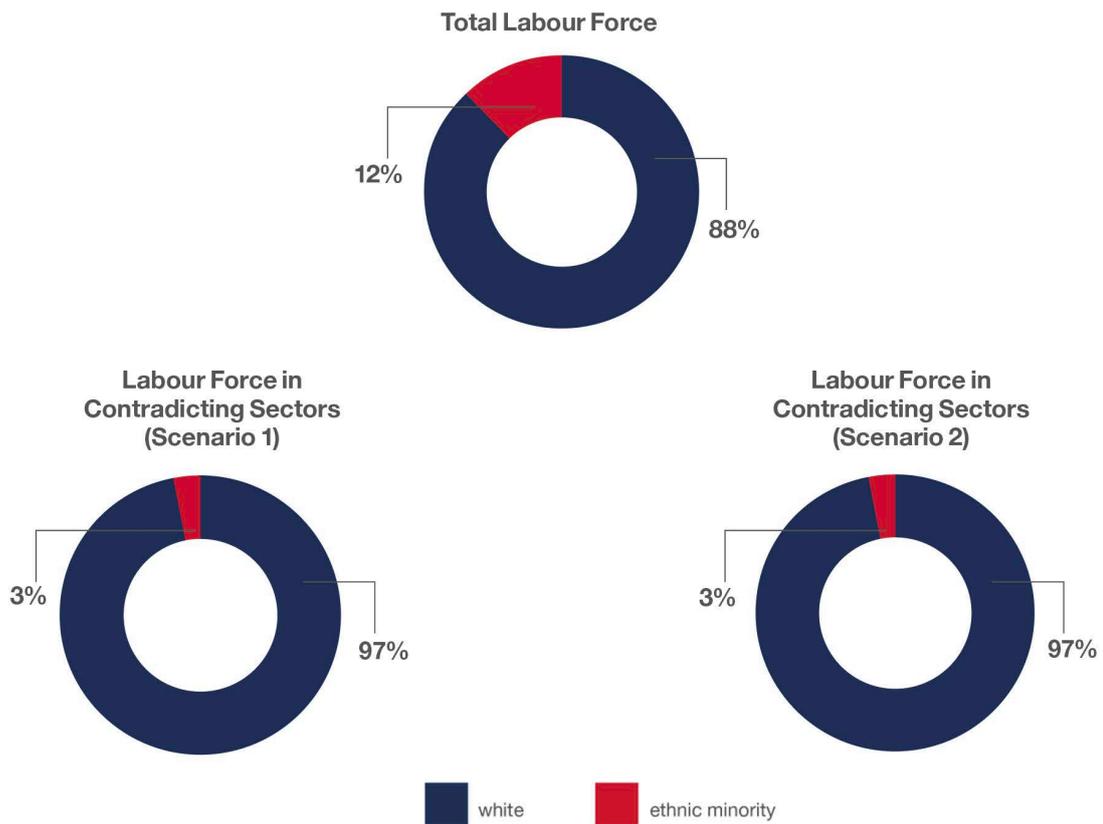


Ethnicity

- > Based upon DIT's analysis of the APS, around 12% of those in employment in the UK are from an ethnic minority background and around 88% are white.
- > In both scenarios 1 and 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which are from an ethnic minority background is 3%, which is less than the 12% of ethnic minority workers that make up the total workforce. Therefore, workers from an ethnic minority background are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce relative to the baseline.

Chart 20: Ethnicity breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

Source: DIT internal analysis using Annual Population Survey

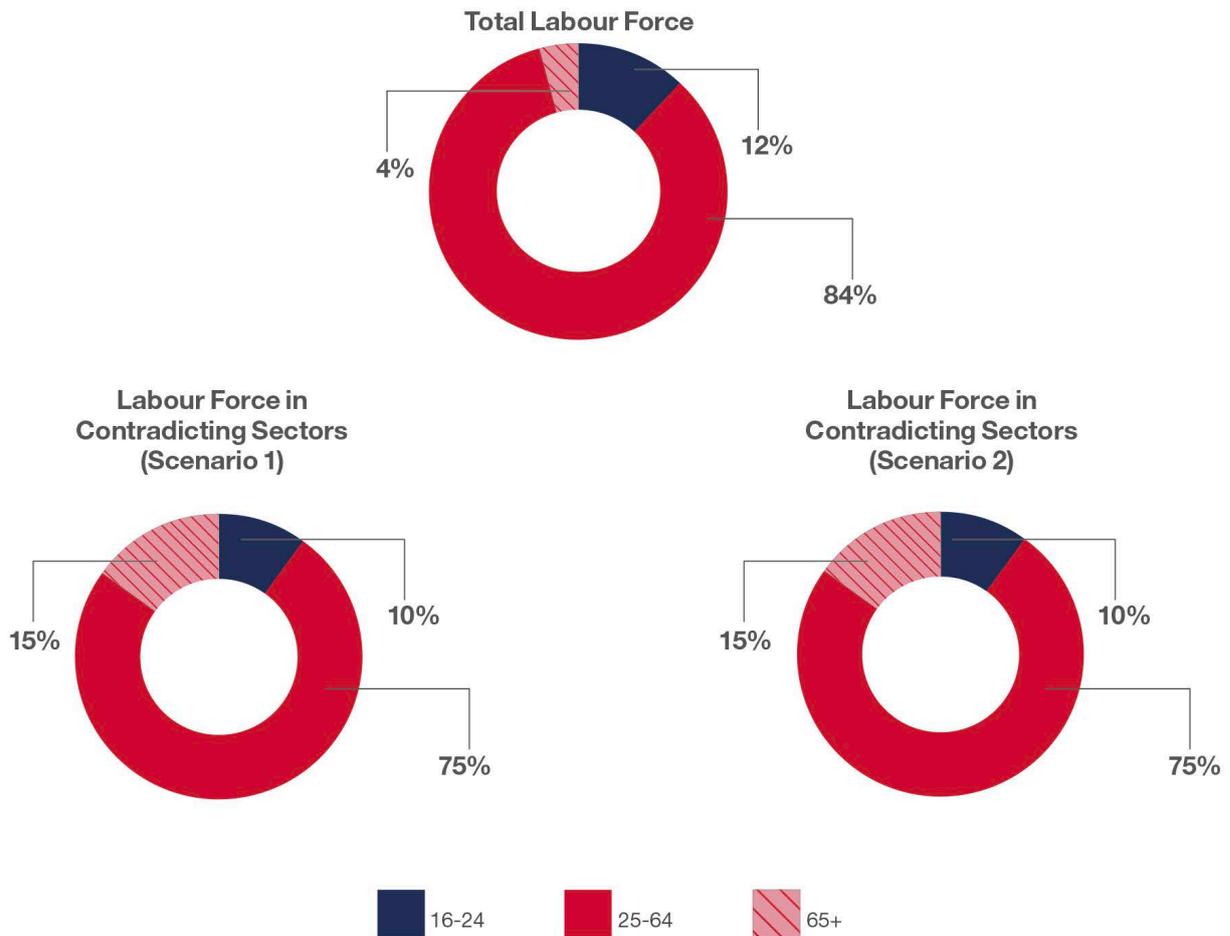


Age

- > Based upon DIT’s analysis of the APS, around 12% of those in employment in the UK are aged between 16-24, 84% are aged between 25 and 64 and 4% are 65+.
- > In scenarios 1 and 2, the proportion of 16-24 year old workers who are concentrated in sectors where employment is estimated to fall relative to the baseline is in line with the proportion who make up the total workforce, standing at 10% and 12%, respectively. Therefore, 16-24 year olds are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce relative to the baseline.
- > In scenarios 1 and 2, workers aged 65 and over make up 15% of the workforce in sectors where employment is estimated to fall relative to the baseline. Therefore, there is some preliminary evidence that workers aged 65 and over are disproportionately represented in sectors where there is an estimated decline in employment relative to the baseline.

Chart 21: Age breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

Source: DIT internal analysis using Annual Population Survey

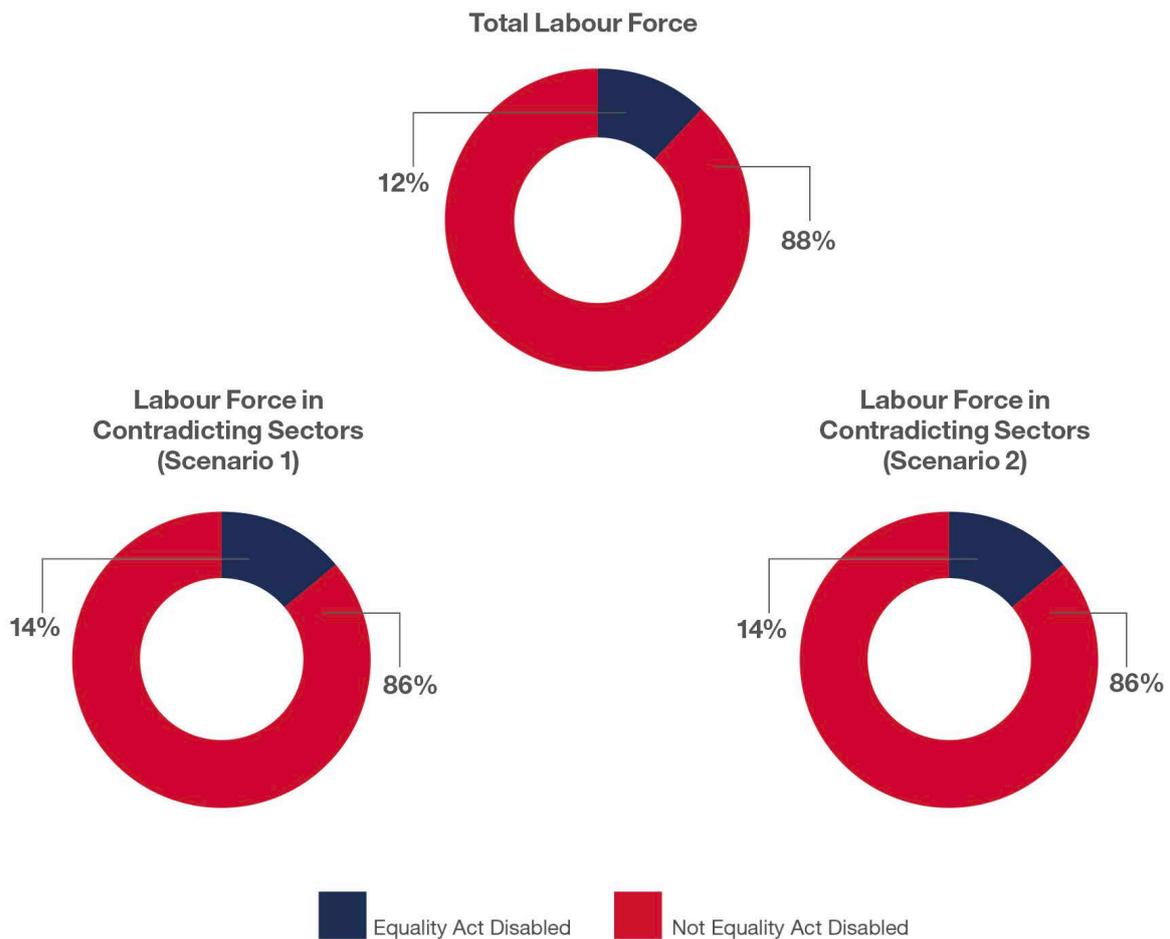


Disability

- > Based upon DIT’s analysis of the APS, around 12% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010). It is possible that non-response to this question in the APS affects the estimated proportion.
- > In both scenarios 1 and 2, the proportion of workers who report they have a disability in sectors where employment is estimated to fall relative to the baseline is broadly in line with the proportion in the total workforce; estimated to be 14%. Therefore, workers who report that they have a disability are not disproportionately represented in sectors where there is an estimated decline in employment relative to the baseline.

Chart 22: Disability breakdown for the labour market as a whole and for sectors where employment is estimated to fall relative to the baseline

Source: DIT internal analysis using Annual Population Survey



14.3 Limitations

The aim of the analysis is to provide an indication of the potential implications of long run changes in employment in various sectors for various groups. This provides a preliminary assessment as to whether the labour market impacts of the agreement may result in a disproportionate impact on specific groups.

The analysis is in line with international best practice in this area but requires several simplifying assumptions and is subject to several limitations:

- > the data from the APS only allows descriptive analysis of where groups are employed in the economy, not inferential analysis of how groups or employers will respond to sectoral shocks, the analysis therefore cannot make inference about how groups will be impacted
- > the analysis uses the available data sources to describe the characteristics of workers in sectors which may increase or decrease their employment relative to the baseline under an agreement it does not assess the welfare impacts of the trade agreements on various groups
- > mapping the employment data which is recorded in the APS by Standard Industrial Classifications to the sector aggregations used in the GTAP modelling requires several simplifying assumptions which could result in biases in the estimated distribution of employment across GTAP sectors
- > the proportions estimated here are based on a snapshot of the demographics; by only using the years available in the APS, the analysis does not take into account trends that may be present in the proportions
- > there is a potential problem of missing data in the APS - employees in some groups, such as disability, may be less likely to respond to the survey meaning that the data collected is not representative of the true employee demographics
- > the analysis is based on the structure of the UK workforce from 2015-17,¹⁷⁴ whereas the CGE modelling results reflect the global economy in the long run when the composition of the workforce may have changed

¹⁷⁴ The data on the UK total workforce is sourced from the Annual Population survey, using a 3 year average (2015-17).

15. Annex F: Methodology and results for preliminary assessment of impacts on UK CO₂ emissions, transport emissions and U.K agricultural land use.

This annex provides a preliminary, partial assessment of the potential implications of the changes in sectoral output and transport emissions from the modelling exercise outlined in Table 5 for CO₂ emissions and wider environmental impacts in the UK.

15.1 Methodology

Emissions intensity by sector

Table 23 uses data from the 2011 GTAP database to show the estimated changes in output for the 5 highest and lowest emission intensity sectors.

Table 23: Emissions intensity by sector

Emissions	Sector	Output change (GVA increase)	
		Scenario 1	Scenario 2
Highest emission intensive sectors	Beverages and tobacco products		+
	Chemical, Rubber and Plastic Products		+
	Energy		+
	Manufactures of materials		
Lowest emission intensive sectors	Other services (transport, water, dwellings)		
	Communications		
	Financial Services		+
	Insurance		
	Personal Services		
	Public Services		

Key:

Changes in UK output

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (—)
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Source: DIT analysis, GTAP 9 Database.

Bilateral transport emissions

Table 24 presents £ per kg ratios and modal shares of goods trade between the UK and New Zealand, by weight of trade, for the GTAP sectors used in the CGE modelling above. It shows that over 96% of UK goods exports to New Zealand travel by sea, while over 97% of imports from New Zealand also travel by sea freight. However, there are considerable differences across sectors.

Table 24: Sectoral £ per kg ratios and modal shares, by trade weight

Sector	UK Exports to New Zealand (Mass kg)				UK Imports to New Zealand (Mass kg)			
	% of total exports	£ per kg:	Sea	Air	% of total imports	£ per kg:	Sea	Air
Agriculture, forestry, and fishing	1.1%	3.1	98.3%	1.7%	25.0%	1.7	99.2%	0.8%
Semi-processed foods	2.4%	1.6	99.7%	0.3%	27.1%	4.7	94.3%	5.7%
Other processed foods	10.6%	2.3	98.8%	1.2%	1.4%	4.3	98.7%	1.3%
Beverages and tobacco products	4.6%	3.0	99.7%	0.3%	31.3%	3.2	100.0%	0.0%
Energy	2.2%	1.0	99.8%	0.2%	0.2%	0.6	99.8%	0.2%
Textiles, apparel, and leather	2.0%	17.2	51.9%	48.1%	4.3%	3.4	99.1%	0.9%
Manufactures	13.0%	3.0	98.2%	1.8%	5.1%	1.7	99.0%	1.0%
Paper and printing products	11.8%	2.0	93.9%	6.1%	0.1%	13.5	66.1%	33.9%
Chemical, rubber, plastic products	13.5%	7.3	96.2%	3.8%	3.6%	6.0	96.9%	3.1%
Manufacture of motor vehicles	22.3%	12.0	99.3%	0.7%	0.1%	10.5	95.0%	5.0%
Manufacture of other transport equipment	0.3%	239.6	66.0%	34.0%	0.0%	222.4	75.3%	24.7%
Manufacture of electronic equipment	0.1%	101.6	31.4%	68.6%	0.1%	84.3	59.3%	40.7%
Manufacture of machinery and equipment n.e.c.	15.3%	10.4	96.2%	3.8%	1.6%	23.1	89.3%	10.7%
Manufacturing n.e.c.	1.0%	10.2	92.5%	7.5%	0.1%	24.5	90.6%	9.4%
Total		7.7	96.4%	3.6%		3.4	97.8%	2.2%

Source data: HMRC Overseas Trade statistics 2017-18 Data downloads: release period February 2019. Note, UK-New Zealand trade that has been recorded as travelling by road or rail has been omitted from the table and calculations. In 2017/18, this accounted for 0.04% of UK-New Zealand trade by weight.

Agricultural land use

Changes to the output of the agriculture sector may have implications for agricultural land use in the UK. Increases in agricultural land use are expected to negatively impact other environmental variables, such as biodiversity.

Table 25 sets out UK land use as recorded in the GTAP database.

Table 25: UK land use

	(Million Hectares)
Agricultural	16.99
Cropland	7.05
Pasture	9.94
Forest	5.01
Built-up land	0.81

Source data: GTAP Database.

15.2 Results

Greenhouse gas emissions and energy use

The preliminary estimates vary depending upon the scenario. However, DIT analysis suggests in both scenarios that changes in the UK's production and global trading patterns could favour UK sectors which are currently more emission intensive, driven by the modelled expansion of the 'Energy' and 'Other services (transport, water and dwellings)' sectors.

Total transport emissions

Different modes of transport vary greatly in their carbon intensity. For example, one kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).¹⁷⁵

The type of good being exported, and particularly whether or not it is perishable, will determine the mode of transport used. The location of the export destination, and particularly the proximity to an airport, seaport or rail network will also have an influence. Therefore, even if an FTA results in goods being transported across greater distances, we cannot state the extent to which carbon emissions will be affected. These effects will primarily result from goods trade. Modern FTAs are increasingly focussed on removing regulatory restrictions to services trade, a UK strength, where transport costs are less important.

The environmental effects of increased services trade are particularly difficult to quantify, as not all commercial transactions are recorded as they cross the border. For example, the movement of persons associated with services trade is captured in business travel statistics, but these records are not industry-specific and thus difficult to attribute to increases or decreases in specific service sectors. It is nonetheless recognised that services that involve the movement of persons will have a different environmental footprint than services that do not. However, many cross-border services would likely be those without a physical component, such as IT services. These types of services would be less likely to have negative environmental impacts.

Bilateral transport emissions

The following analysis only considers the impact of transport emissions from bilateral trade and doesn't account for changed trading patterns with other countries resulting from the UK-New Zealand deal (for example, trade diversion away from other countries such as Canada and Japan). Table 26 sets out the estimated changes in total trade between New Zealand and the UK. In both scenarios it is estimated that the total weight of trade would increase. There are two explanatory factors; firstly, scaling impacts mean that assuming no change in the sectoral proportions of goods traded, an increase in the value of trade would lead to a 1:1 increase in the weight of trade. Secondly, in both scenarios, expanding sectors with low £ per kg, such as energy products,¹⁷⁶ explain why the estimated increase in weight of trade is higher than the estimated increase in value of trade. Assuming no change in the modal proportions of goods traded, increases in the weight of trade would be expected to lead to an equivalent increase in transport emissions, however, in both scenarios sectoral shifts may partially offset emissions by increasing the proportion of trade that is transported by ship.

Table 26: Estimated changes in bilateral trade and modal proportions

Scenario	% change in value	% change in weight	Proportion travelling by ship	Proportion travelling by air
Baseline	n/a	n/a	97.3%	2.7%
SCN 1	6.0%	9.4%	97.4%	2.6%
SCN 1	13.3%	23.3%	97.4%	2.6%

Source data: DIT Analysis, HMRC Overseas Trade statistics 2017-18 Data downloads: release period February 2019. Note, UK-New Zealand trade that has been recorded as travelling by road or rail has been omitted from the table and calculations. In 2017/18, this accounted for 0.03% of UK-New Zealand trade by weight.

Approximation of impacts on agricultural land use

The size of the expected change would vary depending upon the scenario. In the UK, under both scenarios, there is an expected decrease to agricultural land use. Decreased agricultural production could also reduce the intensive use of chemical inputs and reduce threats to biodiversity.

¹⁷⁵ For more information on transport carbon emissions, see BEIS greenhouse gas reporting conversion factors (2018). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

¹⁷⁶ Energy products consists of oil, petroleum and gas.

15.3 Limitations

The preliminary assessment requires a number of simplifying assumptions and does not assess the full environmental impacts of the agreement. For example, the analysis:

- > uses data on emissions and land use from the 2011 GTAP database
- > assumes that the emissions-intensity of sectors remains unchanged by any regulatory or technological developments
- > assumes that the value to volume ratio of goods sectors remains unchanged
- > does not consider the impact of environmental provisions within an agreement
- > does not consider the impact of the agreement on a range of relevant environmental indicators

The aim is to provide a high-level overview of potential environmental impacts. The estimated environmental impacts will depend on the eventual sectoral distribution of GVA changes as well as the impacts of any environmental provisions included.

Due to the limitations above, the results should not be interpreted as a comprehensive assessment of the environmental impacts of the agreement.



Department for
International Trade

Public consultation on trade negotiations with New Zealand

Summary of responses

18 July 2019

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Foreword from the Secretary of State for International Trade and President of the Board of Trade



The United Kingdom is on the cusp of a new era in our great trading history. For the first time in nearly 50 years, we will have the freedom to pursue an independent trade policy to build a stronger, fairer and more prosperous country, more open and outward-looking than ever before.

The Government, led by my Department for International Trade, has been preparing for the United Kingdom to have an independent trade policy after we exit the European Union. We have made great strides forward. We have opened 14 informal trade dialogues with 21 countries from the United States to Australia to the United Arab Emirates. We have also been working closely with our existing trading partners to ensure the continuity of European Union trade deals. The United Kingdom's trade with countries with which we are seeking continuity¹ accounted for £139 billion or 11 per cent of the United Kingdom's trade in 2018.²

We have already signed a number of these continuity agreements which replicate the effects of the existing agreements, as far as possible. This includes Switzerland, which is one of our key trading partners and worth 2.3 per cent³ of the United Kingdom's total trade. Other agreements have been signed with Israel, the Palestine Authority, Chile, the Faroe Islands, Eastern and Southern Africa, Caribbean countries, Iceland and Norway, Fiji, Papua New Guinea, Colombia, Peru and Ecuador.⁴ We have also agreed in principle an agreement with Korea which will be signed shortly. In addition to this, we have also signed Mutual Recognition Agreements with Australia, New Zealand and the United States. We will continue to work tirelessly to deliver the maximum possible continuity and certainty for when we leave the European Union.

In addition, we have made significant headway on the United Kingdom's future independent membership of the World Trade Organization: we have submitted our proposed commitments on goods and services; established our own independent trade remedies system (the Trade Remedies Authority); and published the Export Strategy and launched 14 working groups and a number of trade reviews with key partners.

The Government is determined to build a new economic relationship with the European Union. One which sees the United Kingdom leave the Single Market and the Customs Union to seize new trading opportunities around the world, while protecting jobs, supporting growth and maintaining security co-operation. We recognise that our Future Economic Partnership with the European Union will have considerable and immediate implications for the way the United Kingdom can develop its future trade policy, in terms of its trading agreements with the rest of the world. We will continue to listen and respond to our stakeholders' views on this as we develop our own independent trade policy in parallel with the direction of the future relationship negotiations with the European Union.

¹ This excludes Turkey (plus San Marino and Andorra) which is part of a customs union with the European Union, and excludes Japan, as the Economic Partnership Agreement only came into force on 1 February 2019.

² UK total trade: all countries, non-seasonally adjusted, October to December 2018.

³ UK total trade: all countries, non-seasonally adjusted, October to December 2018.

⁴ The trade continuity agreement with Iceland and Norway would only apply in a No Deal scenario. All others would apply after the proposed Implementation period as well.

An independent trade policy means we can negotiate trade agreements specifically tailored to the United Kingdom, building links with old friends and new allies, enabling the United Kingdom to take advantage of emerging sources of growth and to deepen ties with our established partners to create shared and sustainable growth.

In July last year, we launched consultations on new free trade agreements. The consultations demonstrated the United Kingdom's intention to seek free trade agreements with the United States, Australia and New Zealand, as well as the United Kingdom potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, a plurilateral agreement with 11 existing members).

We have engaged fully with the devolved administrations, and consulted extensively with stakeholders across the business community, civil society, academia and the general public on priorities for trade negotiations to ensure we represent the interests of the whole of the United Kingdom in any future negotiation.

We have received 601,121 responses to the four consultations on future trade agreements. I would like to thank all those who took the time to contribute to this consultation. The Government is committed to an inclusive and transparent trade policy, so today, I am publishing a summary of the consultation responses we received across the four consultations.

A handwritten signature in blue ink, appearing to read 'Liam Fox', with a stylized flourish at the end.

The Rt Hon Dr Liam Fox
Secretary of State for International Trade and President of the Board of Trade

Introduction

Background

1. As the United Kingdom (UK) leaves the European Union (EU), we will have an independent trade policy for the first time in nearly 50 years. This will give us the opportunity to forge new and ambitious trade relationships around the world, and to enter into new Free Trade Agreements (FTAs) with other countries or groups of countries.
2. The Government remains committed to building a deep and special trading partnership with the EU, but through our new independent trade policy, we can also take advantage of shifts in the global economy: According to the IMF, 90 per cent of the world economic growth over the next five years is forecast to come from outside the EU⁵; and 54 per cent of the UK's exports of goods and services are now traded outside the EU⁶, compared with only 46 per cent in 2006.
3. Through negotiating FTAs, we can work with our trading partners around the world to break down barriers to trade in goods and services, ensure that UK businesses are treated fairly, and protect our right to regulate and maintain high standards, creating the conditions for individuals and businesses to prosper. Our ambition is to:
 - Increase economic growth and productivity, through increased trade and investment, promoting greater competition and innovation.
 - Provide new employment opportunities, including higher-skilled jobs, from greater specialisation, increasing wages and opportunity across the UK.
 - Deliver a greater variety of products for consumers at a lower cost while maintaining quality.

Why this Free Trade Agreement?

4. An early priority for the UK's independent trade policy will be to negotiate a comprehensive FTA with New Zealand. New Zealand is one of our closest allies, sharing the same head of state, HM the Queen, and a country the UK already cooperates extensively with in a wide range of multilateral forums including the United Nations (UN), the World Trade Organization (WTO) and the Commonwealth. New Zealand has a reputation for negotiating high-quality FTAs. An FTA with New Zealand would be an opportunity to set an ambitious precedent for future agreements and to identify where we can collaborate to promote open markets around the world. It would also build on our strong trade relationship with current UK-New Zealand trade worth £2.8 billion in 2018.⁷ The UK exported £1.4 billion worth of goods and services to New Zealand in 2018.⁸

⁵ DIT calculations based on the IMF World Economic Outlook database, updated April 2019.

⁶ Source: ONS Balance of Payments 2019Q1.

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/balanceofpayments>

⁷ UK total trade: all countries, non-seasonally adjusted, October to December 2018.

⁸ UK total trade: all countries, non-seasonally adjusted, October to December 2018.

A transparent and inclusive trade policy

5. As set out in the Trade White Paper *Preparing for our future UK trade policy* published in October 2017, the Government is committed to pursuing a trade policy which is inclusive and transparent. To ensure that any future FTA works for the whole of the UK, the Government is therefore committed to seeking views from a broad range of stakeholders from all parts of the UK. In July 2018, the Government published DIT's *approach to engagement for the pre-negotiation phase of trade negotiations* setting out its plan for pursuing new trade negotiations collaboratively by engaging with the widest range of stakeholder groups, as it takes forward its free trade agenda. For new FTAs, we have run broad open consultations. We will continue to engage as widely as possible as we look ahead to negotiations potentially starting soon.
6. On 20 July 2018, the Department for International Trade (DIT) launched four 14-week public consultations seeking views on potential FTAs with the United States (the US), Australia and New Zealand, and potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). To support this, the Government ran a series of events around the UK to promote the consultations. All four consultations closed on 26 October 2018. This document sets out the findings from the responses received.
7. DIT welcomed feedback and comments from all interested parties to the consultations. Across the four consultations, the Government received over 600,000 responses including those submitted by campaigns. They have been analysed and are informing the Government's overall approach to the four potential future trade deals. The consultation feedback will also support the Government in meeting its commitment to delivering a UK trade policy which will benefit the UK economy, and businesses, workers, producers and consumers.
8. While many respondents welcomed the opportunities that an independent trade policy will bring as we leave EU, many respondents also mentioned the importance of the UK's future economic relationship with the EU. We recognise that the UK's future trade policy, including our ability to negotiate FTAs, will depend on the scope and substance of our future economic relationship with the EU. While comments on the UK Government's vision for the Future Economic Partnership (FEP) with the EU were outside the scope of the questions asked in this FTA consultation, they have, however, been included in our analysis.

What we asked

9. Each consultation was based on a series of questions concerning the respondent's priorities and concerns regarding the relevant agreement. The questions were broad to ensure the consultation exercise was inclusive and would encourage participation from a wide range of stakeholders. We received responses from individuals, businesses, business associations, public sector bodies, trade unions and other non-governmental organisations (NGOs). The online survey covered a range of policy areas which are typically included in any comprehensive FTA.

These were:

Tariffs	Rules of Origin (RoO)	Customs Procedures	Services	Digital
Product Standards, Regulation and Certification	Sanitary and Phytosanitary (SPS) Measures	Competition	Government (Public) Procurement	Intellectual Property (IP)
Investment	Labour & Environment	Trade Remedies and Dispute Settlement	Small- and Medium-sized Enterprise (SMEs) Policy	Other

Respondents were also able to submit additional comments not related to the areas listed above. A full list of all the questions asked during this consultation is available in Annex A.

This report

10. This document is a summary of what respondents said in the *consultation on trade negotiations with New Zealand* (the consultation). The evidence provided from the responses to this consultation (as summarised in this document), will inform the Government's overall approach to our future trading relationship with New Zealand, including our approach to negotiating any trade agreement. As we look ahead to finalising our negotiating objectives, we will continue to actively consider the consultation feedback to inform this work. Decisions made as a result of this consultation will therefore be published alongside our negotiating objectives before potential negotiations start. This report, therefore, does not set out Government policy with respect to future trade policy, but simply provides a summary of what consultation respondents have told us. The Government will take all responses to this consultation into account. A number of respondents raised points which fell outside the scope of this consultation. However, they have still been included in the statistical analysis.
11. We also received a large number of responses from outside the UK. The views provided in these responses will be analysed carefully and considered.
12. This document does not contain a list of the respondents or contain any personal or organisational details of the respondents. Their views are summarised in the following sections of this report but are not attributed to any individual respondent or business. The figures in this document refer to those who responded to the consultation, so should not be treated as statistically representative of the public at large.

13. The Government does not intend to publish any individual consultation responses it received. Many organisations have published their own responses independently.
14. DIT commissioned the research agency Ipsos MORI to analyse responses for all four consultations and produce statistical analysis with a summary of the overall findings. This analysis supplements the review of consultation feedback undertaken by the Government. Ipsos MORI developed a code frame to allow for systematic statistical analysis of the responses. The codes within the code frame represent a ‘theme’ based on an amalgamation of responses submitted and are intended to comprehensively represent all responses. The code frame and methodology, produced by Ipsos MORI, have been published alongside this report.

Overview of the responses

15. On the closure of the consultation on a potential UK-New Zealand trade deal, the Government had received 146,245 responses, submitted via the online survey and by email or post.

Table 1: A breakdown of the overall response numbers

Total number of emails, letters and online survey responses received	146,245
Online survey responses	271⁹
Post	1
Emails [non-campaign]	68
Emails [campaign]	145,905

16. Respondents were categorised into one of the following five groups:
- **An individual** – Responding with personal views, rather than as an official representative of a business, business association or another organisation.
 - **Business** – Responding in an official capacity representing the views of an individual business.
 - **Business association** – Responding in an official capacity representing the views of a business representative organisation or trade association.
 - **Non-governmental organisation (NGO)** – Responding in an official capacity as the representative of a non-governmental organisation, trade union, academic institution or another organisation.

⁹ The total number of consultees who completed an online response was 273, but 271 were deemed as valid responses.

- **Public sector body** – Responding in an official capacity as a representative of a local government organisation, public service provider, or another public sector body in the UK or elsewhere.

Online consultation portal

17. The Consultation Portal was hosted by Citizen Space (an online software tool) and contained an online survey with a total of 67 questions. This was tailored to each of the five respondent groups with additional questions for certain groups. The survey for each group asked what areas of an FTA respondents viewed as being priorities and concerns and offered respondents the opportunity to select from across 14 trade policy areas relevant to an FTA. Respondents were also given the opportunity to submit supplementary comments and to raise any other issues. In addition, business respondents and business organisations were asked to select their top priority area and top concern. Respondents could simply answer the online survey questions selecting from the 15 options for priorities and concerns with textboxes available for additional comments. While many respondents chose not to submit additional comments after filling in the questionnaire, these responses are still subject to the same analysis and will be taken into account in developing our policy.
18. Of the 67 questions, there were five general questions for all respondents to answer, 11 specific questions for individuals, ten specific questions for NGOs, 17 questions for businesses, 15 specific questions for business associations and nine specific questions for public sector bodies. See Annex A for the full list of questions asked.
19. Table 2 shows a breakdown of the number of Consultation Portal responses per respondent group.

Table 2: Total Consultation Portal responses broken down by respondent group

Respondent group	Number of responses
Individual	172
Non-governmental organisation (NGO)	27
Business	36
Business association	29
Public sector body	7
TOTAL	271

Respondents' demographic profile

20. The online survey gave respondents the option to provide additional data about themselves or their organisation. This included questions such as their geographical location, age, gender, size of business and the number of businesses the business associations represent. Using this data, we have provided a detailed breakdown of respondents' profiles in Annex B.

Responses via email and post

21. Some respondents opted to submit their responses to the consultation via email. On request, questions from the Consultation Portal survey were made available to respondents. In this case, the majority of respondents submitted a letter with specific comments tailored to the needs and circumstances of their organisation. The table below (see table 3) shows a breakdown of the number of responses by respondent group. Over two thirds of the responses sent via email were from business and industry.

Table 3: Total number of email responses broken down by respondent group

Respondent group	Number of responses
Individual	4
Non-governmental organisation (NGO)	10
Business	5
Business association	43
Public sector body	6
TOTAL	69

22. One response was submitted by post from an NGO.

Campaign responses

23. A campaigning group (38 Degrees) organised and actively encouraged responses from its members to the consultation. Nearly 150,000 responses were submitted.

Table 4: Breakdown of the number of campaign responses

Campaigning Organisation	Number of Responses	Title of Campaign
38 Degrees	145,905	<i>Submission to DIT's consultation on future trade deals</i>

24. We have not categorised responses in any way other than how they were received. In the summary of responses section of this document, which summarises the detailed comments

received by respondents, responses have been considered in the relevant policy area where they would be in a typical FTA.

Consultation feedback

Consultation events

25. As part of DIT's work to promote all four consultations, we held 12 'Town Hall' and roundtable events across the UK, seeking views from a broad range of stakeholders. Additionally, the Minister of State for Trade Policy, George Hollingbery MP, chaired a webinar (openly advertised on Twitter) with over 100 people registering. The webinar was specifically designed to discuss FTAs with specific relevance to how Small- and Medium-sized enterprises (SMEs) operate.

Table 5: Location, date and partner organisation of each event

Location	Date	Partner Organisation
Edinburgh	5 September 2018	The Scottish Council for Development and Industry
Manchester	21 September 2018	British American Business
Exeter	28 September 2018	Confederation of British Industry
Birmingham	1 October 2018	British American Business
Norwich	3 October 2018	Confederation of British Industry
Belfast	4 October 2018	Invest Northern Ireland
London	5 October 2018	Confederation of British Industry
Nottingham	8 October 2018	Geldards
Durham	10 October 2018	British Chambers of Commerce
Leeds	12 October 2018	Trades Union Congress
Cardiff	15 October 2018	British Chambers of Commerce
Reading	17 October 2018	Federation of Small Businesses
Webinar	22 October 2018	Federation of Small Businesses

26. The events were intended to encourage individuals and businesses from all parts of the UK to participate in the consultations. We partnered with leading business associations and other representative organisations to host these events with each event adapting to meet the needs and interests of the registered attendees. In total, there were over 300 attendees with a broad spectrum of trade policy interests.

27. The events were chaired by either the Secretary of State, a minister or a senior official from DIT. Leading country and policy team experts from the department were also available to answer questions. These events allowed us to hear first-hand from a range of experts from across business, trade unions, NGOs, consumer groups and other civil society representatives. Events were held under the Chatham House Rule, with comments not attributed to stakeholders. This facilitated an open and honest discussion. Feedback from attendees was positive with the events being reported as informative and valuable.
28. From these events, we gathered the following feedback to all four consultations:
- Appetite for engagement was high. Stakeholders valued the opportunity for a genuine dialogue with ministers and senior officials, an opportunity to exchange views, gather information and to be involved in the policy-making process.
 - Stakeholders welcomed the Government's commitment to an inclusive and transparent trade policy and asked for this transparency to continue throughout the negotiation process. They requested more digital content on trade to be made available, and for the Department to signpost main issues to assist them accessing pertinent information.
 - Levels of general knowledge of FTAs were mixed.
 - Many businesses were engaged but were open about the fact that the FEP with the EU and EU-Exit contingency planning was their main focus. This was consistently seen as the more immediate priority for business.
29. Understanding of FTAs varied across different stakeholder groups, with there being mixed levels of awareness about the impact of trade deals and their wider benefits to the general public. DIT recognises the need to raise awareness of future FTAs and their impact at both local and national level. The insights gained from these events will inform DIT's stakeholder engagement plans for any future stakeholder consultation exercises and for any future engagement during potential trade negotiations. The Government will continue to build upon its commitment to deliver an informed, inclusive and transparent trade policy.

Engagement with Devolved Administrations, Crown Dependencies and Overseas Territories

30. As set out in the Trade White Paper *Preparing for our future UK trade policy* the Government is committed to ensuring the devolved administrations (DAs) have a meaningful role in trade policy after we leave the EU. To develop and deliver a UK trade policy that benefits businesses, workers and consumers across the whole of the UK we will take into account the individual circumstances of England, Scotland, Wales and Northern Ireland. Working closely with the devolved administrations to deliver an approach that works for the whole of the UK continues to be a priority for DIT.
31. During the consultation, we took steps to engage widely in Scotland, Wales and Northern Ireland, including holding round tables in Edinburgh, Cardiff and Belfast.

32. The Scottish and Welsh Governments have provided views on the potential UK-New Zealand FTA via written responses and during discussion with DIT ministers and officials. We welcome and thank both Governments for these views.
33. The Northern Ireland Civil Service has published technical data in relation to New Zealand and trade and discussed this data with DIT officials. We thank them for this information.
34. DIT will continue to actively engage with the devolved administrations regarding any new potential trade deal with New Zealand through a new DIT/DA Ministerial Forum and our regular Senior Officials Group and Policy Roundtables.
35. We recognise the interest in potential UK FTAs from the Crown Dependencies and Overseas Territories, including Gibraltar, and remain fully committed to engaging with them as we develop our independent trade policy for the UK. The Secretary of State for International Trade made this commitment clear in his letter to the Chief Ministers of the Crown Dependencies and Overseas Territories at the launch of the consultations in July 2018. Discussions between DIT and the Crown Dependencies continue on a range of Trade Policy topics.
36. We will continue to seek views from the Crown Dependencies and Overseas Territories, including Gibraltar, during any potential future FTA negotiations to ensure that their interests and priorities are properly taken into account.

Engagement with Parliament

37. The Government is committed to providing Parliament with the ability to inform and scrutinise new trade agreements as we progress with developing our future trade policy. The Secretary of State for International Trade, Minister of State for Trade Policy and the Government's Chief Trade Negotiation Adviser held a briefing session on the FTA consultations, open to all Members of Parliament (MPs), on 12 September 2018. Twenty-four MPs attended, and the questions were wide ranging, covering all four consultations. Comments sent to DIT by MPs on behalf of their constituents were also considered as part of our analysis of the consultation feedback. The House of Commons International Trade Committee also published a report on *UK-US Trade Relations*, to which the Government responded on 10 July 2018. We will consider the Committee's conclusions from its inquiry on *Trade and the Commonwealth: Australia and New Zealand*.
38. On 21 February 2019 there was a debate in Government time in the House of Commons on the four potential new FTAs. The purpose of this was to help the Government to understand parliamentarians' priorities for the new FTAs before formulating our negotiating objectives.
39. On 28 February 2019 we published a paper, *Processes for making a free trade agreement after the United Kingdom has left the European Union*, which sets out proposals on public transparency for future FTAs and the role of Parliament and the devolved administrations. This included confirmation that at the start of negotiations, the Government will publish its Outline Approach, which will include our negotiating objectives, and an accompanying Scoping Assessment, setting out the potential economic impacts of any agreement. The Government stands by its commitment to ensure that Parliament has a role in scrutinising these documents

so that we can widen the range of voices heard and ensure that as many views as possible are taken into account before commencing negotiations.

40. The Government plans to draw on the expertise and experience of Parliamentarians throughout negotiations, working closely with a specific parliamentary committee, or alternatively one in each House. We envisage that the committee would have access to sensitive information that is not suitable for wider publication and could receive private briefings from negotiating teams. This would ensure that the committee(s) was able to follow negotiations closely, provide views throughout the process and take a comprehensive and informed position on the final agreement.

Summary of responses

General Themes

Respondents across all stakeholder groups provided a wide range of comments on their priorities and concerns regarding a future UK-New Zealand Free Trade Agreement. More detailed analysis can be found in the 'Analysis of responses by policy area' section. The summary below sets out the key themes raised within the five policy areas which received the greatest volume of substantive comments. We also received a large volume of campaign responses, not all of which included individual comments. These are summarised in the 'Summary of campaign responses' later in this document.

The UK's existing labour standards and environmental protections should not be reduced or negatively impacted by any future FTA with New Zealand

Across all stakeholder groups, respondents called for the UK to maintain its high labour and environment standards through an FTA with New Zealand. There were concerns that increased trade between both countries would have negative environmental impacts due to increased carbon emissions and potential ramifications for conservation and biodiversity. A number of respondents requested that as part of an FTA, existing climate change objectives should be respected, and current levels of transport emissions should be maintained or lowered rather than increased. Respondents set out that workers' rights and pay should not be undermined or adversely affected through a UK-New Zealand trade deal (with particular reference to those in the sheep and lamb industry); with some requesting a level playing field in relation to labour rights and environmental standards.

There could be benefits to the UK from lowering or removing tariffs with New Zealand, but there may be some industries that would be best supported by maintaining existing tariffs.

The majority of respondents highlighted that the reduction or removal of tariffs and Tariff Rate Quotas (TRQs) between the UK and New Zealand could increase bilateral trade between both countries. Stakeholders also raised the need to balance tariff reduction or liberalisation with the potential negative consequences to the UK's industries such as those in the meat and dairy sectors. It was therefore suggested by some respondents that these and other sectors that were perceived to be sensitive should be protected by maintaining existing tariffs. Some stakeholders also highlighted concerns that removing tariffs could undermine the preferential access to the UK market that some developing countries currently benefit from.

Any UK-New Zealand FTA should ensure a level playing field for UK businesses

Respondents highlighted that an FTA could increase competitiveness for UK products in New Zealand, but that it was important it did not negatively impact UK producers and businesses by exposing them to increased competition. They also noted that it may increase consumer choice and access to New Zealand goods and services. Respondents raised concerns that there could be job losses in certain industries resulting from increased competition, or that a reduction in standards would make UK businesses more open to unfair competition and practices. In relation to lamb and sheep meat, there was a perception that an FTA could lead to a flooding of the UK market with New Zealand imports, which could have an adverse effect on UK businesses.

The UK's existing product standards should be maintained through any future UK-New Zealand FTA

Stakeholders identified the importance of ensuring the UK's high standards were not reduced or compromised through an FTA with New Zealand. Some identified the importance of ensuring that standards continue to be aligned with those applied in the EU and those of other trading partners. Protecting the UK's standards was regarded as important to ensure the quality of goods and to safeguard consumers. It was also viewed as playing a role in ensuring that the UK businesses were not undercut by products of an inferior standard.

The UK's current health, safety and food standards should be maintained and aligned with the EU's Sanitary and Phytosanitary (SPS) measures

Respondents highlighted the importance of ensuring that the UK's high level of animal welfare, food, and health and safety standards were maintained or improved upon as part of an FTA with New Zealand. Stakeholders also reflected on the value of ensuring alignment with current standards applied in the EU. Concerns were raised in relation to the lowering of standards, and the possible detrimental impact on consumer health of accepting goods that did not meet the UK's current standards. Examples of this included accepting produce treated with growth hormones and antibiotics.

Other main themes:

In addition to the above, a number of key themes were reiterated through the responses to the consultation. A significant number of stakeholders raised the importance of protecting public services, with particular reference to the National Health Service (NHS). This was mirrored in the responses received through the 38 Degrees' organised campaign. The Government has made clear that decisions about public services will continue to be made by UK Governments, including the devolved administrations and not future trade partners.

Other key messages included the potential for a UK-New Zealand trade deal to increase services trade between both countries, especially through the inclusion of provisions to support Mutual Recognition of Professional Qualifications (MRPQs) and greater movement of people. In addition, stakeholders raised the importance of protecting the UK's Intellectual Property through any future UK-New Zealand FTA and ensuring that more widely, FTA provisions helped reduce the administrative and financial burdens of trade between both countries.

Stakeholders were positive about the potential for a UK-New Zealand FTA but highlighted that it should not compromise or negatively impact on the FEP with the EU.

Overview of Priorities

Respondents who completed their consultation response via the online survey, were classified into different respondent groups (Individual, NGO, Business, Business Association and Public Sector Body) and asked a series of questions (set out in Annex A).

All respondent groups were asked what they wanted the UK Government to achieve through a UK-New Zealand trade agreement and which of the 14 policy areas provided (as set out below) best described the priorities outlined in their previous answer. Business and business association respondents were also asked what they wanted the UK Government to achieve by reference to the 14 policy areas, and were provided with a supplementary question, asking which of these policy areas is their top priority.

The table below shows the top three policy areas selected as a priority for each of the different respondent groups.

Table 6: Top priorities selected by different respondent groups

Type of respondent (Total number)	First most selected priority (Total selected by)	Second most selected priority (Total selected by)	Third most selected priority (Total selected by)
Individuals (167)	Tariffs 105	Product Standards, Regulation and Certification 96	Customs Procedures 82
Businesses (32)	Tariffs 8	Services/Customs Procedures 4	SMEs/Other comments 4
Business Associations (26)	Tariffs 8	Product Standards, Regulation and Certification 4	Intellectual Property 4
NGOs (26)	Product Standards, Regulation and Certification 16	Tariffs 15	Labour and Environment 13
Public Sector Bodies (7)	Tariffs 5	Competition 5	Investment/Sanitary and Phytosanitary Measures 3

Overview of Concerns

All respondent groups were asked what concerns they had about a UK-New Zealand trade agreement and which of the 14 policy areas provided (as set out below) best described the concerns outlined in their previous answer.

Business and business association respondents were also asked about their concerns by reference to the 14 policy areas, and were provided with a supplementary question, asking which of these policy areas was their top concern.

The table below shows the top three policy areas selected as a concern for each of the different respondent groups.

Table 7: Top concerns selected by different respondent groups

Type of respondent (Total number)	First most selected concern (Total selected by)	Second most selected concern (Total selected by)	Third most selected concern (Total selected by)
Individuals (140)	Labour and Environment 54	Product Standards, Regulation and Certification 53	Tariffs 50
Businesses (25)	Tariffs 6	Services 4	Custom Procedures 4
Business Associations (25)	Tariffs 7	Product Standards, Regulation and Certification 4	Intellectual Property 4
NGOs (22)	Product Standards, Regulation and Certification 10	Tariffs/Labour and Environment/Trade Remedies and Dispute Settlement 9	Sanitary and Phytosanitary Measures/Intellectual Property 9
Public Sector Bodies (5)	Tariffs 3	Competition 3	Rules of Origin/Sanitary and Phytosanitary Measures/Product Standards, Regulation and Certification 2

Analysis of responses by policy area

This section contains a detailed analysis of the free text comments submitted. The feedback has been summarised with reference to the 14 policy areas and other comments provided and grouped by respondent type: (1) Individuals (2) Businesses (3) Business Associations (4) NGOs (5) Public Sector Bodies. Please note that where respondent feedback from across these different groups reflected similar views, comments or issues highlighted might overlap. Technical terms can be found in the glossary located in Annex C.

Tariffs

Overall, respondents were positive about the potential opportunities an FTA with New Zealand could bring, with many stating they would like to see a reduction or removal of tariffs. Several respondents suggested that protecting the UK market should be a priority with no reduction of tariffs on food and agricultural products imported from New Zealand.

Individuals

Fifty-five individual respondents viewed tariffs as a priority in their comments, with most of these respondents calling for a reduction or removal of tariffs. Thirty-seven individuals called for zero tariffs on goods and services. The need to balance tariff reduction, in order to promote an FTA with New Zealand, with the potential negative impacts on the UK's meat and dairy sectors was a point repeatedly made. One respondent noted that low tariff barriers might enhance ties with New Zealand. The ability of New Zealand to impose tariffs to protect its domestic industry if needed, was also raised as a concern by respondents. Respondents also expressed concerns over third countries being able to export their products to the UK via New Zealand in order to benefit from tariff reductions. Other concerns flagged pointed to the potential negative impacts to the UK farming industry from tariff reductions for agricultural products imported from New Zealand. Thirteen individuals raised concerns on tariffs, including protectionism and increased administrative burdens.

Businesses

Twenty-five businesses made comments in relation to prioritising tariffs in an FTA, with 14 respondents stating that they would like to see the removal or reduction in tariffs, highlighting the opportunity this would bring for enhancing trade between both countries. One business respondent stated that they saw tariff reduction or its elimination as having the potential to promote electronic commerce (e-commerce). Two business respondents called for a reduction in tariffs on grain products, albeit without compromising UK agricultural outputs. A need to respect the WTO Pharmaceutical Tariff Elimination Agreement was also raised. One respondent asked for the import of animal skins to remain tariff free after the UK leaves the EU. Ten businesses raised concerns on tariffs, with comments focusing on the affordability of goods, and the impact of removing tariffs on the UK dairy industry.

Business Associations

Forty-two business associations submitted comments prioritising tariffs. Nine of these responses stated that they would welcome tariff-free trade, which could greatly benefit the sectors they

represent, with several respondents requesting reciprocal tariff arrangements. The request for tariff free trade was mentioned in relation to goods most commonly but there were also comments covering specific sectors: cosmetics, spirits, books or journals. Some respondents also commented on protecting the meat and salmon industry, by ensuring the protection of Geographical Indications (GIs). Twenty-five business associations raised concerns on tariffs. Feedback included comments on the potential impact of tariff reduction on UK industries. Some respondents also suggested that tariff-free trade might cause an increase in competition or undermine preferential access to the UK market for developing countries. There were several calls for continued tariffs on food or agricultural products imported from New Zealand.

NGOs

Nine NGOs responded with comments citing tariffs as a priority in a free trade agreement, with seven NGOs raising tariffs as a concern. Several respondents stated that they would like to see the elimination or reduction of tariffs and the elimination of TRQs, with one respondent against any additional TRQs over and above the current arrangements through the EU. One NGO suggested that while opportunities would flow from tariff reductions, cheap imported products may become more competitive, putting pressure on UK produce, limiting the availability of UK products for consumers. Several NGO respondents remarked that a removal of tariffs would erode the margin of preference enjoyed by some developing countries. The point was made that preferential access in the UK for products from developing countries might partly lose its value, as those products would need to compete in the UK market with similar products from New Zealand, once the latter also receive preferential treatment. Potential trade diversion arising from tariff liberalisation on wine was also raised as a concern by NGO respondents.

Public Sector Bodies

Six public sector bodies commented on tariffs as a priority. They focused more on non-tariff barriers, rather than tariffs. Four respondents raised concerns around tariffs, including the impact of removing tariff barriers on UK businesses. One respondent stated that an FTA would not significantly improve tariff conditions for exporters, but they did note that a reduction in tariffs could make seafood imports from New Zealand more accessible to UK processors and consumers, for example, ensuring that blue grenadier (a fish species) continues to enter the UK duty free.

Rules of Origin (RoO)

Overall, there were few substantive responses on RoO, with the focus, particularly for business and business associations, being on the simplification of RoO. Respondents from across the stakeholder groups referenced local content requirements (with one respondent suggesting at least 75 per cent local content to achieve UK or New Zealand origin) and the need to be aware of global supply chains. There were suggestions for harmonising RoO across all future UK FTAs and ensuring they are similar to those in the EU-Canada Comprehensive Economic and Trade Agreement (CETA) and the EU-Japan Agreement. One business association recommended CPTPP's model of self-certification as the least cumbersome for business. Comments were also raised by respondents in this section on GIs, however, in an FTA, GIs are contained within the IP chapter and therefore we have considered the relevant comments within that section.

Individuals

Three individual respondents raised RoO as a priority in their comments, while one individual expressed concerns on RoO. Individual respondents raised concerns around low quality goods finding their way into the supply chain. Many individuals referenced RoO indirectly, with respondents highlighting the role RoO will play in preventing goods from third countries being shipped to the UK via New Zealand and benefiting from preferential tariffs.

Businesses

Sixteen businesses prioritised RoO, with comments including minimising regulations and bureaucracy, cost reductions and ensuring transparency. Eight businesses raised concerns with respect to RoO. Two business respondents called for RoO to be simplified and harmonised across all future UK FTAs and similar to those in EU-Canada CETA and EU-Japan FTA with the suggestion that these rules be reviewed to keep up with innovation. One business called for clear labelling of origin and full traceability of products, although this is not an issue that is covered by RoO provisions in FTAs.

Business Associations

Thirty-one business associations prioritised RoO in their comments. Seven comments were made on customised cumulation or diagonal cumulation, which respondents suggested would enable a UK producer to import a good from New Zealand and treat it as if it was of UK origin no matter whether the product was changed in the UK. Respondents also suggested that the UK should negotiate additional cumulation options in a trade agreement. Ten business associations raised concerns and called for the RoO administrative burden to be simplified and minimised. Some respondents also had a number of specific sectoral asks. For example, the automotive industry suggested cumulation with the EU; co-operation with EU counterparts involved in negotiations with New Zealand; staging periods in application of RoO and that embedded services such as design should be countable in Regional Value Content (RVC) calculations.

NGOs

Three NGOs viewed RoO as a priority, with three raising concerns on RoO. These respondents focused on the lack of transparency and the impact of low-quality imports. One respondent suggested the RoO cumulation requirements or 'cumulative rules of origin' should be set at 25 per cent.

Public Sector Bodies

Three public sector bodies prioritised RoO in their comments. The feedback focused on the impact of low-quality imported products and the need for transparency. Two public sector bodies expressed concerns. Comments included the impact on the UK fishing industry and lack of alignment to EU regulatory standards.

Customs Procedures

Feedback from across different respondent groups focused on the importance of keeping administrative burdens at UK borders as low as possible while prioritising frictionless trade. The need to keep new administrative requirements at borders to a minimum was cited repeatedly in the

feedback as a priority for any future UK customs system, with the impact on SMEs highlighted. Respondents also asked for customs procedures to be standardised to harmonise pre-shipment notifications and reporting requirements.

Individuals

Six individual respondents referenced customs procedures as a priority in their comments, with the focus being on the need to minimise or reduce the administrative burden. Suggestions were made for the necessary controls that should be in place. Four individuals raised concerns, with comments raised around the potential for increased administrative burdens and concerns raised around potentially illegal or counterfeit goods entering the UK.

Businesses

Nineteen businesses in their comments viewed customs procedures as a priority in a trade agreement with New Zealand. A recurring theme from the feedback was the need to reduce the administrative burden. Harmonising standards with WTO or the Organisation for Economic Co-operation and Development (OECD) rules was also raised. Ten businesses raised concerns with the focus being on the increased administrative bureaucracy. The implications for businesses exporting or importing perishable commodities was highlighted. Many businesses shared their experiences around origin declarations on invoices and import permits. It was suggested that a pre-entry system should be available at customs.

Business Associations

Twenty-three business associations viewed customs procedures as a priority, with a focus on minimising bureaucratic processes and avoiding long delays through ineffective or inadequate border controls. Speed and simplicity were viewed as being essential to custom procedures. It was suggested that the minimum provisions in WTO agreements could be used as a starting point in a trade negotiation, to facilitate a smooth transit of goods. Twelve business associations raised concerns, with a focus on the supply chain consequences and higher costs. One business association requested minimising additional and duplicative administration burdens with no expectation of a reliance on an Authorised Economic Operator (AEO) certification.

NGOs

Four NGO respondents commented that customs procedures were a priority, with points made around the need for stringent customs checks for imported food products. Other respondents flagged the need to prevent illegal or counterfeit products from entering the UK, as well as fraud prevention and retaining current procedures or standards. One respondent favoured streamlined customs procedures and higher thresholds for checks. Four NGOs raised concerns in this area, with comments on trade restrictions or inadequate border controls mentioned.

Public Sector Bodies

One public sector body provided comments on priorities for customs procedures, with a comment made on agreeing systems of equivalence in standards for cross-border trade in the healthcare sector. Two public sector bodies raised concerns on customs procedures, with comments on trade restrictions and the potential for increased administrative burdens.

Services

Overall, respondents focused on the importance of professional and financial services as priority sectors. MRPQs, mobility and visas were also key considerations raised by respondents. Respondents also recognised the importance of other areas of any agreement related to services, including digital, IP, investment, environment, SME provision, and access to public procurement. More specific commitments such as visas and the environment were also mentioned by respondents as well as legal and financial services, along with MRPQs. Relevant comments on public services, including the NHS, were also raised in the consultation sections on investment and Government procurement but have been considered in this section. For financial services, respondents covered a broad range of sub-sectors which included asset management, banking, insurance, and financial technology (FinTech). Relevant comments on MRPQs, mobility and the visa system that were raised in the consultation section on labour and environment have been considered in this section.

Individuals

Fifteen individual respondents referenced services as a priority in an FTA with New Zealand and four raised concerns. A recurring theme of the feedback was the call to protect the UK public services sector. Individuals also called for a need to protect the NHS and other public services from foreign investors forcing the UK into unrestricted open competitive tendering for public services. Several respondents welcomed addressing services regulation, including increased mobility of skilled workers and students, with one respondent stating that an FTA should encourage the movement of people for business purposes. Another respondent called for the UK to focus on softening the restrictive movement requirements for key personnel linked to investment as part of an FTA with New Zealand. One respondent suggested that the UK be a part of the Trans-Tasman Travel Agreement (TTTA) to enable easier intra-corporate transfers in areas of mutual benefit to our economies. Two individuals stated that an FTA must include financial services and highlighted the opportunities that a UK-New Zealand FTA would bring to the financial services sector. However, several individuals raised concerns that an FTA focused on trade in financial services would not benefit the UK outside of London.

Businesses

Ten businesses called for services to be prioritised in any future bilateral trade agreement with New Zealand, with two raising concerns. One respondent called for the removal of visa barriers which would allow workers to temporarily move between UK and New Zealand to provide services. Ensuring that MRPQs and the harmonisation of rules and regulations were included in an agreement was also highlighted as being important.

Business also raised concerns over restrictive foreign investment screening practices. On financial services, businesses identified an interest in removing any remaining restrictions on the provision of banking services. Several businesses raised FinTech as a key interest, with respondents stating that New Zealand's smaller market is known for early adoption of technologies which offers opportunities for UK financial technology (FinTech) seeking to enter the market. Insurance was also a key interest, with respondents identifying strong trade links in the insurance and reinsurance sectors. Ensuring regulatory co-operation on financial services was also mentioned as a key priority. Two businesses raised concerns over the privatisation of public services and the postal services.

Business Associations

Twenty-four business association respondents prioritised services trade in their comments. One business association stated that trade in services particularly mattered to small exporters, as SMEs starting to export are more likely to trade in services. Some respondents stated that an FTA should also facilitate the movement of skilled workers and called for a greater recognition of professional qualifications. Respondents noted that this would enable UK businesses to gain access to the best global talent. One business association had concerns about the potential for unrestricted freedom of movement but was of the view that there was a need for a targeted approach where there is a need for specific types of labour. There was a suggestion of a professional mobility programme within the General Work Visa (Tier 2) to facilitate the compliant entry of professionals to the UK, creating a category of UK working visa for which only professional New Zealand citizens working in certain occupational categories are eligible.

Respondents also called for the Government to consider the impact of any visa processing requirements resulting from an end to the freedom of movement for European Economic Area (EEA) nationals. Several respondents emphasised that the UK's high standards in relation to services should be maintained and promoted in an FTA with New Zealand. Several respondents identified potential for exploring wider tools to achieve market access and regulatory coherence in financial services. Some business associations identified that New Zealand's asset management industry is growing rapidly, and respondents were of the view that this growth would provide important opportunities for UK firms. Two comments were made regarding the protection of consultancy services and service design. Eleven business associations raised concerns which included: privatisation of public services, litigation, barriers to services trade and the lack of recognition of standards.

NGOs

Sixteen NGO respondents prioritised services trade in their comments. The feedback was generally optimistic about the potential benefits, with several respondents requesting for MRPs between the UK and New Zealand. The engineering sector in particular recognised the value of MRPs and noted the opportunities available to deliver frictionless movement of services. The inclusion of the technology and innovation services in an FTA was also raised by one respondent as being important. Ten NGOs expressed concerns with points made around the impact that an FTA might have on local government services, legal services and financial services. NGO respondents also identified that the UK is a leader in financial services and called for the UK's high regulatory standards to be protected. One NGO stated that the UK's high educational standards must be maintained. Some NGO respondents were concerned that any trade agreement between the UK and New Zealand might pose a threat to public services, emphasising the need to include rigorous protections for public services in any future FTA. A common suggestion was that the healthcare sector should be exempt from any commitments that could lock-in competitive procurement of publicly funded healthcare services in England or impose competitive procurement in the devolved administrations. Several respondents suggested that to protect public services, including the NHS, they should be excluded from the scope of an FTA. One NGO respondent asked that FTAs with other countries do not limit the digital services already available between the UK and New Zealand.

Public Sector Bodies

Four public sector bodies prioritised services trade in their comments. Most of these respondents were keen for the UK to sign an FTA with New Zealand as they recognised potential opportunities. This included adding to the ease at which financial and related professional services are able to operate their businesses in these markets and use their expertise in New Zealand and across the region. The potential growth to UK businesses that the New Zealand market would bring was also noted.

Several public sector bodies also identified the benefits of free movement of financial services employees and welcomed strong financial services elements in any future FTA. Respondents also identified that cross-border trade in financial services supports competition across financial markets and provides a wide range of choice to customers. One respondent maintained that any new MRPQ regime would need to ensure that the relevant qualification for nursing or midwifery is equivalent to the strong standards of the UK qualification, in order to maintain patient safety. Only one public sector body raised concerns, stating they would not want concessions made in any trade agreement to impact adversely on public health, or place an additional burden on health and social care services. There was also a comment about excluding public services, including the NHS, from the scope of FTA negotiations.

Digital

Overall, respondents asked for a trade agreement with New Zealand to ensure the free flow of data in line with the EU General Data Protection Regulation (GDPR). Respondents also noted that it is important to consider an adequacy agreement with New Zealand. The importance of preventing data localisation was also a point repeatedly made. Respondents were generally against changes to current EU platform liability rules.

There was general support for global rather than national responses to the tax challenges of digitisation and for rules on digital goods not being a barrier to trade. Some respondents asked for non-discrimination clauses to be enhanced to protect 'net-neutrality', as well as guaranteeing better market competition. Many respondents were of the view that New Zealand businesses can already access the Audio Visual (AV) market.

A number of comments focused on how an FTA might adversely affect the UK's AV ecosystem, with one respondent making particular reference to the positive impact of the UK's Public Service Broadcasting (PSB) system to the success of UK businesses abroad. Maintaining 'cultural heritage' was also a consideration. Respondents from the newspaper industry called for there to be no unjustified restrictions on the cross-border publication dissemination of UK newspapers, in print and online, or news brands subscriptions and advertising services. Respondents from the gaming sector emphasised the need to maintain frictionless trade and suggested the focus should be on breaking down barriers where these existed with trading partners. Some respondents also raised the issue of safe harbours, copyright and online infringement. However, in a typical FTA, these are contained within the IP chapter and therefore we have considered these comments in that section of this document.

Individuals

Four individual respondents referenced digital as a priority in their comments. Points raised included, support for existing data privacy protection and sharing, particularly the control of the movement of data and the need for it to be maintained or strengthened. Two respondents called for the harmonisation of standards between trading partners. One comment included a request for there to be no barriers at all to digital trade. Three individual respondents raised concerns with comments focusing on data protection and privacy.

Businesses

Fifteen business respondents prioritised digital services in their comments. Three businesses called for free flow of data exchange (in line with GDPR). A further three respondents called for data protection standards to be harmonised. Two businesses asked for an open market, without barriers for digital services. One respondent requested a replacement to the UK's participation in the EU-New Zealand mutual adequacy agreement for personal data (however, there was a view that adequacy with the EU is potentially more important). Seven business respondents expressed concerns related to digital services with the main focus, raised by five respondents, being around data protection. A small number of business respondents expressed concerns on the consequences of harmonising standards and flagged misuse of data concerns. Other points made included calling for data localisation to be prevented and for cross border data flows to be enabled, subject to reasonable safeguards.

Business Associations

Seventeen business associations referenced digital services as a priority in their comments. Seven business associations called for the free flow of data to be in line with GDPR requirements. Four business associations suggested that any future agreement should benefit both trading partners equally, with three of these respondents asking for greater harmonisation of standards, including a request to retain existing European standards set by the European Telecommunications Standards Institute (ETSI). Respondents from the creative industries had specific requests. These included asking for a UK-New Zealand FTA to go further than the United States-Mexico-Canada Agreement (USMCA) and ensure Value Added Tax (VAT) is removed on digital products. They also suggested greater collaboration through FTAs on anti-trust issues, for example, monopolisation of e-book platforms. Co-operation was also seen as being important to data ethics and Artificial Intelligence (AI).

Ten business associations raised concerns around digital services. Similar to business respondents, these tended to relate to data protection and privacy (four comments). Other points made included the burden to business of adding any extra administrative requirements. A business association raised concerns that FTAs might predominantly favour large technological companies. There was also a request for the UK Government to consult at a detailed sectoral level throughout the negotiation process.

NGOs

Three NGOs referenced digital services as a priority in a UK-New Zealand FTA. Comments ranged from calls for digital trade to remain untaxed and include provisions to stop governments from imposing requirements that limit digital services, to requests to maintain current levels of data

protection. Three NGO respondents expressed concerns related to digital services. These included a lack of transparency on complex data issues in negotiations, concerns over the compatibility of an FTA's data provisions with commitments to GDPR, worries about restriction of content, with one comment raised on the influence of big tech companies and another on data protection.

Public Sector Bodies

Four public sector bodies referenced digital services as a priority in a UK-New Zealand FTA. They suggested that any FTA covers the latest cutting-edge technology, that both partners increase co-operation around digital issues and that access to international markets was key for digital services. No public sector bodies raised concerns on digital.

Product Standards, Regulation and Certification

This policy area covers technical regulations, voluntary product standards and the procedures to ensure that these are met. Standards and measures to protect humans, animals and plants as well as to regulate food, animal and plant safety are discussed under the SPS section of this report.

The terms 'standards' and 'technical regulations' are used frequently in trade agreements when addressing 'technical barriers to trade'. While the word 'standard' is used informally to mean a level of quality or attainment, in the context of trade agreements 'standards' have a formal technical meaning. 'Standards' in this sense are voluntary documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. While standards are voluntary, when cited in a regulation, their use can become compulsory. Standards are not set or controlled by the Government. 'Technical regulations' are mandatory requirements set out in the legislation and they are controlled by governments and legislators (Parliament in the UK). For regulated products and services, standards can be used to support compliance.

The importance of maintaining the UK's current high standards and continuing to align these with standards used across Europe was highlighted in comments from all respondent groups. A number of sector specific international standards were outlined in responses with a request for these regulations to be maintained or improved upon. Relevant comments on standards and levels of protection that were submitted to the consultation section on labour and environment have been considered in this section.

Individuals

Twenty individuals prioritised product standards, regulation and certification in their comments. Nine individuals advocated in their response that European standards be retained or improved upon in any FTA with New Zealand. Other comments included ensuring alignment of UK product standards with both European and non-European trading partners. Fourteen individuals raised concerns about product standards, regulation and certification, with many of these comments centred around the implications of having unaligned standards.

Businesses

Twenty-one businesses prioritised product standards, regulation and certification in their comments. Most respondents focused on ensuring the alignment of standards between trading

partners and the use of international standards. Maintaining or improving existing standards between the UK and New Zealand was also emphasised as being important by business respondents, with one referring to the need to maintain current CE marking requirements. There was also a request from one respondent to include sectoral annexes in an FTA which would help promote international regulatory convergence. Six businesses raised concerns around product standards, regulation and certification, with one respondent highlighting their concern over the impact on standards relating to product labelling, for example on alcoholic beverages which could be covered in individual sector annexes of an FTA. A lack of harmonisation of standards was also highlighted as a primary concern by business respondents, as some were of the view that a lack of harmonisation might result in unnecessary costs to industries.

Business Associations

Thirty-three business associations prioritised product standards, regulation and certification in their comments. Seven of these respondents highlighted the importance of international regulatory harmonisation. The importance of maintaining the UK's current high standards and ensuring that these align with European standards was also emphasised in feedback from business associations. Continued alignment with standards and regulations applied in the EU, including future co-operation with the European Medicines Agency (EMA), was expressed as a top priority by pharmaceutical industry associations. Fourteen business associations raised concerns in relation to product standards, regulation and certification. One business association called for the UK Government to protect UK farmers from competitive pressures from importers who are potentially not subject to the same high standards. There was an expectation that UK farming might need to be protected by Government from any damage due to increased imports from New Zealand.

NGOs

Fourteen NGOs viewed product standards, regulation and certification as a priority in their comments. Eight respondents were of the view that existing standards should be maintained or improved with four respondents talking of the need to protect consumers. Two respondents called for greater harmonisation with international standards. One respondent asked for the UK's current approach to be maintained regarding the precautionary principle, with respondents highlighting New Zealand's differing approach to this. The different regulatory regime operated by New Zealand was also flagged by one NGO respondent. Another respondent also suggested that it should be a priority for the UK to implement the EU-New Zealand Mutual Recognition Agreement (MRA). Twelve NGOs raised concerns about product standards, regulation and certification, with five of these respondents concentrating on the impact that an FTA could have on standards, levels or protection and consumer rights. Other issues raised by NGOs included traceability and the quality of imported products.

Public Sector Bodies

Two public sector bodies viewed product standards, regulation and certification as a priority in their comments. One respondent requested high standards be maintained to protect consumers, as well as maintaining or improving standards related to product labelling, particularly on standards for pharmaceutical and medical products. Two public sector bodies had concerns with points made around the lack of mutual recognition of standards, lack of alignment or harmonisation of standards between trading partners, and concerns about sustainability.

Sanitary and Phytosanitary Measures (SPS)

This policy area covers standards and measures to protect humans, animals and plants as well as to regulate food, animal and plant safety. Voluntary product standards and the procedures to ensure that these are met are discussed under the product standards, regulation and certification section of this document.

A range of issues on SPS were highlighted across the different respondent groups. A key focus was animal welfare and the concerns around the potential lowering of food standards. Business respondents were generally of the view that the existing SPS agreements in place with New Zealand and the EU should be used and built upon. Maintaining regulatory alignment with the current EU standards was a recurring theme in the consultation feedback.

Individuals

Twenty-two individuals viewed SPS as a priority, with many emphasising the importance of maintaining or improving animal welfare standards. Health and safety and standards for agricultural products and food were also raised. Ten individual respondents expressed concerns with comments including the potential risk from chemicals in food and uneasiness around “hormone injected beef”, antibiotics in meat and additives or preservatives in food.

Businesses

Fifteen businesses commented on SPS as a priority with the focus being on the need to align standards between trading partners and maintaining existing EU standards. One business respondent suggested that tariffs should only be removed when SPS measures are materially equivalent. Comments were also made around the need for rules applying to grain and non-grain feed to not be more stringent than existing EU requirements. Three businesses expressed concerns about the potential impact on the UK dairy industry, as well as on UK food standards and animal welfare.

Business Associations

Twenty-three business associations viewed SPS as a priority in their comments, with respondents focused on the need to maintain high food and animal welfare standards and agricultural and farming practices. Eleven business associations raised concerns around animal welfare and the potential impact on food standards was a recurring theme of the feedback. Restrictions on poultry imports applied by New Zealand due to the impact of Infectious Bursal Disease was also raised as being a potential regulatory barrier which needed to be addressed in the negotiations. Biosecurity Risk Screening Levy and the Import Entry Transaction Fee were other barriers to trade highlighted by business association respondents.

NGOs

Fourteen NGO respondents raised SPS as a priority, with 14 raising concerns. NGO respondents were against imports of food stuffs that fell below the UK or EU standards, hormone treated beef and the use of antibiotics. Representatives of the farming sector shared evidence about the causal factors behind recent outbreaks of Mycoplasma bovis cattle disease. Respondents also called for greater harmonisation between trading partners. The importance of protecting the WTO

precautionary principle was also raised. The Cartagena Protocol on Biosafety (under which the UK and New Zealand share international obligations regarding risk assessments) was raised as being important in addition to maintaining Genetically Modified (GM) food labelling. The UN World Health Organization (WHO) Food and Agriculture Organization (FAO) One Health Antimicrobial Resistance (AMR) strategy was also flagged as being important.

Public Sector Bodies

Two public sector bodies referenced SPS as being a priority in their comments with two raising concerns about SPS. One respondent focused on the potential impact on public health. A local authority was concerned about the impact of a greater volume of imported produce from New Zealand on the farming industry in their county, at a time of transition for the sector.

Competition

Although the terms 'competition' and 'competitiveness' are sometimes used interchangeably, they have distinct technical meanings. Competition policy covers the rules and regulations concerning the way businesses operate within a market and the enforcement of such rules. Competition laws, for example, typically cover anti-competitive agreements between firms, abuse of a dominant position and merger control. Competitiveness refers to the general ability of a firm to operate in a market compared to other firms that operate in the same market, or the strength of a whole industry or economy relative to another.

Overall, most respondent groups focused on the impact of FTAs on competitiveness, not on competition policy or legal regimes. There were detailed comments regarding competition within responses across the stakeholder groups.

Individuals

Twenty-eight individual respondents referenced competition as a priority in their comments. The feedback was focused on the importance of protecting the competitiveness of UK industries. Respondents also called for the protection of current health and safety regulations to ensure that British producers and businesses can compete. Ten individual respondents stated that UK agriculture and farming should be protected, noting agriculture as being a key sector which could be impacted. Four respondents had specific concerns around the import of New Zealand meat, particularly lamb. Some respondents were concerned that liberalising markets might lead to increased international competition, resulting in job losses in certain industries. However, seven respondents were positive about the increase in choice of goods and services that would follow from markets being more opened-up. Twenty-eight individual respondents raised concerns around competition, with 13 comments made on the potential negative impact on the UK agriculture sector.

Businesses

Nineteen business responses prioritised competition in a UK-New Zealand trade agreement. Points made included the opportunity for the UK-New Zealand FTA to become a benchmark agreement in digital, services, and telecommunications sectors by ensuring market competition and greater liberalisation. Two respondents called for UK businesses to be protected from foreign competition, with references to “demolishing corporate monopolies”. Twelve businesses raised

concerns around competition, which focused on perceived unfairness. Respondents were also concerned about the potential negative effects importation of food into the UK would have on the dairy industry and local businesses.

Business Associations

Twenty-eight business associations prioritised competition in their comments. Feedback included suggestions that an FTA might lead to the removal of current import duties, making UK exports more competitive in New Zealand. Some respondents also highlighted the impact for counter-seasonal industries. Respondents recognised that the need to ensure no unfair competition for UK businesses must be appropriately balanced against allowing greater access to more competitively priced goods and services. Several business associations were of the view that allowing greater mobility of skilled workers might attract and retain the right talent to the UK which would ensure that UK businesses and industries would remain competitive. Twenty-four business associations raised concerns on competition, with many comments focusing on the competitiveness of agri-food (specifically relating to the import of lower-standard produce). There was a request for an impact assessment on the UK domestic market to be carried out. A point was made around the opportunity to create better product definitions (eg 'whisky') to ensure consumers are not deceived or misled.

NGOs

Ten NGOs prioritised competition in their comments. For some of these respondents, protection of public healthcare services and the farming industry was of paramount importance. Several respondents also called for competition to be encouraged and protected with increased consumer choice being a potential result. Eleven NGOs raised concerns on competition, with respondents highlighting the potential increased competition for developing countries. Some NGOs also flagged the efforts of UK farmers and fisheries to protect the environment and had reservations about the impact increased competition for the meat, dairy and egg industries might have on this.

Public Sector Bodies

Five public sector bodies prioritised competition in their comments. Opportunities were identified by these respondents, which included the lowering of trade restrictions on services leading to increased competition across and within financial markets, which would result in higher growth and investment. One respondent focused on the need to promote innovation. Three public sector bodies highlighted the potential benefits of competition, including a wider range of choice for consumers, with two stating that encouraging tighter pricing and offering financial incentives could encourage competition further. Six public sector bodies raised concerns about competition, mainly centred around ensuring health and social care provisions are excluded from requirements for fully open competitive tendering or onerous procurement requirements, while adhering to WTO rules on fairness and transparency. Similarly, the impact of increased competition on local markets was viewed as being important with requests for measures to be put in place to protect local businesses, industries and markets. Two respondents focused on the impact on beef and pork industries, with concerns also expressed about the impact on UK agriculture. Other concerns focused on domestic and local industries becoming exposed to unfair competition from countries that have lower standards, laws and rights.

Government (Public) Procurement

There were diverging views across the different respondent groups. While some advocated opening up central and local government procurement markets for foreign bidders, others favoured the UK authorities prioritising local suppliers. Comments relating to public services, including the NHS (which emerged as a very high priority for all respondents) have been discussed in more detail in the services section of this document. To note, the term 'public procurement' was used in the consultation, however, the term 'government procurement' is more commonly used in the international trade context and will be used henceforth.

Individuals

Six individual respondents referenced government procurement as a priority in their comments with feedback centred around protections for public services, including the NHS. Two individuals raised concerns in this area, with the impact on public services flagged. One individual suggested closer co-operation on military procurement.

Businesses

Ten businesses viewed this area as a priority in their comments. Feedback included points around the promotion of high standards in government procurement, with open, fair and transparent rules needed to support the interests of industry, commissioning public authorities and the general public. It was suggested this be combined with simplification of applications and procedures and the use of one portal for all contracts to enable all eligible companies, including SMEs, to bid and compete on a level playing field. One respondent was of the view that SMEs should be actively supported by UK authorities through preferential purchasing policies. Moreover, transparent information should be shared with the public regarding winners of public contracts. Some respondents were of the view that a UK FTA with New Zealand could potentially open-up additional opportunities for UK companies in areas such as in the life sciences and pharmaceuticals sector. They asked for the UK Government to help them navigate through New Zealand's public policy and regulatory frameworks on government procurement. Six businesses raised concerns on government procurement. Comments included national interest considerations restricting access to procurement opportunities, particularly in the defence sector. There were also concerns around limited access to information which might put UK companies (as foreign bidders) in a disadvantaged position.

Business Associations

Eleven business associations viewed government procurement as a priority in their comments, with one raising concerns. There were requests for broad market access coverage of both goods and services in government procurement and a desire for access to central, regional and local government contracts. It was suggested that New Zealand's offer might go beyond the country's commitments under the WTO Government Procurement Agreement (GPA). One respondent thought an FTA could open-up access to New Zealand's procurement market for UK companies, opportunities which are already enjoyed by companies from countries which have an FTA with New Zealand. Some respondents suggested that removing barriers to government procurement could create new business and employment opportunities and facilitate access to medicines for patients worldwide. They also requested a level playing field domestically, given that UK

companies face competition from foreign bidders in our relatively open domestic market but do not have a comparable access to third countries' procurement opportunities.

Feedback was received from specific sectors, eg railways, construction and financial services, where UK companies have interests in New Zealand government procurement opportunities. Many respondents also highlighted a request for transparency and greater access to information about procurement opportunities. One respondent raised a concern about an increase in protectionist policies that sought to reserve local procurement for local companies and/or any derogation from national treatment. Some respondents raised general concerns about protectionism and a lack of public procurement frameworks. A further suggestion advised the UK Government to make more use of Article 58 of the EU Utilities Directive and restrict market access for bids with more than 50 per cent of content originating in a third country, where the UK has no FTA.

NGOs

Nine NGO respondents prioritised government procurement in their comments. Many respondents considered it important to have clauses in the agreement enabling the UK Government and other public authorities to prioritise purchases from local suppliers (eg food industry) to support local economic development, pursue social and environmental objectives, and support ethical procurement. In this context, six NGO respondents expressed concerns about government procurement issues. One respondent was of the view that the UK should be advocating opening up of government procurement contracts between the UK and New Zealand, on a non-discriminatory basis and equal (national) treatment of financial services, legal and consultancy companies.

Public Sector Bodies

Two public sector body respondents prioritised government procurement in their comments, with two raising concerns. Echoing feedback from other respondent groups, they suggested excluding public services as far as possible from requirements for competitive tendering or onerous procurement requirements, while adhering to WTO rules on fairness and transparency. This concern was also raised by other respondent groups.

Intellectual Property (IP)

Overall, most respondents highlighted the need to protect UK standards on IP protection. Other common issues raised included mutual recognition of IP rights, copyright protection and access to medicine. Relevant comments on GIs, copyright, safe harbours and algorithms were also raised in the consultation section on RoO and digital respectively but have been considered in this section.

Individuals

Four individual respondents prioritised IP, with comments focused on the need to protect and maintain GIs. Respondents also called for the protection of copyright, trade marks and patents. One respondent stated that illegal and counterfeit goods should be properly dealt with, in any potential trade deal with New Zealand. No individuals raised any specific concerns in their comments relating to IP.

Businesses

Twenty-one businesses prioritised IP protection in their comments and six businesses raised concerns. Feedback focused on protecting copyright, patents and trade marks. One respondent commented on the opportunity for the UK to negotiate IP provisions in FTAs beyond the minimum levels of IP protection found in the WTO's Trade-Related Aspects of Intellectual Property (TRIPS) agreement. Businesses also highlighted the importance of effective dispute and enforcement mechanisms against IP infringement. Rules on patent term extension was another issue raised by some businesses. Business respondents also commented on the need to protect UK GIs and local brands.

Business Associations

Thirty-seven business associations prioritised IP, with most focusing on the need to maintain the UK's IP regime and calling for the promotion of high IP standards. Other issues raised on IP included: protecting GIs, exploring how SMEs can access support from IP offices, the transparency of IP registration processes and for increasing the length of copyright protection after a creator's death to 70 years. Seventeen business associations raised concerns about IP, with respondents concerned about enforcing against counterfeit goods and pirated content entering the UK market. Several associations also warned against implementing limitations to liability for online platforms that host IP infringing content. Businesses also had concerns relating to the consequence of safe harbours.

NGOs

Ten NGO respondents referred to IP in their response as a priority, with seven raising concerns. Six NGOs advocated that copyright, patents and trade marks should be protected in a trade agreement with New Zealand. Two further comments stated that copyright terms of 70-years after the death of an author or creator should be maintained or extended. Several NGOs also highlighted the importance of Artists' Resale Rights.

Public Sector Bodies

Four public sector bodies referenced IP as a priority in their comments while two raised concerns. Comments included: safeguarding and promoting patient access to medicines, protection from unfair competition in relation to low IP rights, and for mutual respect to IP ownership. One respondent commented on the need to protect GIs in any trade agreement with New Zealand.

Investment

Overall, many respondents saw an opportunity in the future trade agreement to boost investment and indicated specific sectors where this could be beneficial for the UK. However, it was important for many respondents across all groups of respondents to protect public services, including the NHS. However, in a typical FTA, public services are contained within the services chapter and therefore we have considered relevant comments in the services section of this document. Some respondents expressed support for investment protection provisions and including ISDS, as they were of the view that it could provide reassurance for investors, as well as facilitate investment. Many other respondents had reservations about the inclusion of an ISDS mechanism in a future FTA. These respondents were concerned that an ISDS mechanism could restrict the

Government's right to regulate in the public interest, discriminate domestic investors compared to foreign ones, and impose high costs of proceedings. Relevant comments on ISDS that were raised in the consultation section on trade remedies and dispute settlement have been considered in this section.

Individuals

Six individual respondents prioritised investment in their comments, and one raised concerns. Three respondents were of the view that an FTA with New Zealand could encourage investment, eg in financial services. Respondents expressed concerns around the ISDS mechanism, as they were of the view that it may restrict the right of Government to regulate in public interest and, if ISDS is included, it should guarantee transparency of proceedings and public security. There were also views that an investment chapter should guarantee a balance in the protection of interests of all parties.

Businesses

Eleven business respondents prioritised investment in their comments. Six businesses raised investment as a concern, with comments including the impact of foreign investment and potential unfairness surrounding access to investment information for UK businesses. Respondents were of the view that an FTA with strong investment provisions could facilitate investment, particularly in manufacturing. Respondents asked for investment rules to be transparent, stable and predictable to ensure fair treatment of investors. Some business respondents were supportive of investment protection provisions being included in a future FTA, as they were of the view that they could play a role in facilitating future investment. Other respondents expected the remaining barriers to investment, such as requirements related to local content, to be removed and equal (national) treatment of investors ensured. Some respondents called on the Government to provide information and advice to UK companies (eg about the partner countries' economic and regulatory environment, including taxation) to facilitate their investment decisions. In their view, lack of or restricted access to important information may lead to mistaken investment decisions or increase investment-related risk. One respondent flagged that ISDS mechanisms are costly and inaccessible for small businesses. However, larger businesses tended to be in support of including ISDS.

Business Associations

Thirteen business associations prioritised investment in their comments. Eleven business associations raised concerns on investment, with three comments focusing on the impacts of foreign investment. Points made included requests for transparent and stable investment rules, fair treatment of investors and removal of the remaining barriers to investment. It was also suggested that investors should be allowed to transfer their investment-related capital between the UK and New Zealand. Several respondents recognised the opportunity in an FTA to boost investment, for example, in construction and publishing. Other respondents warned that opening the UK market for investment should not be at the expense of domestic business and income. There was generally a positive response to the inclusion of a dispute settlement mechanism from business associations, with one respondent noting that investor protection and access to formal ISDS mechanisms is important. They, and other respondents were of the view that the Government should focus on resolving disputes quickly and fairly, while ensuring that it does not restrict the Government's right

to regulate in public interest. Some respondents were concerned that ISDS mechanisms are costly and inaccessible for small businesses.

NGOs

Eight NGO respondents commented on investment as a priority in their comments and six as a concern. Many respondents referred to a need to preserve the right of the Government to regulate in the public interest (eg regarding working conditions, environmental and food standards, public health and healthcare services) and expressed a concern that ISDS could undermine it. In their view, ISDS should be excluded from an FTA. Several respondents were of the view ISDS might also introduce discrimination of domestic investors as compared to foreign ones and would not increase investment flows. In addition, some respondents thought that its inclusion results in high arbitration costs for the Government to cover, irrespective of the ruling. Respondents viewed UK and New Zealand investors as having access to fair and impartial domestic legal systems to protect their rights, emphasising that there should be no so-called 'kangaroo courts'. It was also perceived by some respondents that New Zealand is critical of ISDS mechanisms. In this context, respondents suggested alternative methods of dispute settlement or protecting investor's rights, for example, mediation, insurance against potential political risks, state-to-state dispute settlement or WTO mechanisms. Some respondents stressed investment policy should be consistent with the country's commitments on business and human rights and an investment chapter should follow the latest international practice, for example, provisions on responsible business conduct and its inclusion into an FTA should be preceded by a broad public debate. Some respondents stated that an FTA may encourage investment, for example, in research and development (R&D).

Public Sector Bodies

Four public sector body respondents referenced investment as being a priority in their comments. Comments included Foreign Direct Investment (FDI) playing a role in creating new jobs and the need to encourage the sharing of technology and innovation between companies. It was also suggested that anti-competitive behaviours should be identified and addressed. Two public sector body respondents raised investment as a concern, with comments on not including ISDS provisions into an FTA between two developed countries with robust legal systems, as investors may turn to national tribunals if they consider their rights have been violated, and ISDS could undermine the Government's ability to regulate in the public interest. Respondents noted that if investment protection is included in an FTA, the system should be transparent and balance interest of investors and public.

Labour and Environment

Overall, respondents from all respondent groups called for the Government to maintain the UK's high labour and environmental standards. Many respondents identified the opportunity of increasing the movement of workers between New Zealand and the UK but emphasised that labour laws need to be protected. Particular concerns were raised on the environment and climate change, where many respondents were concerned that increased trade with New Zealand could lead to increased emissions. Many comments were also raised by respondents in this section on MRPQs, mobility and the visa system. However, in an FTA these are contained within the services chapter so relevant comments have been raised there. Respondents also raised comments on human rights, public health, quality of life and impact assessments in this section. As these are

social aspects of an FTA, relevant comments have been raised in the other issues section of this document. In this section, respondents also commented on standards beyond labour and the environment. These comments have been addressed in the standards section of this document.

Individuals

Sixty-two individual respondents prioritised labour and environment in their comments with the majority of responses focusing on labour issues. Two respondents asked for labour rights to be improved as a result of a trade agreement with New Zealand. Two respondents were concerned that pay and wages might be impacted. Thirty-nine individuals raised concerns on labour and the environment. Fifteen respondents commented on the geographical distance between New Zealand and the UK, with increased trade potentially resulting in increased carbon emissions. Thirteen respondents asked for current environmental standards to be maintained or improved, including specific calls for climate change objectives to be respected and for transportation emissions to be maintained or lowered.

Businesses

Sixteen businesses prioritised labour and environment in their comments, with five raising concerns. One business respondent stated that a future FTA with New Zealand should include a social and environmental chapter (or a sustainable development chapter) with an effective enforcement mechanism and provisions committing the trading parties to uphold high levels of consumer, labour, environment and animal protection. Six comments by business respondents called for the maintenance of environmental standards, with three respondents noting their concerns over the impact a trade agreement could have on the environment. One respondent recognised that an FTA with New Zealand might bring about opportunities to contribute to the UN's Sustainable Development Goals.

Business Associations

Twenty-nine business associations viewed labour and environmental issues as a priority, with the need to maintain current standards a recurring theme across the feedback. Some business associations from the agriculture sector were positive about the opportunities to co-operate with counterparts from New Zealand in addressing global issues. Fourteen business associations raised concerns around labour and the environment. In particular, several respondents raised environmental concerns on the potential impact on conservation and biodiversity. Concerns around workers' rights and barriers to free movement for workers were also raised as being important. Respondents asked for a robust 'level playing field' inclusive of labour rights and environmental standards within a trade agreement.

NGOs

Twenty-three NGO respondents prioritised labour and environmental aspects of a trade agreement with NZ in their comments. Seven NGO respondents focused on the need for environmental standards to be maintained or improved. Seventeen NGO respondents commented on labour aspects with the need to protect labour rights a point repeatedly made. It was suggested the Government engage with trade unions and employers on this. The potential impacts for the lamb and sheep farming industry were singled out in the comments. Fourteen NGO respondents viewed labour and environmental issues as being a concern with the focus on environmental issues

including climate change, global warming and sustainability. One NGO also recommended for environmental provisions to be enforceable through adequate procedures including through citizen and civil society mechanisms.

Public Sector Bodies

Five public sector bodies viewed labour and environmental aspects of a UK and New Zealand trade agreement as a priority. Feedback was consistent with comments from NGOs. Four public sector bodies raised concerns on labour and the environment, which included concerns around emissions potentially increasing and the negative environmental impacts from this. Several respondents asked for assurances that any future trade agreement would not undermine their key industries by exposing UK producers to unfair competition from producers in countries that have lower food quality standards and regulations, labour laws and environmental standards. One respondent was concerned about a trade agreement having a negative impact on worker pay and conditions due to competitive pressures.

Trade Remedies and Dispute Settlement

Overall, respondents commented on state-to-state dispute settlement mechanisms and on including trade remedies in any UK-New Zealand FTA. Comments were also raised by respondents in this section on ISDS mechanisms. However, in an FTA, ISDS is contained within the Investment chapter and therefore we have considered these comments in that section of this chapter. During the consultation, trade remedies and dispute settlement were considered within the same section, however these are different policy areas contained within different chapters of an FTA. Given we have received distinct comments relating to these issues the analysis has been split according to the issues below.

Seven individuals noted trade remedies and dispute settlement as a priority, and two individuals raised concerns in these areas. Sixteen businesses raised trade remedies and dispute settlement as a priority in an FTA with New Zealand and six businesses raised these areas as a concern. There were 19 business associations which raised comments on trade remedies and dispute settlement as a priority, while ten business associations raised concerns in these areas. Eleven NGOs raised comments on trade remedies and dispute settlement as a priority while ten NGOs indicated they had concerns in these areas. One public sector body raised comments on trade remedies and dispute settlement as a priority, while one public sector body raised these areas as a concern.

The numbers above reflect those who have highlighted trade remedies and dispute settlement as a priority or concern. The detailed analysis below focuses on the specific comments received relating to either trade remedies or dispute settlement.

Trade Remedies

Individuals

On trade remedies, individuals voiced support for trade liberalisation, but were concerned by the possible negative impacts of opening our borders to New Zealand, including specific concerns

about harm to domestic industry from increased liberalisation and competition from New Zealand business. One respondent expressed specific concern over lamb, butter, and wool imports.

Businesses

One business association noted in their response that trade remedies were one of their top priorities. The responses were positive about their inclusion and were broadly in agreement that trade remedies should be an essential component of any FTA, with provisions equivalent to those set out in EU FTAs.

Business Associations

There were around 12 business associations which referenced or touched upon trade remedies in their responses. Several respondents expressed a preference that the trade remedies chapter should reaffirm parties' obligations to WTO rules on anti-dumping, countervailing and safeguards, and two other respondents specifically expressed a request for anti-dumping and countervailing provisions. Some respondents called for provisions committing our negotiating partner countries to apply the Lesser Duty Rule and an economic interest test in calculating anti-dumping and countervailing duties. The same respondents also expressed a need to include bilateral safeguard provisions which (a) facilitate consultation between the parties before the imposition of a measure, (b) require compensation to be provided to the exporting party, or enable the exporting party to suspend equivalent concessions, and (c) provide recourse to the FTA's dispute settlement mechanism. There was an emphasis on the importance of transparency provisions in a UK-New Zealand trade remedies chapter, such as notification requirements and information-sharing. Opinion was divided on whether WTO trade remedies provisions affirmed in the FTA should be included in the FTA's dispute settlement mechanism or excluded (in which case WTO dispute settlement mechanism would be the only recourse). Two respondents stated that any requests to agree not to use trade remedies against imports from New Zealand should be rejected.

NGOs

Three NGOs provided views on trade remedies, largely expressing concerns about the need to maintain standards given the increased competition in goods that an FTA would lead to. The impact of trade liberalisation on the domestic sheep and lamb industry was of particular interest. One respondent sought protections for domestic industry, with detailed data provided on the disparity in production, exports, and demand between the UK and New Zealand. They noted that, should the UK not be able to impose trade remedies, the lack of protection for the sheep industry could have wider economic, environmental, and social impacts.

Public Sector Bodies

One public sector body provided content relevant to trade remedies, expressing concern regarding an increase in imports of bovine, porcine and ovine meats as a potential impact of a UK-New Zealand FTA, which could lead to a decrease in UK production. They indicated that they may seek to request protection for domestic industry, with a preference for tariff-rate quotas.

Dispute Settlement

Individuals

One individual made a specific comment on state-to-state dispute settlement; they were concerned that any new procedures might limit the choices future UK Parliaments want to make with regards to dispute settlement.

Businesses

Thirteen businesses commented on state-to-state dispute settlement: they were overall supportive for the inclusion of dispute settlement mechanisms in a UK-New Zealand FTA and expressed their desire for a mechanism to be similar to the WTO's dispute settlement mechanism. Businesses also highlighted that they would like to see a fair, simple and transparent dispute settlement mechanism, which could respond to harmful trade practices. One of the issues raised by businesses was the length of time it takes to resolve a dispute, so they would like to see a system which can resolve disputes quickly. One business proposed the inclusion of mediation within the dispute settlement mechanism. Transparency was a strong theme that businesses highlighted; they would like to see a level playing field and having a transparent process in place would enable this.

Business Associations

Most business associations were supportive of the inclusion of a dispute mechanism, one association highlighted that it could help build greater trust between parties with its inclusion. Business associations would like to see a dispute mechanism which resolves disputes quickly and that the system is fair for all parties involved. Some business associations specifically requested the ability for the dispute mechanism to include the ability for referral of a dispute to the WTO. One business association focused on the risks of the UK moving away from the current system for resolving disputes.

NGOs

The majority of NGO responses related to ISDS and not state-to-state dispute settlement. As mentioned above, ISDS-related comments have been addressed in the Investment section of this report. Other feedback argued establishing a mechanism for civil society participation and the disputes mechanisms should go further than state-to-state resolution on environmental matters.

Public Sector Bodies

There was one public sector body who commented on state-to-state dispute settlement and highlighted the importance of an effective dispute resolution mechanism, particularly in deep trade deals.

Small- and Medium-sized Enterprise (SME) Policy

Overall, respondents generally recognised that SMEs have specific needs that need to be considered. Business associations gave the most detailed responses, including suggestions to include the cost of new administrative procedures and support for SMEs to take advantage of any FTA. Other points raised included lowering tariffs and the impact of additional agricultural quotas.

Individuals

Four individual respondents prioritised SME policy in a UK-New Zealand FTA, with respondents highlighting the potential opportunities for UK SMEs from greater market access if a UK-New Zealand FTA was agreed. Some individual respondents highlighted the negative impact that leaving the EU might have on UK SMEs, with comments emphasising the additional support that SMEs might need to take advantage of the opportunities from an FTA with New Zealand. Two individuals raised concerns about SME policy, including comments on potential restricted access to markets for SMEs.

Businesses

Twelve businesses viewed SME policy as a priority in their comments. Most business respondents viewed tariff reductions and a mutual recognition of rules as a beneficial result of an FTA with New Zealand. However, there were concerns from six businesses, in particular about a lack of support for SMEs and the administrative burden placed on SMEs when importing from and exporting to New Zealand.

Business Associations

Nineteen business associations prioritised SME policy in their comments. The majority of business associations recognised the potential benefits, but three respondents suggested that SMEs would need additional support to take full advantage of an FTA with New Zealand. Suggestions for support included providing market information, access to professional advice, allowances for non-tariff barriers which disproportionately impact SMEs and a simplification of administrative processes and the red tape involved in an FTA. Ten business associations raised concerns about SME policy, particularly around the lack of support for SMEs.

NGOs

No NGOs raised SME policy as a priority in their comments. Two NGOs raised specific concerns, such as the potential impact of UK unilateral implementation of grace periods on SMEs and the negative impacts on agriculture and farming.

Public Sector Bodies

One public sector body prioritised SME policy in their comments. They were concerned about the impact of increased competition on local business. One respondent called for SMEs to have appropriate resources and funding. No public sector bodies raised concerns on SME policy.

Other policy issues raised by respondents

Respondents made many other points that were outside the scope of the trade policy areas provided. Recurring comments included: an emphasis on a FEP with the EU above others; the gravity model of trade, cultural and historical ties with trade partners, transparency, parliamentary scrutiny and animal welfare. Other comments raised less frequently were gender equality, immigration and the UK's withdrawal from the EU. Relevant comments on human rights, public health, quality of life and impact assessments that were raised in the consultation section on labour and environment have been considered in this section.

Individuals

One hundred individuals raised comments on other priorities, such as the need to retain close links with the EU over and above New Zealand. Comments were made by respondents who were concerned by the geographical distance between the UK and New Zealand especially for the transportation of agricultural products, with seven respondents noting that as a result, there should be an encouragement to buy local goods and produce. Five individuals noted that increasing the volume of trade between the UK and New Zealand should be a priority in an FTA with New Zealand. Eleven respondents also raised concerns that that UK is too small to negotiate an FTA on its own, with four individuals concerned that the pressure to secure an FTA with New Zealand would result in a trade agreement which would not be in the best interests of the UK. The size of New Zealand was also raised a concern by respondents as they were of the view that due to its small size, New Zealand would be an insignificant trading partner. Several individuals advocated that regulatory standards for civil liberties should not be lowered. Five individuals also commented that the wellbeing and health of individuals should be improved or maintained as a result of a trade agreement and should not be compromised. Ensuring that human and civil rights are maintained was also mentioned by two respondents along with immigration law also being raised as a concern. Other individuals also raised concerns on animal welfare.

Businesses

Twenty-two businesses raised comments on other priorities. Many business respondents referred to the importance of a FEP with the EU with some concerned about the costs of exporting to New Zealand, in part due to the geographical distance. Some businesses also highlighted that the common language and historical ties between the UK and New Zealand could help to facilitate an FTA. One respondent raised a concern over the small size of the New Zealand economy. There was a call for a focus on anti-corruption, bribery and fraud in any trade agreement. Businesses also called for a trade agreement to be fair and unbiased. Two respondents stated that negotiations must involve professional bodies, experts and businesses. Respondents also raised concerns over the impact of a UK-New Zealand FTA on UK public health policy. One business focused on the need for collaborative answers to global challenges such as Ebola, Zika and other pandemics.

Business Associations

Fifty business associations raised comments on other priorities, with many focusing on the significance of the EU as a trading partner and expressing concerns around the impact of a UK-New Zealand FTA on UK trade with the EU. Four business associations also noted the importance of negotiations being open and transparent. Several comments were made on the negative impact that a UK-New Zealand FTA might potentially have on UK agriculture. Other concerns included the UK making too many concessions, the negative impact a trade deal would have on UK businesses and industries and a concern expressed around leaving the single market.

NGOs

Twenty-eight NGOs responded with other priorities, with several raising transparency and parliamentary scrutiny as being paramount in potential FTA negotiations with New Zealand. There were calls for a greater release of information as negotiations progressed. Six NGOs focused on social aspects including quality of life, health and wellbeing as well as on human rights protections

(four comments). Four respondents raised concerns over the length of time that negotiating an FTA with New Zealand may take. Some NGO respondents expressed concerns about the eroding of preferential access for developing countries into the UK market, due to tariff liberalisation between the UK and New Zealand. Four NGOs commented that there should be a focus on sustainable development.

There was also a recognition that provisions across FTAs (including for example labour standards, IP, and procurement and regulation of public services) can have positive social impacts, including on gender equality. Respondents noted that women are often at a financial disadvantage in the labour market, with four raising concerns about trade liberalisation increasing the gender wage gap. A call was made for a UK FTA with New Zealand to protect and promote strong labour rights, as well as uphold international commitments on gender equality and other human rights. Some NGO respondents asked for the monitoring of gendered impacts over time, and for impact assessments to be conducted which cover issues including gender equality, human rights, labour rights, environment and the economic impacts of trade agreements in the UK and third countries.

Public Sector Bodies

Eight public sector bodies made comments on other priorities, with some stating that any trade agreement should not compromise existing trade agreements with the EU and other trading partners. Single comments were also made highlighting concerns around the geographical distance of New Zealand, lack of transparency in negotiations, and the potential for concessions to be needed to achieve an FTA with New Zealand.

Summary of campaign responses

One campaign group, *38 Degrees* encouraged their members to submit a response to the consultation.

38 Degrees <i>Submission to DIT's consultation on future trade deals</i>
<p>145,905 members submitted a response to the consultation. Of these, 52,396 respondents included specific individual comments in addition to the campaign's proposed template response.</p> <p>The template response called for the protection of the NHS in future trade agreements, expressing concerns about allowing companies from other countries to deliver NHS (healthcare) services, and undermining the principles of the NHS, removing caps on how much money companies could charge to deliver NHS services and on the potential increase in the price of medicines. The template response asked for laws to be introduced to protect the NHS in future UK trade agreements.</p>
38 Degrees <i>Additional comments</i>
<ul style="list-style-type: none">• Most additional comments made by 40,565 individuals commented on the need to protect the NHS. Respondents commented that the NHS should remain free at the point of use.• 683 comments were raised with regards to EU-Exit, with some stating their desire to stay in the EU and 90 comments were raised regarding a second referendum.

We also received one petition on the consultation:

- 'Don't put our NHS up for Negotiation' – 38 Degrees - 229,699 signatures. This echoed the issues raised above, calling for the "NHS is kept out of any future trade deals after Brexit".

DIT recognises that respondents who elected to reply via a campaign hold strong views and opinions on the issues highlighted in those campaigns. For this reason, DIT has already made the following commitments:

- The Government will not compromise the high quality of British food or agricultural standards in any UK-New Zealand free trading relationship. We are committed to maintaining high standards on animal welfare and food safety after the UK leaves the EU.
- The NHS will never be privatised, and any future trade agreements will not change that.

- The Government will continue to ensure that decisions about public services, including the NHS, are made by the UK Governments, including the devolved administrations, and not our trading partners. Protecting the UK's right to regulate public services is of the utmost importance. The UK's public services are protected by specific exemptions and reservations in EU trade agreements and, as we leave the EU, the UK will continue to ensure that the same rigorous protections are included in trade agreements to which it is party.
- The Government will ensure that Parliament can inform the Government's approach to negotiations and scrutinise new trade agreements.
- The Government will develop an inclusive and transparent future trade policy for the UK.

There were other issues raised by respondents, which were discussed in the Government's White Paper *Preparing for our future UK trade policy*. For instance, the Government's commitment to supporting developing countries to reduce poverty through trade, including through enhancing market access, tackling barriers to trade and promoting investment to allow better uptake of trading agreements was detailed in this White Paper. In other areas flagged by respondents as a concern, the Government is already undertaking work to address many of the issues identified. For example, the Government is focused on promoting gender equality through trade, with activities planned to support these efforts.

Next Steps

The Government is carefully considering the points raised from the public consultations as it develops a new independent trade policy for the UK.

We recognise the importance of developing a trade policy that commands broad public support, with policy objectives that can be met while mitigating the concerns raised by respondents and maximising the benefits felt across UK society and its regions.

The public consultations attracted significant public interest. DIT was grateful to those who took the time to submit responses and attend events. We recognise the strength of feelings on some of the topics raised. The purpose and use of the response feedback gathered from this consultation will be to inform our overall approach to negotiating a potential new trade agreement with New Zealand. Decisions that are made as a result of this consultation will therefore be published alongside our negotiating objectives before potential negotiations begin. The Government also intends to keep views expressed by respondents in mind for future development and review of trade policy.

DIT worked closely with other government departments during the consultation period and subsequently to analyse the consultation feedback. Prior to entering into any formal negotiations with New Zealand as part of a follow-up Government Response, the Government will publish its conclusions from this consultation. The Government has also made clear that an Outline Approach, setting out the UK's high-level negotiating objectives, will also be published before negotiations commence.

In preparation for the start of any potential negotiations, DIT is undertaking a programme of work helping to shape the UK's overall approach to negotiations; considering what organisational mechanisms and structures are needed to facilitate trade negotiations and engage effectively with stakeholders throughout. Suggestions made by respondents in this consultation and issues raised will be considered as part of this work.

We will explore ways in which we can build upon the consultation engagement activity. Plans are already in place to work with a range of experts and practitioners to help shape our future trade policy and realise opportunities across the UK. The membership of the Strategic Trade Advisory Group representing a cross section of interests and expertise from civil society, businesses, workers, consumers and academics was announced on 3 April and held its first meeting on 6 June. The group provides a forum for high-level strategic discussions on trade policy matters. The Minister for Trade Policy, George Hollingbery MP, has also announced the first wave of Expert Trade Advisory Groups that will be used to ensure that detailed expert knowledge is available on specific sector and thematic areas to contribute to our policy development at a technical level. The structure and membership of these stakeholder groups will evolve over time according to the needs of the UK's trade negotiations.

We will continue to engage and take into account views from devolved governments, business, civil society groups and consumers to ensure we build a trade policy that works for the whole of the UK.

We recognise there is strong public interest around issues raised in this consultation. The Government will continue to engage with stakeholders in order to understand their concerns and to help develop UK trade policy. The Government will continue to promote the benefits of free trade and to raise public awareness on trade and inform consumers and businesses about the opportunities that reducing barriers to trade can bring, alongside the broader economic and social welfare gains.

Annex A: Consultation Questions

Provided below are the questions that were asked via the online portal on Citizen Space to the consultation on a trade deal with New Zealand.

Questions 1-5 were asked to all five respondent groups (Individuals, NGOs, Business, Business Associations and Public Sector Bodies). Different questions were then asked to each respondent group based on their answer to question 5, who they were responding as.

The answers to each question were either provided by a tick box or a free text box. A combination of a tick box and free text box was also used on multiple questions. These options have not been displayed below. Only the questions asked is provided.

An overview and a privacy and confidentiality section were also provided before the survey.

1. Do you consent for the voluntary information you provide in this consultation to be used as part of the Government's published consultation response?
2. Do you consent for the Department for International Trade, or organisation working on their behalf, to contact you regarding the responses you have given?

Who are you responding as?

3. What is your name (first name and surname)?
4. What is your email address?
5. Please tell us who you are responding as?
 - o An Individual/Non-Governmental Organisation/Business/Business Association/
Public Sector Body

Individual

Individual – about you.

1. Where do you currently live (your main address)?
2. What was your age at your last birthday?
3. What is your gender?
4. To which of these ethnic groups do you consider you belong?
5. Are you a member, supporter or donor of an organisation with an interest in trade?
6. If you are a member, supporter or donor of an organisation with an interest in trade, has that organisation contacted you about UK trade talks or a possible free trade agreement with New Zealand?

Individual – The UK's future trade relationship with New Zealand – priorities.

7. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with New Zealand, and why?
8. Which of the areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Individual – The UK's future trade relationship with New Zealand – concerns.

9. What concerns, if any, do you have about a free trade agreement (or related trade talks) with New Zealand, and why?
10. Which of the areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Individual – The UK's future trade relationship with New Zealand – other comments.

11. Is there anything else that you would want to say about the UK's future trade relationship with New Zealand?

Non-Governmental Organisations (NGOs)

Non-Governmental Organisations (NGOs) – about you,

6. What is the name of the organisation (eg trade union, interest group, charity or academic institution) you are responding on behalf of?
7. Which area does your organisation represent?
8. How many members does your organisation represent in total?
9. Does your organisation have a presence in, or operate in, New Zealand?

NGOs – Questions about the UK's future trade relationship with New Zealand.

10. Have any of your members been in contact with your organisation about the prospect of a free trade agreement (or related trade talks) with New Zealand?

NGOs – The UK's future trade relationship with New Zealand – priorities.

11. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with New Zealand, and why?
12. Which of the areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

NGOs – The UK's future trade relationship with New Zealand – concerns.

13. What concerns, if any, does your organisation have about a free trade agreement (or related trade talks) with New Zealand, and why?
14. Which of the areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

NGOs – The UK's future trade relationship with New Zealand – other comments.

15. Is there anything else that you would want to say about the UK's future trade relationship with New Zealand?

Businesses

Businesses – about you.

6. What is the name of your business?
7. What is your Company Number with Companies House?
8. Is your business a subsidiary of a company whose headquarters are based outside the UK?
9. If your business is a subsidiary of a company whose headquarters are based outside the UK, in which country is your parent company's headquarters?
10. Approximately how many employees are currently on your business's payroll in the UK across all sites?
11. Does your business currently employ people in New Zealand?
12. In what sector does your business predominantly operate in?

Businesses – Exporting, Importing and Investment.

13. Which of the following has your business done or tried to do outside the EU in the last 12 months?
14. Which of the following has your business done or tried to do in New Zealand in the last 12 months?
15. If you said you did not try to export to, import from or invest in countries outside the EU, or specifically to New Zealand, is this something that you would like to do in the future?
16. If you said you have (or attempted to) export to, import from, or invest in countries outside the EU, including New Zealand, did you get assistance from the UK Government in any form?
17. What existing Government or business association-led initiatives, if any, support you in doing business with New Zealand?

Businesses – The UK's future trade relationship with New Zealand – priorities.

18. What would you/your business want the UK Government to achieve through a free trade agreement (or related talks) with New Zealand? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.
 - Tariffs – What would you want the Government to achieve in this area?
 - Rules of Origin – What would you want the Government to achieve in this area?
 - Custom Procedures – What would you want the Government to achieve in this area?
 - Product Standards, Regulation and Certification Information – What would you want the Government to achieve in this area?
 - Sanitary and Phytosanitary Measures – What would you want the Government to achieve in this area?
 - Services Trade – What would you want the Government to achieve in this area?
 - Digital – What would you want the Government to achieve in this area?
 - Competition – What would you want the Government to achieve in this area?
 - Public Procurement – What would you want the Government to achieve in this area?

- Intellectual Property – What would you want the Government to achieve in this area?
 - Investment – What would you want the Government to achieve in this area?
 - Social, Labour and Environment – What would you want the Government to achieve in this area?
 - Trade Remedies and Dispute Settlement -- What would you want the Government to achieve in this area?
 - Small- and Medium-sized Enterprises (SME) Policy – What would you want the Government to achieve in this area?
 - Other - What would you want the Government to achieve in this area?
19. Which of these areas is your top priority? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Businesses – The UK's future trade relationship with New Zealand – concerns.

20. What would be your concerns about a free trade agreement (or related talks) with New Zealand be? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.

- Tariffs – What would your business's concerns be, if any, in this area?
- Rules of Origin – What would your business's concerns be, if any, in this area?
- Custom Procedures – What would your business's concerns be, if any, in this area?
- Product Standards, Regulation and Certification Information – What would your business's concerns be, if any, in this area?
- Sanitary and Phytosanitary Measures – What would your business's concerns be, if any, in this area?
- Services Trade – What would your business's concerns be, if any, in this area?
- Digital – What would your business's concerns be, if any, in this area?
- Competition – What would your business's concerns be, if any, in this area?
- Public Procurement – What would your business's concerns be, if any, in this area?
- Intellectual Property – What would your business's concerns be, if any, in this area?
- Investment – What would your business's concerns be, if any, in this area?
- Social, Labour and Environment – What would your business's concerns be, if any, in this area?
- Trade Remedies and Dispute Settlement – What would your business's concerns be, if any, in this area?
- Small- and Medium-sized Enterprises (SME) Policy – What would your business's concerns be, if any, in this area?
- Other - What would your business's concerns be, if any, in this area?

21. Which of these areas is your top concern? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one)

Businesses – The UK's future trade relationship with New Zealand – other comments.

22. Is there anything else that you would want to say about the UK's future trade relationship with New Zealand?

Business Association

Business Association – about you.

6. What is the name of the trade association or businesses representative organisation that you are responding on behalf of?
7. What business area does your organisation represent?
8. How many businesses does your group represent in total?
9. Do you have a presence in, or operate in, New Zealand?

Business Association – Exporting, Importing and Investment.

10. Approximately what proportion of your members export to / invest in New Zealand?
11. Approximately what proportion of your members have indicated they would like to do more exporting to / investment in New Zealand?
12. Approximately what proportion of your members import from / have investment from New Zealand?
13. Approximately what proportion of your members have indicated they would like to do more importing from / seek investment from New Zealand?
14. What existing UK Government or regional / business group-led initiatives, if any, have your members said support them in doing business with New Zealand?

Business Association – Questions about the UK's future trade relationship with New Zealand.

15. Have your members been in contact with your organisation about the prospect of a free trade agreement (or related trade talks) with New Zealand?

Business Association – The UK's future trade relationship with New Zealand – priorities.

16. What would your organisation want the UK Government to achieve through a free trade agreement (or related talks) with New Zealand? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.
 - Tariffs – What would you want the Government to achieve in this area?
 - Rules of Origin – What would you want the Government to achieve in this area?
 - Custom Procedures – What would you want the Government to achieve in this area?
 - Product Standards, Regulation and Certification Information – What would you want the Government to achieve in this area?
 - Sanitary and Phytosanitary Measures – What would you want the Government to achieve in this area?
 - Services Trade – What would you want the Government to achieve in this area?
 - Digital – What would you want the Government to achieve in this area?
 - Competition – What would you want the Government to achieve in this area?
 - Public Procurement – What would you want the Government to achieve in this area?

- Intellectual Property – What would you want the Government to achieve in this area?
 - Investment – What would you want the Government to achieve in this area?
 - Social, Labour and Environment – What would you want the Government to achieve in this area?
 - Trade Remedies and Dispute Settlement – What would you want the Government to achieve in this area?
 - Small- and Medium-sized Enterprises (SME) Policy – What would you want the Government to achieve in this area?
 - Other - What would you want the Government to achieve in this area?
17. Which of these areas is your top priority? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Business Association – The UK's future trade relationship with New Zealand – concerns.

18. What would your organisation's concerns about a free trade agreement (or related talks) with New Zealand be? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.
- Tariffs – What would your organisation's concerns be, if any, in this area?
 - Rules of Origin – What would your organisation's concerns be, if any, in this area?
 - Custom Procedures – What would your organisation's concerns be, if any, in this area?
 - Product Standards, Regulation and Certification Information – What would your organisation's concerns be, if any, in this area?
 - Sanitary and Phytosanitary Measures – What would your organisation's concerns be, if any, in this area?
 - Services Trade – What would your organisation's concerns be, if any, in this area?
 - Digital – What would your organisation's concerns be, if any, in this area?
 - Competition – What would your organisation's concerns be, if any, in this area?
 - Public Procurement – What would your organisation's concerns be, if any, in this area?
 - Intellectual Property – What would your organisation's concerns be, if any, in this area?
 - Investment – What would your organisation's concerns be, if any, in this area?
 - Social, Labour and Environment – What would your organisation's concerns be, if any, in this area?
 - Trade Remedies and Dispute Settlement – What would your organisation's concerns be, if any, in this area?
 - Small- and Medium-sized Enterprises (SME) Policy – What would your organisation's concerns be, if any, in this area?
 - Other - What would your organisation's concerns be, if any, in this area?
19. Which of these areas is your top concern? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Business Association – The UK's future trade relationship with New Zealand – other comments.

20. Is there anything else that your organisation would want to say about the UK's future trade relationship with New Zealand?

Public Sector Bodies

Public Sector Bodies – about you.

6. What is the name of the public sector body you are responding on behalf of?
7. What area does your public sector body represent?
8. Does your public sector body have a presence in, or operate in, New Zealand?

Public Sector Bodies – Questions about the UK's future trade relationship with New Zealand.

9. Have any of your members been in contact with your public sector body about the prospect of a free trade agreement (or related trade talks) with New Zealand?

Public Sector Bodies – The UK's future trade relationship with New Zealand – priorities.

10. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with New Zealand, and why?
11. Which of these areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Public Sector Bodies – The UK's future trade relationship with New Zealand – concerns.

12. What concerns, if any, does your public sector body have about a free trade agreement (or related trade talks) with New Zealand, and why?
13. Which of these areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Public Sector Bodies – the UK's future trade relationship with New Zealand – other concerns.

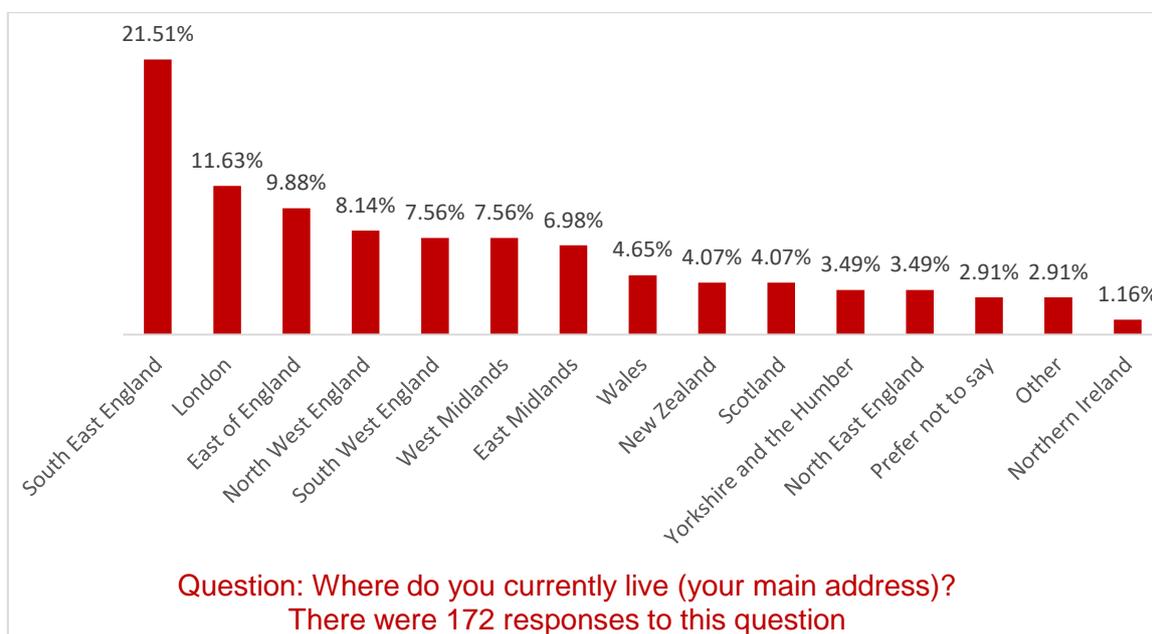
Is there anything that you would want to say about the UK's future trade relationship with New Zealand?

Annex B: Demographics

Individual respondents' demographic profile

1. The geographical location of respondents varied with responses received from across the UK and New Zealand. The highest levels of participation were in the South East of England, making up over one in five (21.51 per cent) of responses. We also had a number of online respondents based in New Zealand (4.07 per cent) who submitted a response to the consultation. See Figure 1 for an overview of the respondents' location.

Figure 1: Location of individuals who responded to the consultation online



2. The age of respondents to the Consultation Portal varied. Nearly 60 per cent (59.3 per cent) of respondents were 45 years old and over and more than one in five (21.52 per cent) of online respondents was under the age of 35. See Figure 2 for a breakdown of the ages of respondents.

Figure 2: Age of individuals who responded to the consultation online



- Just less than three quarters (74.85 per cent) of individuals who responded online were male, with one in five (21.05 per cent) were female. The reason for the lower response rate from women is unclear and the Government has identified a need to review our engagement strategy to ensure any future consultations have greater participation from women. The Government is committed to creating a framework for trade that supports female exporters and upholds gender equality.

Table 8: Gender of individuals who responded to the consultation online

Gender Group	Percentage of Responses
Male	74.85%
Female	21.05%
Other	0.00%
Prefer not to say	4.10%

Question: What is your gender?
There were 171 responses to this question

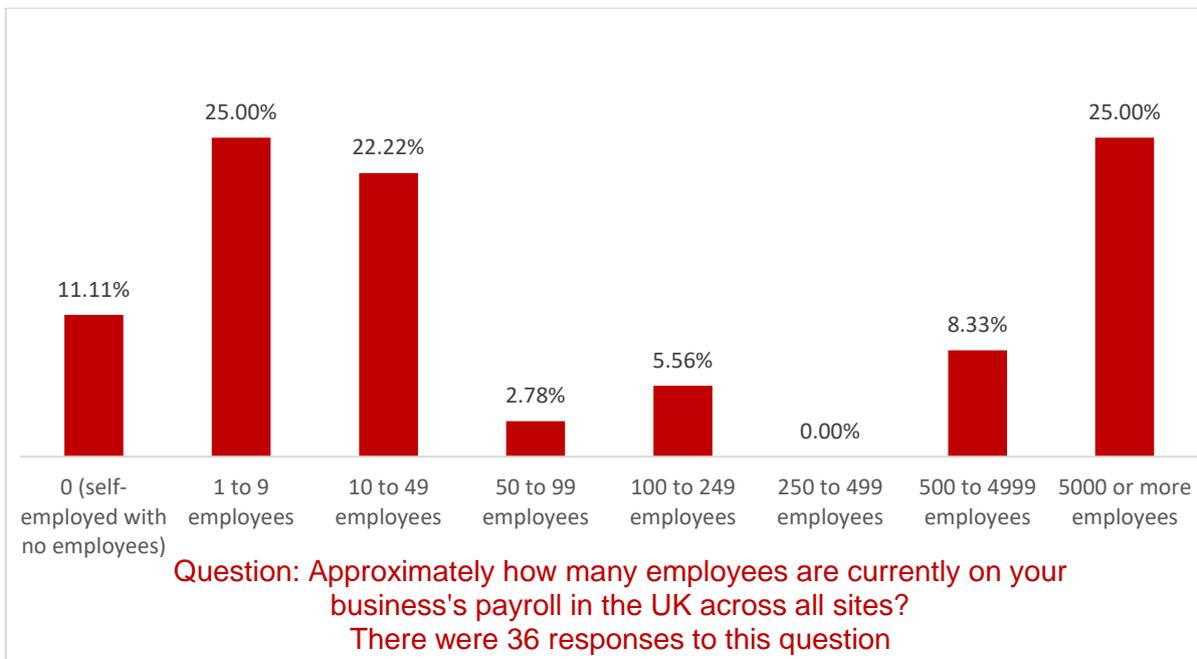
Organisation respondent profile

Figure 3. Total number of members that the NGO represents.



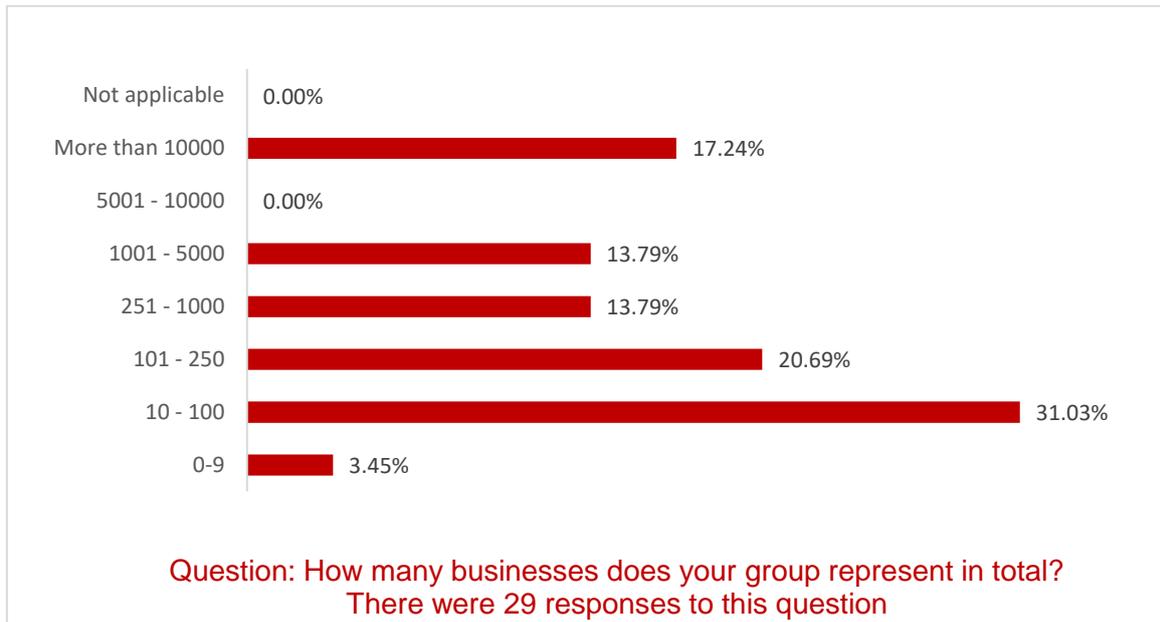
4. Over 70 per cent (70.37 per cent) of NGOs who responded online had more than 1000 members. 3.70 per cent of organisations had 100 or less members.

Figure 4. Number of UK employees per business



5. A quarter of businesses who responded online had 1-9 employees and a quarter of businesses had 5,000 or more employees.

Figure 5. Number of businesses the business association represents



- Under half (44.82 per cent) of businesses associations who responded online represented 251 or more businesses.

Annex C: Glossary

This glossary contains general descriptions of some commonly used trade and investment terms. Some of the terms have meanings that vary within different areas of trade and investment, or between different trade and investment agreements. The descriptions in this glossary are intended to provide a general approximation of these meanings and therefore will not always align with legal definitions or references in legal texts; or with the meaning of these terms in a particular context or area of trade.

Term	Definition/Description
Accession	Means to join or become a part of – eg accession to an international trade agreement by new members, accession to an international organisation or a state's accession to a multilateral treaty already negotiated and signed by other states.
Anti-dumping duty	Under WTO rules, countries can counteract the practice of 'dumping' by imposing additional duties on imported goods found to be 'dumped' and causing injury to domestic producers, after having conducted a domestic investigation (see also Dumping below).
Applied tariffs/Applied rate	Duties that are actually charged on imports of goods. These can be the same, below, but not above, the bound rates (see also Bound Tariffs/rates).
Artist's Resale Rights	The Artist's Resale Right (ARR) is a specific form of copyright, which gives the author of an original work of art the entitlement to royalties each time one of their works is sold through an art market professional (such as an auction house or art gallery). This royalty has the same duration as copyright; life or the author plus 70 years.
Bilateral agreement	An agreement negotiated between two sides. One or both sides could be made up of multiple states, eg the EU-CARIFORUM FTA which has more than 40 parties.
Bilateral Investment Treaty (BIT)	An agreement between two states in which each state affords certain protections to the other state's investors and their investments. This normally includes an obligation not to discriminate or expropriate without compensation. Investors may be provided with a right to enforce these provisions through Investor-State Dispute Settlement, ISDS (defined below). Modern FTAs often include a separate Investment chapter which will have similar provisions.
Bound Tariffs (also known as bound rates)	The maximum rate of duty (ie tax) that can be applied by a WTO Member to an imported product from another WTO Member. Each WTO member has a goods schedule in which it sets out its commitment to these most favoured nation rates.

Business Representative Organisation (BRO)	An administrative body who acts for or on behalf of businesses they represent. Usually runs a membership programme.
CE marking	A certification mark on products traded on the extended Single Market in the European Economic Area (EEA). 'CE' signifies that the product has been assessed and meets the EU's safety, health and environmental protection requirements.
Commercial presence	In the services trade context, refers to having an office, branch or subsidiary in a foreign country. It refers to mode 3 supply of services (see also Mode of supply for services).
Common market / single market	This is a deeper level of economic integration than an FTA. It is a free trade area established between states to give free movement of goods (without tariff and quotas), services, capital and labour between them.
Competition	Ensuring businesses are treated fairly in each other's markets, including the application of competition law, the role of state-owned enterprises and the use of state aid and subsidies.
Competitive Tendering	Competitive tendering is a procurement method where firms bid for the right to run a service or gain a certain contract.
Conformity Assessments	Tests on goods and services to see if they meet the standards required by the country they are to be sold in. In the UK, these tests are carried out by various assessment bodies accredited by the UK Accreditation Services (UKAS).
Cost, Insurance and Freight (CIF)	A recognised international trading term (see Incoterms) meaning the value of goods, including insurance of the goods and transport to the point where they are lifted over the ship's rail at the port of importation. The equivalent for transport other than sea is CPT (cost paid to).
Countervailing Measure (CVM)	Additional duties that WTO rules authorise countries to impose on imported goods to offset state subsidies received in the country of export after having conducted a domestic investigation and establishing that the subsidised imports are causing injury to the domestic industry.
Crypto-assets	Crypto-assets or 'cryptocurrency' are cryptographically secured digital representations of value or contractual rights that can be stored, transferred or traded electronically eg Bitcoins.
Cumulation	When determining the origin of goods for customs purposes, this means the capacity to include materials and/or processing from other countries as qualifying content in determining if an imported good is an 'originating good' and consequently qualifies for preferential tariff treatment.

Customs authority	<p>A government body that administers laws and regulations relating to goods crossing a border, particularly import, export, movement and storage of goods. This can be by:</p> <ol style="list-style-type: none"> 1) Collecting duties and taxes. 2) Controlling import & export of restricted goods, eg animals, and weapons. <p>In the UK, Customs functions are undertaken by HM Revenue & Customs and Border Force.</p>
Customs Duty	A charge imposed by a country on the import or export of goods.
Customs procedures	Processes and procedures applied by customs authorities to control the export, import and transit of goods. Their improvement and simplification may lower costs and facilitate trade.
Customs union	Distinct from agreements on regulatory alignment, or single market regulatory integration, a customs union treats two or more countries as a single customs territory, eliminating duties and most other restrictive measures on substantially all trade in goods between its members, and collectively applying substantially the same duties and other measures to trade in goods from third countries.
Designation of Origins	See Geographical Indications.
Dispute settlement	The term is commonly used in reference to the formal state to state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement and it has not been possible to resolve the dispute informally.
Distortion	This refers to a situation in which prices and production are higher or lower than levels that would usually exist in a competitive market.
Domestic support	Where a country acts to maintain producer prices at levels above those dominant in international trade.
Dumping	Dumping occurs when goods are exported at a price less than their 'normal value', generally meaning they are exported for less than they are sold in the domestic market or are sold in export markets below the cost of production. WTO rules authorise action to counteract the practice of dumping when dumped imports are shown to cause injury to domestic producers (see Anti-Dumping Duty).
Duty-Free Quota-Free (DFQF) access	This refers to preferential market access for goods, free of import duties or quotas. DFQF on a lasting basis for all "least developed countries" or "LCDs" is included as a target in the UN Sustainable Development Goals. DFQF can be offered

	unilaterally to developing countries, under the WTO 'Enabling Clause'.
Economic Operator Certification	Documentation for the authorisation of a party involved in the international movement of goods in whatever function that has been approved by a national customs administration.
Electronic commerce (e-commerce)	Production, advertising, sale and distribution of products via telecommunications networks.
Environmental Goods Agreement (EGA) / Green Goods	A proposed agreement being negotiated by a group of WTO members seeking to end tariffs for environmentally beneficial products.
European Patent Convention	The European Patent Convention is a multilateral treaty finalised in 1973 establishing the European Patent Organisation, an intergovernmental organisation (non-EU body) that grants European patents.
Excise Duty	A tax or duty on the manufacture of goods. Excise applies in the UK to goods which contain alcohol, mineral oils or tobacco. The charge to excise is payable on purchase or importation.
Ex works	A recognised international trading term (see Incoterms) meaning the value of goods at the point that they left the factory without the addition of any transport, insurance or other costs.
Fair dealing	'Fair dealing' is a UK concept and relates to limited situations set out in UK legislation where the use of a work, protected by copyright, does not require permission or a licence from the rightsholder so long as the use is also considered 'fair'. There is no statutory definition of fair dealing - it will always be a matter of fact, degree and impression in each case.
Fair use	'Fair use' is a defence against a claim of copyright infringement in the US. It constitutes any copying of copyrighted material done for a limited and 'transformative' purpose, such as to comment upon, criticise or parody a copyrighted work.
Financial Technology (FinTech)	Providing or enabling financial services using software and modern technology
Food security	Refers to a situation where the nutritional needs of a country or population are met consistently.
Foreign Direct Investment (FDI)	Investment by an entity in a foreign operation, or establishment of a new operation in another country ("greenfield investment"). Foreign Direct Investment implies significant control of the operation by the foreign entity.
Free circulation	A customs status relating to goods which have had all the taxes and duties paid, are not subject to any other restriction or

	prohibition and can therefore move freely within the relevant customs territory.
Free Trade Agreement (FTA)	A treaty among two or more countries to form a free trade area. This means having zero tariffs (or reduced tariffs) and reducing other regulatory restrictions on trade in substantially all goods and/or services.
Free trade area	Describes territories that have liberalised trade between them in most areas of trade in goods (similar arrangements for trade in services are known as economic integration agreements). Each participating territory applies its own independent trade policy with territories that are not part of the free trade area.
GATS	General Agreement on Trade in Services, a WTO agreement governing trade in services.
GATT	General Agreement on Tariffs and Trade, a WTO agreement governing trade in goods.
Generalized System of Preferences (GSP)	Measures applied by developed countries granting unilaterally preferential (reduced or nil rate) tariffs to imports from developing countries.
Geographical Indications (GIs)	An identification of a product from a particular country, region or locality where a given quality, reputation or another characteristic of the product is essentially attributable to the place where it is produced. For instance, 'Cornish Pasty', 'Welsh Lamb', 'Scotch Whisky' or 'West Country Farmhouse Cheddar Cheese' are UK GIs.
Government procurement	Procurement by government or other public entities of goods and services from the private sector. This usually covers both goods and services, and purchasing, leasing and acquiring by other commercial means.
Government Procurement Agreement (GPA)	A plurilateral WTO agreement, currently among 19 parties, covering the procurement of goods and services by governments and other public authorities.
Gravity model of trade	The prediction of joint trade flows based on the economic sizes and distance between two states. GDP measurements are often used to measure economic size.
Green Finance	Financial instruments or investments in environmental and sustainable projects and infrastructure
Harmonized System (HS)	Forms the basis of how most countries describe and classify goods for the purpose of applying customs tariffs. A system, managed by the World Customs Organisation, that gives different categories of goods a 6-digit number so their characteristics can be recognised and understood.

Import Entry Transaction Fee	The payment charged to process and risk assess imported goods.
Import licensing	Administrative procedures requiring the submission of an application or other documentation (other than those required for customs purposes) to the relevant administrative body as a prior condition for importation of goods.
Import quota	A trade restriction that sets a limit on the quantity of a good that can be imported into a country. Import quotas are generally prohibited by the GATT, other than in limited circumstances.
Incoterms	International commercial terms that are standard terms developed by the International Chambers of Commerce and in common use that define the responsibilities of the seller and the buyer for the sale and delivery of goods. Examples include ex works, FCA (free carrier), CIF (cost insurance and freight), DDU (delivered duty unpaid) and DDP (delivered duty paid).
Intellectual Property (IP)	Creations of the mind, such as inventions, literary and artistic works, designs, and symbols, names and images used in commerce. These creations are protected by law by a variety of intellectual property rights such as patents, copyright, trade marks, design rights and geographical indications.
Investor State Dispute Settlement (ISDS)	A mechanism that allows a foreign investor to bring legal proceedings and seek compensation from a state, if the state has breached its obligations under a Bilateral Investment Treaty (defined above) or an Investment chapter in an FTA. The legal proceedings are usually brought via an arbitration process that is independent of each state's domestic courts.
Inward Processing Relief (IPR)	A customs procedure that allows goods to be temporarily imported duty-free on the condition that they are to be processed and re-exported.
Labour and Environment	In the context of a trade agreement, protection of workers and the environment, consistent with international commitments of a country.
Market access	Conditions set by governments to control which goods or services can or cannot enter their domestic market.
Mode of supply of services	This describes how international trade in services is supplied and consumed, with mode 1: cross - border supply (eg a user in country A receives services from abroad through its telecommunications or postal infrastructure); mode 2: consumption abroad (eg nationals of country A travel or move to country B as tourists, students, or patients to consume the services); mode 3: commercial presence (eg the service is provided within country A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and controlled company in country B); and mode 4: movement of

	<p>natural persons (eg a national of country B provides a service within country A as an independent supplier (like a consultant or health worker) or employee of a service supplier (like a consultancy firm or construction company)).</p>
<p>Most Favoured Nation (MFN)</p>	<p>A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating some WTO members more favourably than others. The MFN obligation requires each WTO member, in its trade with all other WTO members, to give the best (“most-favoured”) treatment that it accords in trade with any other WTO member. If, for example, a country lowers tariffs on goods from India, it must also do so on similar goods from Argentina. Exceptions to the MFN principle exist under WTO law, such as in the form of Customs Unions, Free Trade Agreements, Generalized System of Preferences and certain trade remedies.</p> <p>FTAs often contain their own MFN commitments between the treaty partners.</p> <p>Bilateral Investment Treaties also include MFN obligations to investors and their investments from each participating state (party). Under MFN, a host state may not treat an investor from a BIT party less favourably than it does a foreign investor from another country.</p>
<p>Multilateral agreement</p>	<p>An agreement among several countries. At the WTO, multilateral agreements normally refers to agreements reached by all WT members.</p>
<p>Mutual Recognition Agreement (MRAs)</p>	<p>An international agreement by which two or more countries agree to recognise one another's conformity assessments (see conformity assessments above).</p>
<p>Mutual Recognition of Professional Qualifications (MRPQ)</p>	<p>Enables individuals to have their professional qualifications recognised in a state other than the one in which the qualification was obtained.</p>
<p>National Treatment</p>	<p>A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating imported goods or foreign services and services suppliers less favourably than domestic goods or services and services suppliers in its domestic market. The national treatment obligation helps ensure imported goods and services are not unfairly disadvantaged compared with their domestic counterparts. Such obligations may also be included in FTAs between the country parties.</p> <p>Bilateral Investment Treaties also usually contain provisions that parties should not discriminate between domestic and foreign investments.</p>

Natural persons	Refers to people, as distinct from juridical persons such as companies and organisations.
Non-Tariff Barriers (NTBs) or Non-Tariff Measures (NTMs)	Any policy that restricts exports or imports other than a simple tariff.
North America Free Trade Agreement (NAFTA)	North American Free Trade Agreement, comprising Canada, Mexico and the US. This FTA may be replaced by the United States-Mexico-Canada Agreement (USMCA).
Outward Processing Relief	A customs procedure that allows goods to be temporarily exported for processing with goods in another country and then re-imported. On re-importation the element that constitutes the original exported goods in the final imported product are imported free from duty.
PBS	Professional and business services
Plurilateral agreement	An agreement between more than two parties. At the WTO, plurilateral agreements typically refer to agreements reached by several, but not all, WTO members.
Products standards, regulations and certification	<p>'Standards' are documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. Compliance with standards is not mandatory. Typically, they are not set or controlled by government or legislators but can be used by legislators to establish a basis for compliance with the law. The term 'standard' is also used informally to refer to a level of quality or attainment.</p> <p>'Regulations' are legal requirements. In the context of international trade, the term 'Technical Regulations' is used frequently in trade agreements when addressing 'technical barriers to trade'. Technical Regulations are mandatory requirements set out in law – they are controlled by governments and legislators.</p> <p>Certification is the provision by an independent body of written assurance (eg a certificate) that the product, service or system in question meets specific requirements.</p>
Protected Geographical Indications	See Geographical Indications.
Quantitative Restrictions (QRs)	Specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period).
Red tape	Excessive regulation or rigid conformity to formal rules that is considered redundant or bureaucratic and hinders or prevents action or decision-making. In trade relations, it imposes an administrative burden on economic operators that will frequently involve additional costs and may have the effect of limiting trade.

Regional Trade Agreement (RTA)	A free trade agreement between a group of countries. Although originally used to describe such agreements when concluded among countries that shared common borders or were located within the same region, it is now often used more generally. For example, in mega-regional free trade agreements such as the CPTPP, the parties do not all border each other.
Regional Value Content (RVC)	A percentage that indicates to what extent a good is produced in the producer's local region. This can be affected by the origin of the good's components or materials.
Regulatory Data Protection	A period during which Company B cannot refer to data produced by Company A to support B's marketing authorisation for a pharmaceutical (generic) or agrochemical (eg a pesticide) drug. This authorisation is a requirement for the generic drug to reach markets.
Rules of Origin (RoO)	Rules used to determine where goods are "from", for example, where they have been produced or had substantial work done to them. This is used in determining appropriate tariff rates, access to preferential trade arrangements or application of trade sanctions.
Safeguard Measures	Actions taken to protect a specific industry from an unexpected build-up of imports. They are generally governed by Article 19 of GATT and the Agreement on Safeguards.
Sanitary and Phytosanitary Measures (SPS)	Measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants.
Schedule	In WTO context, this is a WTO member's list of commitments to other WTO members regarding how much market access it is prepared to offer and its bound tariff rates.
Small- and Medium-sized Enterprises	Businesses with fewer than 250 employees.
Small- and Medium-Sized Enterprises (SME) Policy	Policy designed in a way which supports Small- and Medium-Sized businesses.
Special and Differential Treatment	WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favourably than non-developing members.
Supply chain	The sequence of processes involved in the production and distribution of a good.
Sustainable Development	Development that meets the needs of the present generations without compromising the ability of future ones to meet their own needs. It contains three pillars: economic development, social development and environmental protection.

Tariff binding	A commitment by a country not to increase a customs duty beyond a specified level. (See Bound Tariffs).
Tariff Rate Quota (TRQ)	The application of a higher tariff or tax on certain goods once an agreed quota (amount) of imports is reached.
Tariffs	Refers to customs duties on imports of goods, levied either as a percentage of value or on the basis of a formula (eg 10 per cent or £7 per 100 kg).
Technical Barriers to Trade (TBT)	These are regulations, standards, testing and certification procedures applied to imports and exports which could obstruct trade. The WTO's TBT Agreement aims to ensure that these do not create unnecessary obstacles to trade.
Trade liberalisation	The removal or reduction of restrictions or barriers to trade.
Trade remedies	Measures which allow WTO members to operate a safety net and protect domestic industry from injury caused by unfair trading practices or from injury caused by surges in imports. They are taken in response to subsidies, dumping and import surges. These usually take the form of additional duties on those imports.
Transatlantic Trade and Investment Partnership (TTIP)	The Transatlantic Trade and Investment Partnership is a proposed trade agreement between the European Union and the United States.
Treaty	A treaty is an agreement under international law between states or international organisations.
WTO	The World Trade Organization.
WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)	The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) is the principal WTO agreement on intellectual property (IP) rights and applies to all WTO members. It covers key types of IP, including copyright, trade marks, geographical indications and patents and provides for the minimum standards of IP protection that each member needs to provide.
WTO Trade Facilitation Agreement	The WTO agreement which aims to simplify, modernise and harmonise procedures and controls governing the movement of goods across borders by WTO members.

Appendix to the Scoping Assessments – Estimates of combined impacts

The analysis presented in the Scoping Assessments for the UK-Australia and UK-New Zealand Free Trade Agreements (FTAs) is a preliminary assessment of the broad scale of the potential long run impacts of an eventual FTA between the UK and each partner. As these are two separate negotiations, the impacts of each agreement are assessed in isolation from each other. That is, in the case of the UK-Australia FTA, the analysis does not assume that the UK has implemented an FTA with New Zealand. Likewise, in the case of the UK-New Zealand FTA, the analysis does not assume that the UK has an FTA with Australia.

Trade creation and diversion effects resulting from free trade agreements mean that the pattern of the UK and each partner's trade is affected by both the nature of the individual agreement between the UK and partner country but also any agreements between either party and other countries. This means that, in general, the combined impacts of trade agreements cannot be accurately captured by simply summing the individual impacts from each agreement.

This appendix should be read in conjunction with the Scoping Assessments relating to the UK-Australia and UK-New Zealand FTAs. It presents additional estimates to those included in the Scoping Assessments and briefly describes how they have been derived.

Table 1 below present estimates of the long-run impacts of an FTA between the UK and both Australia and New Zealand combined. The approach to generating the combined estimates is aligned to the approach used to generate the estimates presented in each of the Scoping Assessments; the scenarios (the scale of assumed reductions in tariff and non-tariff measures assumed to apply for each country) as well as the data used and model structure applied are exactly the same. The modelling approach is explained in further detail in each of the Scoping Assessments.

Table 1: Estimates of the long-run impacts of a trade agreement between the UK and both Australia and New Zealand combined under an Average FTA EU exit relationship

% change in macroeconomic indicators	Scenario 1: Substantial tariff liberalisation by the UK and full liberalisation by partners, and a 25% reduction in non-tariff measures for both Australia & New Zealand	Scenario 2: Full tariff liberalisation and a 50% reduction in non-tariff measures for both Australia & New Zealand
GDP	0.01	0.02
UK exports to Australia and New Zealand	3.61	7.33
UK imports from Australia and New Zealand	11.18	47.24
Total UK exports	0.13	0.43
Total UK imports	0.05	0.20

Source: DIT modelling (2020)

Comparing the estimated percentage increases in UK exports to 2018 levels, UK exports to Australia and New Zealand are estimated to increase by around £1 billion in scenario 2.

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

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Any enquiries regarding this publication should be sent to us at

enquiries@trade.gov.uk.