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New Free Trade Agreement partners

Identifying options for New Zealand's next tranche of trade negotiations

Final report, April 2021

SENSE PARTNERS
DATA LOGIC ACTION

Foreword

By Philip Gregan, Chair, New Zealand International Business Forum

The members of the New Zealand International Business Forum have been pleased to commission this new report by John Ballingall at Sense Partners into future Free Trade Agreement (FTA) partners and we welcome these findings.

We commissioned this report because New Zealand's trade negotiating agenda is entering into a new phase. While important agreements have yet to be concluded (notably with the EU, the UK, the Gulf Co-operation Council and the Pacific Alliance), and others (such as the United States and India) have proved disappointingly elusive, the completion of RCEP and earlier CPTPP means that the strategy of seeking transformative agreements with partners in the Asia Pacific region that was first outlined in the early 1990s has largely run its course.

That does not mean of course that all the work is done: some of the agreements we have negotiated still do not provide tariff-free market access, especially in dairy and meat, with important partners like Japan, Korea and Canada.

It should therefore remain a high priority of the New Zealand Government to complete existing negotiations, expand and upgrade CPTPP, RCEP and PACER Plus, secure the long sought-after FTA with the United States and improve market access conditions with India, while seeking to make progress at the multilateral level and re-energise the World Trade Organisation.

But this report is deliberately not about the existing agenda: it is about the future and the other partners to which New Zealand should look to expand trade relations. Much of this work is by nature long term. As we all know, the pathway to launching trade negotiations can take many years, so it is not too early for the New Zealand Government to be actively considering a future agenda and how New Zealand's strategic and economic objectives might be secured.

Diversification has become a fashionable concept recently, but the real aim is ensuring that New Zealand businesses enjoy maximum *optionality* in markets. If there is anything that the last few years of global trade turbulence have shown, it is that exporters and importers need to be able to pivot, sometimes at very short notice, and that is very difficult to do in the face of tariff and non-tariff barriers.

The report rightly concludes that "she's a hard road finding the perfect FTA partner" but uses a data-driven approach to establish several key economic factors and an FTA Partner Suitability Index which points to a possible list of some 20-30 economies which we should at least be considering seriously.

It is not possible for a quantitative survey like this to consider all the relevant factors or to reflect the commercial strategies of all participants in the export sector. Companies may have multiple aims for developing certain markets (the meat industry for instance is keen to find markets for co-products) and historical trade statistics may not reflect trade that might occur if barriers were lowered.

Even so we hope the report provides a useful starting point for discussion with businesses and officials.

The report also makes clear the prize of seeking expand even further New Zealand's existing FTA coverage: New Zealand still has no existing or planned preferential market access with almost 40% of the world's economy and consumers. These countries account for 16.1% of New Zealand's current goods trade, but 37% of global GDP and 38% of the world's population.

As noted above, while there is scope to enhance our existing FTAs to include the full range of our trade, there is also considerable merit in looking further afield. The point here is that many of these economies have large populations and can be important markets for exports – moreover, these markets also have significant income- and middle-class growth. With an eye to the future, such growth opportunities are critical.

It should be noted that over 60% of New Zealand's trade not going to current FTA partners relates to trade with the United States, which is why government and business need to work hard to engage with the Biden Administration on trade, both bilaterally and regionally, just as soon as they are ready.

The changing nature of trade means we need to continue to expand and upgrade our existing agreements as we have done most recently with China and ASEAN. In particular it is important to seek new commitments in areas such as services, digital trade and the environment, including climate change, while extending the opportunities to benefit from trade to small and medium sized enterprises, women and indigenous people.

This report focuses largely on goods trade but in recent years, before the pandemic, services have crept up to around 30% of our exports: post-pandemic, services and digital will be key to a resilient trade future. Services and digital trade also serve as magnifiers and enablers of physical goods exports (e.g. via paperless trade and of core services for global value chains such as logistics and technical testing services).

Therefore future FTAs which include forward-leaning digital trade provisions may help to turbo-charge the potential for more goods trade by reducing transactions costs, especially in some of the more challenging markets where non-tariff barriers at the border are an issue.

Trade agreements are of course not the only factor in developing exports. At best they open doors which businesses then need to go through, and they provide an environment within which costs are lowered, time can be saved, and risks are mitigated. Trade agreements and the process of negotiating them also help to bring potential markets onto the radar of business on both sides. Those things still matter, especially for smaller businesses and small economies such as ours.

As the pandemic has shown, trade has continued to prop up the New Zealand economy through the crisis. Other storms are likely to appear in the future and while we are rightly doing the business of today, it is useful to build for tomorrow.

We thank John Ballingall and Sense Partners for the work on this report and we commend it for consideration and discussion by exporters, officials and stakeholders. We agree fully that finding new FTA partners will take a strategic and collaborative approach over the medium term and we at NZIBF look forward to this work.

Key points

We have been asked to identify future FTA partners…

- The New Zealand International Business Forum has engaged Sense Partners to provide a forward-looking, data-driven assessment of potential priority partners for New Zealand's next tranche of Free Trade Agreements (FTAs).
- After accounting for existing and under-negotiation FTAs (including India and the GCC), New Zealand trades $10.3 billion of goods exports and $8.4 billion of imports with countries *without* any actual or potential preferential market access.

…since New Zealand has no existing or planned preferential market access with almost 40% of the world's economy and consumers

- These countries account for 16.1% of New Zealand's goods trade, but 37% of global GDP and 38% of the world's population.
- Over 60% of this trade and 1/3 of the GDP relates to trade with the US. Clearly the US will remain a priority FTA target. We do not analyse its prospects further in this report.

We use a data-driven approach

- We shape our analysis largely, though far from exclusively, around goods trade, with a heavy weighting on the primary sector.
- This is because services and investment relationships are thin outside of our main trading partners, services and investment data is generally limited, and trade barriers on manufactured goods are generally low.
- We score potential FTA partners by developing an FTA Partner Suitability Index.
- The index comprises 29 criteria including population, income levels and growth, existing trade links, tariff and non-tariff barriers, openness to trade (including digital) and investment, dietary preferences, ease of doing business, and revealed comparative advantage in dairy and meat.
- We then apply filters to the top 30 highest-scoring countries on our FTAPSI metric. For example, we remove the countries to whom New Zealand exports less than $10 million or which have a population smaller than 1 million.

She's a hard road finding the perfect FTA partner...

- Across the remaining 22 potential FTA partners, trade-offs abound. Potential partners often scored well on some criteria and poorly on others.
- Many of the larger economies are often relatively poor. Agricultural market access is frequently challenging. The existing export relationships are often narrow (i.e. dairy, meat) rather than broad-based.
- Recall these are in addition to countries with which we are currently negotiating (UK, EU, GCC, India, etc.) and the US, which should remain priorities.

… and our short list will surprise some

- We suggest 22 countries warrant further consideration as potential FTA partners, as shown in Table 1.
- These are all more challenging markets from a commercial or strategic perspective than our traditional FTA partners. None are ideal, but we are now at the point where ideal need not be the objective.

TABLE 1 POTENTIAL FTA PARTNERS

1. Switzerland	6. South Africa	11. Egypt	16. Algeria	21. Costa Rica
2. Norway	7. Ghana	12. Sri Lanka	17. Trinidad & Tobago	22. Côte d'Ivoire
3. Morocco	8. Guatemala	13. Bangladesh	18. Dominican Republic	
4. Israel	9. Brazil	14. Panama	19. Pakistan	
5. Turkey	10. Nigeria	15. Iran	20. El Salvador	

SOURCE: SENSE PARTNERS

- We see this list as a starting point for further discussions between firms, industry groups, officials and Ministers about the future of New Zealand's FTA strategy.
- We appreciate that a data-driven approach can obscure from commercial[1] and geopolitical considerations, and these filters will need to be overlaid on our analysis to add more nuance. But you have to start somewhere.

We encourage a flexible and forward-looking approach

- Commercial and geopolitical considerations will likely rule some of these options out, at least in the short-term.
- But we are thinking about the medium- to long-term. Political concerns may ease, and commercial patterns will undoubtedly shift. The diversification of New Zealand's FTA network is important to provide options for New Zealand exporters and investors.
- Our analysis shows it is hard to identify potential FTA partners that would excite New Zealand firms across all industries, beyond those under negotiation (EU, UK, GCC) and the traditional targets (US, India). Commercial gains from many future FTAs are likely to be highly concentrated for certain firms or sectors.
- This raises the question of whether New Zealand needs to start considering alternative approaches to negotiating FTAs that are more industry-centric, while still complying with our international obligations.
- For all of these reasons, we hope our research demonstrates New Zealand needs to be actively thinking *now* about a strategy for identifying its next portfolio of FTA partners and contemplating how best to engage with them.

[1] For example, traditional trade and FTA analysis tends to focus on historical trends in exports with specific countries. But this can obscure from *potential* commercial opportunities, especially in the medium- to long-term.

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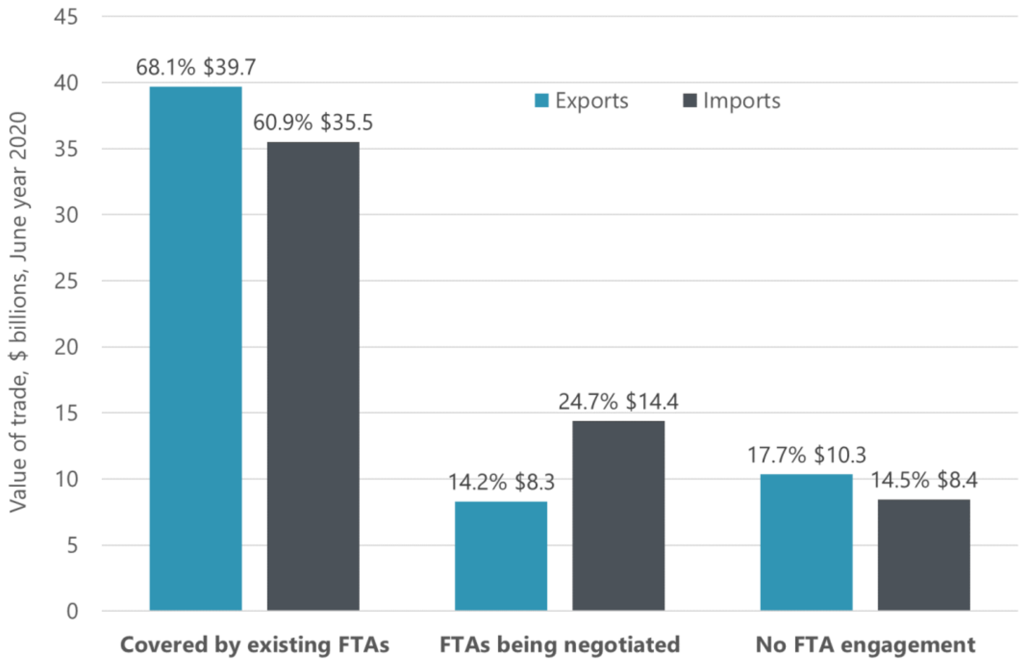
1. Context, objectives and scope

New Zealand's existing FTAs cover almost 2/3 of our goods trade…

New Zealand has been active in negotiating bilateral and regional free trade agreements (FTAs) for almost 40 years.

From the Closer Economic Relations (CER) Agreement with Australia (1983) to the PACER Plus agreement (entered into force in December 2020), the countries with whom New Zealand has trade agreements collectively cover $39.7 billion (68.1%) of New Zealand's exports[2] and $35.5 billion (60.9%) of our goods imports.

FIGURE 1 VALUE ($BN) AND SHARE OF NZ'S GOODS EXPORTS COVERED BY COUNTRIES WITH WHOM NEW ZEALAND HAS EXISTING FTAS



SOURCE: STATSNZ, SENSE PARTNERS CALCULATIONS

…with another 20% covered by FTAs being negotiated

A further $8.3 billion (14.2%) of our goods exports go to countries with whom New Zealand is currently negotiating an FTA, including the UK, EU members, India and GCC countries.

Imports from those countries account for 24.7% of New Zealand's total goods imports.

[2] Note that not all of this trade will be entering these markets at preferential rates. Some products may have been excluded from tariff reductions or may have a duty free MFN rate, rules of origin or non-tariff measures may be challenging, etc.

See Appendix A for tables showing the countries with whom New Zealand has an existing FTAs and those under negotiation, and the total trade going to those countries.

But New Zealand has no preferential market access to almost 40% of the global economy and population

This leaves $10.3 billion of goods exports and $8.4 billion of imports without any actual or potential preferential market access, accounting for 16.1% of New Zealand's current goods trade.

While this may seem a fairly low share, the countries with whom New Zealand does not have trade agreement in force or under negotiation account for 37% of global GDP and 38% of the global population.[3] That is a large portion of global income that might be used to buy New Zealand goods and services if deeper relationships can be formed over time.

The New Zealand International Business Forum has commissioned Sense Partners to provide a forward-looking, data-driven assessment of potential priority partners for New Zealand's next tranche of FTAs.

Scope and caveats

In this report, **we focus solely on new FTAs**. We recognise that the implementation and enforcement, upgrade or expansion of existing agreements (China, AANZFTA, Malaysia, CPTPP, etc.) will be crucial for New Zealand exporters.

The **GCC** countries are important markets for New Zealand, and recent indications that lapsed FTA talks may be reinvigorated is welcome news. We do not explore those countries further in this report.

India is excluded from our analysis on the basis that it remains at least loosely associated to RCEP, albeit with little immediate prospect of re-joining.

We exclude the **US** from our analysis on the basis that gaining an FTA with the US will continue to be a priority for New Zealand, either via CPTPP, FTAAP or bilaterally. The US accounts for 55% of New Zealand's goods exports and 70% of imports from the group of potential FTA countries.

The **Russia-Belarus-Kazakhstan** FTA, launched in 2010, has been suspended since 2014. Given the very small likelihood of this becoming a viable option for New Zealand in the immediate future, we have not considered it further here. We note that with goods exports of $345 million and relatively high average tariff levels[4], a potential FTA could be beneficial for New Zealand, especially for our dairy, meat and horticultural industries.

[3] The US accounts for 24.6% of this 37.0%.

[4] The average applied MFN tariffs on animal products and dairy products are 23.8% and 15.0% respectively (WTO tariff profiles).

We have not sought to quantify the potential economic benefits and costs from concluding FTAs with new partners as this was out of scope.

We appreciate there will always be **strategic and foreign policy reasons for identifying FTA partners**, but we have shaped our analysis around economic arguments as these are more readily identified in a data-driven approach.

Further, we focus heavily (but not exclusively) on the potential importance of new FTA partners from a goods exports perspective. And within goods exports, the primary sector plays a large role in our thinking.

There is no intention to downplay the growing importance of digital trade, the creative sector, etc. Our approach largely reflects data limitations – **detailed bilateral data on services and investment by country is limited, and indicators of services and investment trade barriers scarcer still**.

Our approach also recognises:

- The economic reality that the largest economic benefits from new FTA partners are likely to accrue through the reduction of tariffs and non-tariff barriers on New Zealand's primary sector exports.
- Non-food manufacturers tend to face relatively low tariffs on average and account for around a fifth of New Zealand's total goods exports.
- Gains from services and investment liberalisation tend to be relatively modest in FTAs as they centre on locking in the status quo and ensuring New Zealand is not left behind as market access improvements are provided to our competitors.[5]

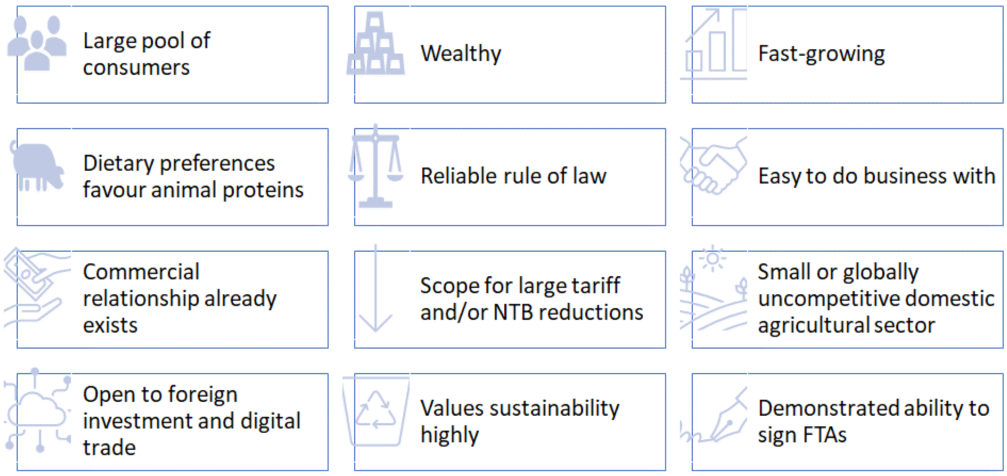
[5] While we did not formally include trade in services in our quantitative framework due to data limitations, we have noted in the list of countries considered whether they are a party to the WTO Trade in Services Agreement, as an indication of potential ambition in services negotiations.

2. Assessment framework and data

2.1. Framework

To identify potential FTA partners, we developed a prioritisation tool based on data and indicators associated with generating gains from FTAs. In general, we might think of a good potential FTA partner demonstrating at least some (and ideally several) of the features in Figure 2.

FIGURE 2 FEATURES OF AN IDEAL FTA PARTNER



SOURCE: SENSE PARTNERS

We scoured available international data sources to find measures of the features in the figure above. Not all were well-suited for quantitative measures, such as whether the country values sustainability highly or whether it has signed high-quality FTAs in the past.

We comment briefly in Table 3 on why the indicators selected are relevant to our analysis.

Not all potential partners will score highly on every indicator, and this is perhaps especially so given we are looking at countries who have not traditionally been obvious FTA targets for New Zealand. And of course, there are overlaps between indicators: population size will be a factor in the demand for imports from New Zealand, as will be existing trade barriers, for example.

2.2. Data sources

We collated the 29 indicators from a range of international bodies' publicly available data sets:

- UNCTADStat
- World Bank Ease of Doing Business rankings
- FAOStat
- WTO tariff profiles.

We used the latest available data for each indicator.

New Zealand trade data was sourced from StatsNZ for the years ended June 2018-2020.

The initial data set covered 188 countries. We removed 31 countries or territories that did not have data on trade barriers available and had *de minimis* amounts of trade with New Zealand.

We retained 10 countries with no tariff data available in the assessment because they had sufficient levels of trade with New Zealand (>$4 million of goods imports, average 2018-2020 June years) to be of interest.

Estimates of trade-weighted average applied tariffs were not available for all countries. When unavailable, we used the next best available alternative – generally the simple average of applied MFN tariffs, or a simple average of bound MFN tariffs.

TABLE 2 COUNTRIES WITHOUT DATA ON TRADE-WEIGHTED AVERAGE APPLIED TARIFFS

Type of average tariffs used in analysis	Countries
No tariff data available (countries removed from data set)	American Samoa, Aruba, Andora, Anguilla, Bermuda, Bonaire, Sint Eustatius and Saba, Curacao, Equatorial Guinea, Eritrea, Faroe Islands, Falkland Islands (Malvinas), French Polynesia, Gibraltar, Greenland, Guam, Iraq, DPRK, Montserrat, Northern Mariana Islands, Saint Pierre and Miquelon, San Marino, Sint Maarten (Dutch part), Somalia, South Sudan, Timor L'este, Tokelau, Turkmenistan, Turks and Caicos Islands, Uzbekistan, Wallis and Futuna Islands, Western Sahara
No tariff data available (countries retained as non-trivial trade with NZ)	British Virgin Islands, Cayman Islands, Dem. Rep. of the Congo, Libya, Marshall Islands, Micronesia (Federated States of), New Caledonia, Sudan, Syrian Arab Republic
Simple average final bound	Barbados, Central African Republic, Chad, Djibouti, Dominica, Guatemala, Haiti, Tajikistan, Tunisia, Yemen, Zimbabwe
Simple average MFN applied	Bahamas, Bangladesh, Bhutan, Comoros, Congo, Gabon, Grenada, Guinea, Guinea-Bissau, Liberia, PNG, Rwanda, Trinidad and Tobago, Venezuela

SOURCE: SENSE PARTNERS BASED ON WTO TARIFF PROFILES

TABLE 3 INDICATORS AND LOGIC

Indicator	Source	Why relevant?
Gravity model-type indicators		
Population, millions	UNCTAD	Larger markets offer larger consumer bases.
GDP per capita as % of world average	UNCTAD	Higher income markets are better to afford to pay premium prices and are more likely to include animal proteins in their diets.
Average growth in per capita real GDP growth 2014-2019, %	UNCTAD	Faster-growing economies are more likely to look to imports to satisfy expanding demand.
Ease of Doing Business 'Contract enforcement' rank	WB	The higher the rank, the better: an FTA partner should ideally have robust contract enforcement laws in place to reduce commercial uncertainty.
Ease of Doing Business 'Trading across borders' rank	WB	The higher the rank, the better: this measure incorporates costs of transport/distance, border compliance and documentary compliance – all of which add considerable cost to doing business. A higher rank indicates lower transaction costs.
Existing trade relationship indicators		
Imports of dairy products from NZ, $NZm, average 2018-2020	StatsNZ	Provides an indication of New Zealand's existing export relationship with each market. The higher the level of trade, the greater the likelihood of commercial relationships that could be further strengthened through an FTA. If exports are minimal, it suggests New Zealand exporters have determined that there is little value forming commercial relationships with that country, at least with existing trade barriers in place. We focus on primary products as they make up the bulk of our goods exports in general and tend to face the highest trade barriers in global markets.
Imports of meat & meat products from NZ, $NZm, average 2018-2020	StatsNZ	
Imports of fruit & vegetables products from NZ, $NZm, average 2018-2020	StatsNZ	
Imports of wood & wood products from NZ, $NZm, average 2018-2020	StatsNZ	
Imports of key primary products from NZ, $NZm, average 2018-2020 (sum of above)	StatsNZ	
Total merchandise imports from NZ, $NZm, average 2018-2020	StatsNZ	
Trade policy indicators		
Trade-weighted average applied tariff, Total, %	WTO	Indicates potential 'size of the prize' in terms of negotiating objectives for goods exports, and especially primary exports. But interpreting the level of trade barriers that identify a good FTA partner is less obvious and requires careful judgement. Zero tariffs or NTBs would suggest the country should not be a priority FTA partner, as potential market access gains would be small (we ignore strategic reasons for FTAs). But extremely high tariffs or NTBs might indicate New Zealand's trade is completely chilled – unable to viably enter the market – or the market is so highly protected there is little prospect of any significant improvements should an FTA attempt be considered.
Trade-weighted average applied tariff, Agricultural products, %	WTO	
Trade-weighted average applied tariff, Non- Agricultural products, %	WTO	
Agricultural quotas, % of imports covered	WTO	
Agricultural special safeguards, % of imports covered	WTO	
Average of MFN applied duties, animal products, %	WTO	
Average of MFN applied duties, dairy products, %	WTO	

Indicator	Source	Why relevant?
Trade complementarity variables		
Per capita daily protein supply from milk, beef and lamb/goat as % of global average	FAO	The lower the protein supply, the more likely the country will be looking to import meat and dairy products to feed its population.
Share of dietary energy from sources *other* than cereals, tubers and roots	FAO	Measure of dietary preferences. The higher the share coming from sources other than cereals, tubers and roots, the greater the potential for meat, dairy and horticultural imports.
Exports of goods & services as % of GDP	UNCTAD	Broad measure of openness to trade. The higher the share, the greater the chance the country might be willing to consider a trade agreement.
Imports of goods & services as % of GDP	UNCTAD	
Agriculture, hunting, forestry as % GDP	UNCTAD	Proxy for potential influence of domestic agricultural lobby groups. We assume the lower the share, the less likely domestic lobby groups might seek to resist further imported food in an FTA.[6]
Stock FDI as % GDP	UNCTAD	Broad measure of openness to investment. The higher the share, the greater the chance the country might be willing to consider a trade agreement that covers investment provisions.
Revealed Comparative Advantage index: butter, oils, fats	UNCTAD	The lower these indices, the less specialised is the country in the production and export of primary products; making it more likely to be open to additional imports from New Zealand in an FTA.
Revealed Comparative Advantage index: cheese and curd	UNCTAD	
Revealed Comparative Advantage index: milk, cream, milk products	UNCTAD	
Revealed Comparative Advantage index: beef	UNCTAD	
Share of digitally delivered services in total services imports	UNCTAD	Measure of proclivity for imported digitally delivered services; indicator of potential desire for high ambition on digital trade in an FTA with New Zealand.
Qualitative assessment criteria		
Existing FTA coverage		Provides a sense of precedent – is the country experienced in negotiating high-quality FTAs?
FTAs under negotiation and status		Indicates how active the country is currently in terms of negotiations, which may provide insights into capacity, speed of conclusion, potential sticking points, etc.

SOURCE: SENSE PARTNERS

[6] We acknowledge the relationship between the size of the agricultural sector as a share of GDP and its influence on trade policy will not always hold. In several developed countries, the agricultural sector is relatively small but has a proportionally large influence on trade policy.

2.3. Bringing indicators together into a single score

To form a data-driven view of the potential FTA partners that offer the most to New Zealand, we develop the 'FTA Partner Suitability Index' (FTAPSI). This involves:

1. Normalising each indicator so that each variable is measured in terms of distance from the average
2. Using a Log Normal distribution for each variable so that outliers are given less importance[7]
3. Assigning weights for each of the 29 indicators in terms of how important they are for how we think about identifying a good FTA partner
4. Multiplying the weight by the normalised indicator score; and summing across all indicators.

Our approach to weighting the indicators

Of these steps, weighting the indicators requires the most judgement. There is no textbook to fall back on here, so we will provide you with the FTAPSI spreadsheet to allow you to use your own judgement if you disagree with our weighting approach.

For example, if you think large markets are more important for identifying a good FTA partner, then you would give the population indicator a higher weighting.

If your view is shaped around the importance of market access opportunities for dairy products, you might give the weighted average applied tariff on dairy products and the Revealed Comparative Advantages for dairy products variables a higher weighting.

Without any judgement applied, each indicator accounts for $1/29^{th}$ (or 3.44%) of the overall score. The top 30 ranked markets using this approach are shown in Appendix B.

Our preferred weighting approach is to give a higher weighting to population and income per capita levels.[8] The admittedly simple logic is that larger, wealthier markets will provide opportunities for a wide range of New Zealand exporters.

[7] This helps to address the question of what level of tariffs might indicate a good FTA partner, for example – it reduces the weighting given to markets with very low or very high tariffs, neither of which would likely be attractive to New Zealand.

[8] The top 30 potential FTA partners does not change when existing levels of trade are also upweighted along with population and income levels, suggesting that we tend to trade more with larger countries, as gravity models of trade have shown empirically for decades.

3. Our long-list of candidates

The table below shows the top 30 ranked potential FTA partners using our preferred weighting approach. These markets account for 73% of New Zealand's goods exports that currently take place outside of existing or under-negotiation FTAs, plus the US.

TABLE 4 TOP 30 RANKED FTA PARTNERS – PREFERRED WEIGHTING APPROACH

Country	FTAPSI score (%)	Average goods imports from NZ, 2018-2020, $m
Switzerland, Liechtenstein	61%	135
Norway	57%	47
Morocco	38%	62
Israel	35%	30
Bahamas +	31%	2
Turkey	28%	67
South Africa	28%	184
Ghana	22%	40
Guatemala *	21%	37
Brazil	21%	84
Nigeria	20%	189
Egypt	20%	316
Sri Lanka	19%	421
Bangladesh +	18%	362
Panama	17%	50
Iran (Islamic Republic of)	16%	88
Algeria	13%	472
Trinidad and Tobago +	10%	69
Dominican Republic	10%	25
Fiji	10%	364
Djibouti *	9%	1
Iceland	9%	2
Angola	8%	10
Pakistan	8%	71
Maldives	8%	30
El Salvador	7%	24
Barbados	7%	27
Saint Lucia	7%	5
Costa Rica	7%	15
Côte d'Ivoire	5%	26

+ denotes tariffs used are simple average MFN applied; * denotes simple average final bound

SOURCE: SENSE PARTNERS

3.1. "Well, I wasn't expecting *that*…"

The table above will no doubt raise some eyebrows. For example, when thinking about potential FTA partners, Switzerland would be unlikely to be at the top of most New Zealand businesses' lists, especially those in the primary sector. It is there largely because of its very high income per capita, scale and existing trade relationships for meat products.

The list highlights the inherent challenges in using a data-driven approach to identifying FTA partners. Sections 4 and 5 explore additional factors that need to come into play.

Also, recall that our analysis does not include markets with whom we are negotiating agreements with, or which have been long-standing targets:

- EU
- UK
- United States
- India
- GCC
- The Pacific Alliance
- Russia, Belarus, Kazakhstan

These are very important negotiations and completing these agreements will improve the market access landscape significantly for New Zealand exporters and investors. But we have been asked to look beyond the immediate short-term towards the next tranche of potential partners, perhaps beyond 2025.

The remaining potential FTA targets are all more challenging from a commercial or strategic perspective. If they were obvious targets, we'd already have processes in place.

Recall too that the **list in Table 4 is not designed to be a priority list for each individual sector**. It was generated by looking at 29 criteria that consider a wide range of potential commercial interests, covering dairy, meat, horticulture, wood, digital exports and investment; as well as economic factors such as incomes, growth, population, the ease of doing business and existing trade barriers.

By changing the importance of the criteria, it is possible to generate lists of potential FTA targets that are more shaped towards specific sectors or commercial priorities. Appendix B presents alternatives that place a higher importance on:

- Population, as a proxy for potential market demand
- Current export levels, as a proxy for existing commercial relationships
- Dairy exports or dairy tariffs
- Meat exports
- Non-agricultural tariffs, as a proxy for potential openings in manufactured exports
- FDI, as a proxy for agreements that might best expand investment flows
- Digital exports, as a proxy for agreements that might support New Zealand's rapidly expanding tech sector.

4. Towards a shorter long-list

Removing the commercial minnows

As a first step towards a short list, we remove countries with less than $10 million of existing goods imports from New Zealand. For an FTA to be a priority and to justify the negotiating costs (including opportunity costs of negotiating teams' time), it needs to provide opportunities for commercially meaningful outcomes.

This removes the **Bahamas, Iceland, Djibouti, Angola** and **Saint Lucia**.

Removing markets with limited potential

We next filter out markets with a population less than 1 million. An ideal FTA partner should have a sufficiently large population to justify the costs and trade-offs involved in a negotiation. While there will always be exceptions to this (admittedly arbitrary) rule, the three countries removed in this filter also have other features that reduce their desirability as a priority FTA partner for New Zealand:

- **Barbados** – population of 0.3 million; also has an average agricultural tariff over 100% and scores very poorly on the World Bank's contract enforcement measure.
- **Maldives** – population of 0.5 million; scores poorly on the World Bank's 'Trading across borders' measure, existing imports from New Zealand narrowly focused on wood products ($22m from a total of $30m).
- **Fiji** – population of 0.9 million; low per capita income, has a revealed comparative advantage in butter, fats, oils, milk, cream and milk products so likely to be defensive on dairy market access.

  We note Fiji imports around $364 million of goods from New Zealand, so it is not particularly small as a market and trade liberalisation through an FTA could deliver commercially meaningful outcomes. However, it is already an FTA target for New Zealand negotiators through an expansion of PACER Plus, so we do not lose much from excluding it from further analysis in this report.

Table 5 below outlines the key advantages and disadvantages of the remaining 22 countries as potential FTA partners.

Many of the potential FTA partners[9] are Less Developed Countries (LDCs) according to the New Zealand Tariff Schedule. They qualify for the Generalised System of Preferences, under which New Zealand grants special treatment to certain goods provided they meet certain rules of origin. The LDC duty rate is generally 80% of the normal rate of tariff duty.[10]

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[9] Morocco, Turkey, Guatemala, Ghana, Brazil, Nigeria, Egypt, Sri Lanka, Panama, Algeria, Dominican Republic, Trinidad and Tobago, El Salvador, Pakistan, Costa Rica, Côte d'Ivoire.

[10] See https://www.customs.govt.nz/globalassets/documents/fact-sheets/fact-sheet-08-preferential-tariff-duty-rates-and-an-explanation-about-the-rules-of-origin.pdf

One potential partner, Bangladesh, is classified as a Least Developed Country (LLDC) and thus receives tariff-free access to New Zealand's market.

While it could be perceived that there are few direct economic incentives for these countries to enter into an FTA with New Zealand in terms of merchandise trade, there may be strategic or geopolitical imperatives for them to do so, and an FTA could also cover other offensive interests of LDCs and LLDCs such as services trade, investment, government procurement, etc.

TABLE 5 PROS AND CONS OF POTENTIAL FTA PARTNERS (ORDERED BY FTAPSI SCORE)

Country	Advantages	Disadvantages	Existing FTAs[11]	FTAs under negotiation[12]
Switzerland	Wealthy High FDI and digital services share High ease of trading across borders rank Party to TISA negotiations	Very high meat and dairy trade barriers; very low manufactured tariffs Relatively small population Slow GDP growth	EFTA – Philippines; EFTA – Georgia; EFTA - Bosnia and Herzegovina; EFTA - Central America (Costa Rica and Panama); Switzerland – China; EFTA – Montenegro; EFTA - Hong Kong, China; EFTA – Ukraine; EFTA – Colombia; EFTA – Peru; EFTA – Albania; EFTA - Serbia; Japan – Switzerland; EFTA – Canada; EFTA – SACU; EFTA – Egypt; EFTA – Lebanon; EFTA - Korea, Republic of; EFTA – Tunisia; EFTA – Chile; EFTA – Singapore; EFTA – Jordan; EFTA – Mexico; EFTA - North Macedonia; EFTA – Morocco; EFTA - Palestinian Authority; Faroe Islands – Switzerland; EFTA – Israel; EFTA – Turkey; EU - Switzerland – Liechtenstein European Free Trade Association (EFTA)	R-B-K; Algeria; Thailand; Vietnam; India; Indonesia; Malaysia; MERCOSUR
Norway	Wealthy Very high contract enforcement and high ease of trading across borders ranks High share of dietary energy from animal proteins Party to TISA negotiations	Very open to manufactured goods but highly protected agricultural sector (including safeguards and quotas) Small population Slow GDP growth	EFTA – Philippines; EFTA – Georgia; EFTA - Bosnia and Herzegovina; EFTA - Central America (Costa Rica and Panama); EFTA – Montenegro; EFTA - Hong Kong, China; EFTA – Ukraine; EFTA – Colombia; EFTA – Peru; EFTA – Albania; EFTA – Serbia; EFTA – Canada; EFTA – SACU; EFTA – Egypt; EFTA – Lebanon; EFTA - Korea, Republic of; EFTA – Tunisia; EFTA – Chile; EFTA – Singapore; EFTA – Jordan; EFTA – Mexico; EFTA - North Macedonia; EFTA – Morocco; EFTA - Palestinian Authority; European Economic Area (EEA); Faroe Islands – Norway; EFTA – Israel; EFTA – Turkey; EU – Norway; European Free Trade Association (EFTA)	China, R-B-K; Algeria; Thailand; Vietnam; India; Indonesia; Malaysia; MERCOSUR
Morocco	Moderate average tariff levels; scope to move on high agricultural trade barriers Fairly fast GDP growth	Fairly low income Low digital services share Narrow, dairy-dominated NZ import profile	Morocco - United Arab Emirates; Agadir Agreement; Pan-Arab Free Trade Area (PAFTA); Turkey – Morocco; United States – Morocco; EU – Morocco; EFTA – Morocco; Global System of Trade Preferences among Developing Countries (GSTP)	Canada; MERCOSUR; ECOWAS; African Continental Free Trade Area

[11] Source: WTO Regional Trade Agreements database: http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx
[12] Includes agreements signed but not implemented. Source: Countries' trade ministry websites; WTO country profiles

Country	Advantages	Disadvantages	Existing FTAs[11]	FTAs under negotiation[12]
	Dietary preferences offer opportunities for change towards animal proteins	LDC in New Zealand tariff schedule		
Israel	Wealthy Low-moderate average tariff levels (but high dairy barriers) Animal protein-rich dietary preferences Party to TISA negotiations	Low levels of existing imports from NZ; no dairy Small population Few gains likely for non-agricultural exporters as tariffs very low	MERCOSUR – Israel; Israel – Mexico; EU – Israel; Turkey – Israel; Canada – Israel; EFTA – Israel; United States – Israel; Protocol on Trade Negotiations (PTN)	India; China
South Africa	Fairly large population Solid and diverse existing trade relationship Low-moderate average tariff levels	Negative GDP growth Per capita income half of world average Agricultural safeguards and quotas challenging	MERCOSUR) – SACU; EU – SADC; EFTA – SACU; SACU; Southern African Development Community (SADC); EU - South Africa	Tripartite Free Trade Agreement (SADC, the East Africa Community (EAC) and COMESA)
Turkey	Fairly large population Solid growth and above-average GDP per capita Low-moderate tariffs outside dairy and animal products; no quotas or safeguards Party to TISA negotiations	Low FDI share of GDP Low levels of existing imports from NZ Tariffs >100% on dairy and animal products LDC in New Zealand tariff schedule	Turkey – Singapore; Turkey – Malaysia; Turkey - Moldova, Republic of; Turkey – Mauritius; Korea, Republic of – Turkey; Turkey – Chile; Turkey – Serbia; Turkey – Montenegro; Turkey – Georgia; Turkey – Albania; Egypt – Turkey; Turkey – Syria; Turkey – Morocco; Turkey - Palestinian Authority; Turkey – Tunisia; Turkey - Bosnia and Herzegovina; Turkey - North Macedonia; Turkey – Israel; EU - Turkey; Economic Cooperation Organization (ECO); EFTA – Turkey; Protocol on Trade Negotiations (PTN)	Ratification: Lebanon; Kosovo; Sudan; Qatar; Venezuela Japan; Ukraine; Peru; Indonesia; Colombia; Ecuador; Mexico; Thailand; Pakistan; Dem. Rep of Congo; Djibouti; Cameroon; Chad; Seychelles; Gulf Cooperation Council; Libya; MERCOSUR
Guatemala	High average tariffs on agriculture and manufactured goods – ample scope for cuts Dietary preferences offer opportunities for change towards animal proteins	Low existing imports from NZ; 95% dairy Fairly low FDI share of GDP and digital services share Very low contract enforcement rank LDC in New Zealand tariff schedule	Mexico - Central America; Panama – Guatemala; EU - Central America; Colombia - Northern Triangle (El Salvador, Guatemala, Honduras); Chile - Guatemala (Chile - Central America); Dominican Republic - Central America; Guatemala - Chinese Taipei; Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR); Central American Common Market (CACM); Guatemala-EFTA	Peru; UK; Canada
Ghana	Fairly fast-growing GDP Moderate average tariff levels; no agricultural quotas or safeguards	Very low per-capita income Large ag share of GDP – potential defensiveness	EU – Ghana; Economic Community of West African States (ECOWAS); Global System of Trade Preferences among Developing Countries (GSTP); AGOA; EU-West Africa	UK

Country	Advantages	Disadvantages	Existing FTAs[11]	FTAs under negotiation[12]
	High digital share of services imports	Narrow trade relationship: >75% imports from NZ are dairy Not clear dietary preferences towards animal proteins sufficiently developed LDC in New Zealand tariff schedule		
Brazil	Large market Solid existing imports from New Zealand; diverse Low-moderate average tariff levels	Negative GDP growth Strong comparative advantage in beef Low trade share of GDP so not very open LDC in New Zealand tariff schedule	Brazil – Mexico; Brazil – Guyana; Brazil – Argentina; Brazil – Uruguay; MERCOSUR – Colombia; MERCOSUR – Peru; MERCOSUR – Chile; MERCOSUR – Israel; MERCOSUR – Egypt; MERCOSUR – SACU; MERCOSUR – India; Southern Common Market (MERCOSUR); Global System of Trade Preferences among Developing Countries (GSTP); Latin American Integration Association (LAIA); Protocol on Trade Negotiations (PTN)	Paraguay; MERCOSUR – EU; MERCOSUR – EFTA; MERCOSUR – Canada; MERCOSUR – Singapore; MERCOSUR – Tunisia
Nigeria	Large market Fairly low average tariffs Moderate existing dairy imports from New Zealand (but not much else) No comparative advantage in meat & dairy	Low income, low growth Very low 'Trading across borders' EoDB rank Low protein from animal sources Large domestic primary sector Low FDI stock LDC in New Zealand tariff schedule	Economic Community of West African States (ECOWAS); Global System of Trade Preferences among Developing Countries (GSTP); African Continental Free Trade Area Agreement; EU-West Africa; AGOA	None
Egypt	Large population with solid GDP growth, Fairly low trade barriers Moderate existing dairy imports from NZ	Low income per capita Low imports from NZ outside dairy Strong RCA in cheese and curd Low protein from animal sources LDC in New Zealand tariff schedule	MERCOSUR – Egypt; Agadir Agreement; Egypt – Turkey; EFTA – Egypt; Pan-Arab Free Trade Area (PAFTA); EU – Egypt; Common Market for Eastern and Southern Africa (COMESA); Greater Arab Free Trade Area Agreement; African Continental Free Trade Area; Global System of Trade Preferences among Developing Countries (GSTP); Protocol on Trade Negotiations (PTN)	Eurasian Economic Commission; India; Indonesia; UK
Sri Lanka	Solid GDP growth High levels of existing dairy imports from NZ Moderate overall trade barriers	High dairy tariffs, Low FDI stock and digital services imports Poor 'Contract enforceability' EoDB rank Minimal imports from NZ outside dairy	Pakistan - Sri Lanka; South Asian Free Trade Agreement (SAFTA); India - Sri Lanka; South Asian Preferential Trade Arrangement (SAPTA); South Asian Association for Regional Cooperation (SAARC); Global System of Trade Preferences among Developing Countries (GSTP); Asia Pacific Trade Agreement (APTA)	China; Thailand

Country	Advantages	Disadvantages	Existing FTAs[11]	FTAs under negotiation[12]
		LDC in New Zealand tariff schedule		
Bangladesh	Large market with strong economic growth High levels of existing dairy imports from NZ Moderate overall trade barriers	Low income Very low 'Trading across borders' EoDB rank Minimal imports from NZ outside dairy Minimal FDI stock, low digital services imports LLDC in New Zealand tariff schedule	South Asian Free Trade Agreement (SAFTA); South Asian Preferential Trade Arrangement (SAPTA); Global System of Trade Preferences among Developing Countries (GSTP); Asia Pacific Trade Agreement (APTA); Protocol on Trade Negotiations (PTN)	Bhutan; Pakistan
Panama	Higher-than-average income levels Solid GDP growth Moderate average tariffs; higher in dairy Party to TISA negotiations	Small market Existing imports from NZ >90% dairy Has comparative advantage in beef LDC in New Zealand tariff schedule	Mexico – Panama; Panama - Dominican Republic; EFTA - Central America (Costa Rica and Panama); Panama - Guatemala (Panama - Central America); Canada – Panama; EU - Central America; Panama - Nicaragua (Panama - Central America); United States – Panama; Panama – Peru; Panama - Honduras (Panama - Central America); Panama - Chinese Taipei; Panama - Costa Rica (Panama - Central America); Panama – Chile; Panama – Singapore; Panama - El Salvador (Panama - Central America); Central American Common Market (CACM)	UK; Israel; Korea; Colombia; Trinidad and Tobago
Iran (Islamic Republic of)	Medium-large population Good GDP growth (when sanctions not imposed) Existing dairy relationship	Sanctions make business conditions unpredictable Not much trade outside dairy	Iran – Uzbekistan; Iran – Pakistan; Iran – Tunisia; Iran – Cuba; Iran – Bosnia and Herzegovina; Iran – Belarus; Iran – Turkey; Iran – Afghanistan; Iran – Syrian Arab Republic	Iran-Eurasia Economic Union; Iran-Malaysia; Ian-Azerbaijan; Iran-India
Algeria	Medium population High levels of existing dairy imports from NZ Moderate trade barriers Low RCAs in dairy & meat	Low income and growth Low FDI stock Very low 'Trading across borders' rank, Minimal imports from NZ outside dairy LDC in New Zealand tariff schedule	EU – Algeria; Global System of Trade Preferences among Developing Countries (GSTP); Pan-Arab Free Trade Area (PAFTA); African Continental Free Trade Area	EFTA
Dominican Republic	Fast-growing Low-moderate average tariffs; higher but not chilling for dairy and animal products	Small market Low existing trade; narrow with >80% dairy Low digital services share	Panama - Dominican Republic; Dominican Republic - Central America; EU - CARIFORUM States EPA; Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR)	UK; Canada

Country	Advantages	Disadvantages	Existing FTAs[11]	FTAs under negotiation[12]
		LDC in New Zealand tariff schedule		
Trinidad and Tobago	Wealthy Low-moderate average tariffs; higher but not chilling for dairy and animal products Very small domestic agriculture sector High digital services share	Very small market Negative economic growth Low levels of existing imports from New Zealand; minimal outside primary products Very poor contract enforcement rank LDC in New Zealand tariff schedule	EU - CARIFORUM States EPA; Global System of Trade Preferences among Developing Countries (GSTP); Caribbean Community and Common Market (CARICOM); Trinidad and Tobago – Panama; Trinidad and Tobago – Guatemala; Trinidad and Tobago – El Salvador	UK; Canada
El Salvador	High import share of GDP, so open to trade overall Moderate average tariffs; slightly higher for dairy and meat	Small population; low incomes Some use of quotas and safeguards Comparative advantage in cheese and milk products Low digital services share Very low existing imports from NZ LDC in New Zealand tariff schedule	El Salvador – Ecuador; Mexico - Central America; El Salvador – Cuba; EU - Central America; Colombia - Northern Triangle (El Salvador, Guatemala, Honduras); Dominican Republic - Central America; El Salvador- Honduras - Chinese Taipei; Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR); Panama - El Salvador (Panama - Central America); Chile - El Salvador (Chile - Central America); Central American Common Market (CACM)	Korea; UK; Canada
Pakistan	Large market; solid GDP growth Moderate existing trade with NZ, extends beyond primary products Moderate average tariffs Party to TISA negotiations	Very low per capita incomes Poor contract enforcement rank Low FDI stock Large domestic agriculture sector Comparative advantage in beef LDC in New Zealand tariff schedule	Indonesia – Pakistan; Mauritius – Pakistan; Pakistan - Sri Lanka; South Asian Free Trade Agreement (SAFTA); Pakistan – Malaysia; Pakistan – China; South Asian Preferential Trade Arrangement (SAPTA); Economic Cooperation Organization (ECO); Global System of Trade Preferences among Developing Countries (GSTP); Protocol on Trade Negotiations (PTN)	Thailand; Bangladesh; Morocco; GCC; Singapore; Turkey
Costa Rica	Higher-than-average income levels Moderate GDP growth Low-moderate tariffs Moderate-high FDI and digital services share Party to TISA negotiations	Small market Very low existing trade with NZ Some use of ag safeguards and quotas High average dairy tariffs Comparative advantage in some dairy and meat products LDC in New Zealand tariff schedule	Costa Rica – Colombia; EFTA - Central America (Costa Rica and Panama); Mexico - Central America; Costa Rica – Singapore; Costa Rica – Peru; EU - Central America; China - Costa Rica; Dominican Republic - Central America; Panama - Costa Rica (Panama - Central America); Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR); Canada - Costa Rica; Chile - Costa Rica (Chile - Central America); Central American Common Market (CACM)	UK; Korea; Venezuela

Country	Advantages	Disadvantages	Existing FTAs[11]	FTAs under negotiation[12]
Côte d'Ivoire	Strong economic growth Moderate average tariff levels; no ag quotas or safeguards	Very low income levels Low existing trade with NZ Preferences consistent with low-protein diet Large domestic ag sector Low FDI and digital services shares LDC in New Zealand tariff schedule	African Continental Free Trade Agreement; ECOWAS; UK; EU	None

5. What next?

It's time to talk – and do more detailed analysis

We see the list of potential FTA partners discussed above as a starting point for further discussions and analysis between firms, industry groups, officials and Ministers.

From an industry perspective, we appreciate that the criteria we have used are only a subsection of the commercial considerations that come into play when trying to identify potential FTA partners. Individual firms will identify country priorities based on factors such as:

- Individual product line analysis, rather than the broad aggregates we use on here for analytical convenience.

  For example, Fonterra doesn't export "dairy products" – it trades in thousands of individual products, each of which will have a different set of market opportunities, risks, investment rate of return implications and logistics challenges. Potential trade is very likely to be more important than the current trade patterns we have relied on here.

- Competitor analysis – we have not looked at the competitive landscape for our exports of goods and services into each potential FTA partner. This would be a big job, and well outside the scope of this note.

  But individual firms or industry bodies will be better placed to look at their exports to (say) Turkey and analyse who else exports there now, who might be considering entering the market, who has announced investment plans to manufacture in-market, what the political landscape looks like now and into the future, etc.

- Non-tariff measures (NTMs) in place – robust data on the nature and impact (positive and negative) of NTMs is hard to come by. But in many markets, NTMs are arguably as important, if not much more so, than tariffs. And FTAs are not hugely effective in removing NTMs, although they do put in place processes to address concerns as they arise. Any detailed commercial analysis of potential FTA markets will need to take NTMs into account.

We have presented a picture based on a snapshot in time

Over the long term – even decades – political challenges with some potential partners (such as Iran) may ease, making them more palatable options.

Other countries or country groupings may become more open to trade in goods and services and investment, which will improve the chances of negotiations delivering meaningful market access.

That is why we need to be actively thinking now about a strategy for identifying our next portfolio of FTA partners, recognising that not all of them will be immediately viable, and some may never be so.

But having options is part of New Zealand's necessarily opportunistic and nimble approach to trade policy.

Discussions about the next tranche of potential FTA partners will raise some interesting questions

New Zealand's approach to FTAs has always been a principled one: we seek the elimination of all tariffs (some over time) on all products. And rightly so.

This approach makes sense for negotiations with large countries where we have a wide range of commercial interests spanning the primary sector, manufactured goods, services and investment. Not least to comply with WTO Article XXIV's 'substantially all trade' provisions, tariff elimination across the board is an appropriate negotiating strategy.

Yet our analysis of the next tranche of FTA partners shows existing trade relationships tend to be very narrow. They centre on a handful of individual broad product groups: dairy (e.g. Morocco, South Africa, Algeria, Nigeria, Sri Lanka), meat (Switzerland), fruit and vegetables (Norway).

Other potential FTA targets import very few goods from New Zealand at all, such as Israel, but show promise around opportunities in the digital sector.

So it will be very difficult to identify potential FTA partners that excite New Zealand firms across *all* industries. Commercial gains from many future FTAs are likely to be highly concentrated for certain firms or sectors.

This raises the question of whether New Zealand needs to start considering alternative approaches to negotiating FTAs.

Would it be possible to sign an FTA with a country that is focused (say) primarily on the meat sector, if meat accounts for substantially all trade with that country? Market access negotiations in other sectors could be given less priority, phased out more slowly over time, with a process agreed to upgrade and expand should trade patterns or commercial interests start to change.

Or could New Zealand contemplate an FTA with Israel that is centred on tech sector interests, with traditional goods market access given less priority, at least initially?

Might more horizontal, thematic and plurilateral agreements such as the Digital Economic Partnership Agreement or Agreement on Climate Change, Trade and Sustainability be a sensible way forward to benefit certain industries?

Such a targeted approach should be less resource-intensive for New Zealand negotiators and would still deliver commercially meaningful gains for New Zealand. This break from tradition would no doubt be uncomfortable and would require careful planning and external communication.

But we would argue a one-size-fits-all FTA template makes little sense when looking at the next tranche of potential FTA partners we have identified here.

Appendix A Trade and FTAs data

TABLE 6 GOODS EXPORTS AND IMPORTS TO/FROM COUNTRIES WITH WHOM NEW ZEALAND HAS AN EXISTING FTA, $ MILLIONS, JUNE YEAR 2020

Trade partner	NZ exports	NZ imports
China, People's Republic of	16,630	12,366
Australia	7,611	6,914
Japan	3,670	3,501
Korea	1,685	2,779
Taiwan	1,283	851
Hong Kong	1,126	90
Malaysia	1,095	1,627
Indonesia	1,082	924
Singapore	1,082	1,698
Thailand	985	2,338
Philippines	865	119
Viet Nam	833	972
Canada	723	665
Mexico	357	441
Chile	163	115
Peru	102	39
Cook Islands	92	0
Samoa	83	8
Myanmar	59	10
Tonga	56	3
Vanuatu	38	1
Solomon Islands	19	9
Cambodia	15	39
Niue	14	0
Kiribati	9	0
Brunei Darussalam	5	0
Tuvalu	2	0
Laos	1	4
Nauru	1	4
Total	**39,686**	**35,517**

SOURCE: STATSNZ, SENSE PARTNERS CALCULATIONS

TABLE 7 GOODS EXPORTS AND IMPORTS TO/FROM COUNTRIES WITH WHOM NEW ZEALAND IS NEGOTIATING AN FTA, $ MILLIONS

Trade partner	NZ exports	NZ imports
United Kingdom	1,413	1,608
Germany	859	2,987
United Arab Emirates	818	2,243
Saudi Arabia	808	346
Destination Unknown: EU	684	0
Netherlands	679	560
India	566	706
France	366	1,067
Fiji	341	56
Russia	341	464
Italy	267	1,209
Belgium	174	422
Oman	138	4
Spain	137	468
Kuwait	113	4
Sweden	78	332
Poland	71	246
Ireland	67	261
Qatar	63	85
Greece	49	55
Bahrain	37	10
Czechia	36	212
Portugal	27	53
Austria	21	308
Bulgaria	20	17
Colombia	19	25
Finland	16	172
Latvia	14	17
Lithuania	14	30
Romania	12	55
Cyprus	10	4
Estonia	6	15
Hungary	4	136
Malta	4	5
Slovenia	4	31
Belarus	3	43

Trade partner	NZ exports	NZ imports
Slovakia	3	106
Croatia	2	6
Kazakhstan	1	0
Luxembourg	1	6
Total	**8,286**	**14,374**

SOURCE: STATSNZ, SENSE PARTNERS CALCULATIONS

Appendix B FTAPSI top 30: alternative weighting approaches

TABLE 8 TOP 30 RANKED FTA PARTNERS; SHARE OF NZ EXPORTS OUTSIDE FTAS

Unadjusted weighting	Population only	Existing exports only	Dairy approach 1: Higher weight for existing dairy exports	Dairy approach 2: Higher weight for dairy tariffs
Switzerland, Liechtenstein	Pakistan	Algeria	Morocco	Switzerland
Norway	Brazil	Sri Lanka	Switzerland, Liechtenstein	Norway
Morocco	Nigeria	Fiji	Ghana	Morocco
Bahamas	Bangladesh[+]	Bangladesh[+]	Bahamas	Guatemala*
Djibouti*	Ethiopia	Egypt	Sri Lanka	Israel
Ghana	Egypt	Nigeria	Fiji	Turkey
Israel	Dem. Rep. of the Congo	South Africa	Guatemala	Djibouti*
Saint Lucia	Turkey	Papua New Guinea[+]	South Africa	Iceland
Guatemala*	Iran (Islamic Republic of)	Switzerland	Bangladesh[+]	Sri Lanka
Fiji	United Republic of Tanzania	New Caledonia^	Norway	Fiji
South Africa	South Africa	Jordan	Egypt	Ghana
Maldives	Kenya	Iran (Islamic Republic of)	Djibouti*	Panama
Grenada	Uganda	Mauritius	Saint Lucia	Bahamas[+]
Sri Lanka	Argentina	Brazil	Nigeria	El Salvador
Saint Vincent and the Grenadines	Algeria	Pakistan	Algeria	Bangladesh[+]
Barbados	Sudan^	Trinidad and Tobago[+]	Panama	Costa Rica
Bangladesh[+]	Ukraine	Turkey	Barbados	Dominica*
Panama	Afghanistan	Cuba	Grenada	Bhutan[+]
Turkey	Morocco	Morocco	Turkey	Jamaica
El Salvador	Angola	Sudan^	Trinidad and Tobago[+]	South Africa
Nigeria	Mozambique	Libya^	Maldives	Nigeria
Egypt	Ghana	Norway	El Salvador	Algeria
Trinidad and Tobago[+]	Yemen*	Jamaica	Jamaica	Iran (Islamic Republic of)
Papua New Guinea[+]	Nepal	Ghana	Saint Vincent and the Grenadines	Dominican Republic
Côte d'Ivoire	Venezuela (Bolivarian Rep. of) [+]	Georgia	Guyana	Ecuador
Jamaica	Madagascar	Guatemala*	Papua New Guinea[+]	Côte d'Ivoire
Guyana	Cameroon	Yemen*	Côte d'Ivoire	Trinidad and Tobago[+]
Seychelles	Côte d'Ivoire	Azerbaijan	Dominican Republic	Guinea[+]
Guinea	Niger	Israel	Mauritius	Saint Lucia
Algeria	Sri Lanka	Maldives	Iran (Islamic Republic of)	Madagascar
% of trade outside FTAs 73.4%	**59.6%**	**88.3%**	**78.0%**	**62.3%**

Meat approach: Higher weight for existing meat exports	Manufacturing approach: Higher weight for non-ag tariffs	Investment approach: Higher weight for FDI as % GDP	Digital approach: Higher weight for digital import share
Switzerland	Djibouti*	British Virgin Islands^	Switzerland
Norway	Bahamas+	Cayman Islands^	Norway
Fiji	Barbados*	Switzerland	Bahamas+
Bahamas+	Guatemala*	Bahamas+	Ghana
South Africa	Morocco	Norway	Morocco
Barbados*	Sri Lanka	Morocco	Saint Lucia
Ghana	Ghana	Saint Vincent and the Grenadines	Grenada+
Egypt	Fiji	Barbados*	Israel
Saint Lucia	Saint Lucia	Fiji	South Africa
Trinidad and Tobago+	Tunisia	Grenada+	Guatemala*
New Caledonia^	Maldives	Seychelles	Trinidad and Tobago+
Turkey	Dominica	Mozambique	Maldives
Jordan	Saint Vincent and the Grenadines	Ghana	Saint Vincent and the Grenadines
Jamaica	Bangladesh+	Djibouti*	Guyana
Mauritius	Grenada	Guyana	Nigeria
Papua New Guinea+	Algeria	Maldives	Turkey
Lebanon	Bhutan	Panama	Seychelles
Morocco	South Africa	Saint Lucia	Fiji
Iran (Islamic Republic of)	Egypt	New Caledonia^	Mozambique
Gabon+	Iran (Islamic Republic of)	Liberia+	Panama
Djibouti*	Nigeria	Mongolia	Jamaica
Israel	Switzerland, Liechtenstein	Israel	Egypt
Guatemala*	Madagascar	Jamaica	New Caledonia^
Maldives	Jamaica	South Africa	El Salvador
Grenada+	Antigua and Barbuda	Saint Kitts and Nevis	Sri Lanka
Sri Lanka	Guinea	Belize	Brazil
Saint Vincent and the Grenadines	Trinidad and Tobago+	Costa Rica	Bangladesh+
Ukraine	Côte d'Ivoire	Guatemala*	Antigua and Barbuda
Panama	Pakistan	Lebanon	Guinea+
Bangladesh+	Tunisia	Madagascar	Costa Rica
% of trade outside FTAs 65.8%	**68.0%**	**29.3%**	**62.9%**

+ denotes tariffs used are simple average MFN applied; * denotes simple average final bound; ^ denotes no tariff data available.

SOURCE: SENSE PARTNERS

SENSE PARTNERS

DATA LOGIC ACTION