



# The Heritage Foundation Executive Memorandum

No. 806

March 26, 2002

## WHY THE UNITED STATES SHOULD NEGOTIATE A TRADE AGREEMENT WITH NEW ZEALAND

*SARA J. FITZGERALD AND AARON SCHAVEY*

If the United States is to maintain its leadership role in the global market, it must demonstrate its commitment to free trade. The recent decision to apply tariffs on steel imports has left U.S. leadership in question. The Bush Administration should now take steps to re-establish U.S. credibility by advancing global trade. Beyond exerting leadership in the current World Trade Organization (WTO) round, the Administration should begin negotiating new bilateral free trade agreements.

U.S. Trade Representative (USTR) Robert Zoellick should take advantage of the opportunity provided by this week's visit by New Zealand's Prime Minister, Helen Clark, to pursue a bilateral free trade agreement with New Zealand. The United States and New Zealand have an established friendship and both maintain a strong commitment to economic freedom, democracy, and the rule of law. Moreover, because New Zealand maintains high standards regarding labor, the environment, and human rights, none of these issues will present a stumbling block in negotiating a trade agreement. Negotiating with New Zealand will reinforce U.S. leadership in the global arena, further the market liberalization goals of the Asia-Pacific Economic Cooperation forum (APEC), and enhance prospects for a Global Free Trade Association (GFTA).

**Expanding the Global Market.** Although 95 percent of New Zealand's imports are duty-free and its average weighted tariff is just 0.7 percent, a bilateral trade agreement would remove non-tariff

barriers that hinder U.S. exports. The largest economic gains from a bilateral free trade agreement would come from removing barriers on agricultural goods. Each side has something to give. The United States should reduce barriers on dairy products, while New Zealand should relax sanitary and phytosanitary standards on U.S. agricultural products. Reducing agricultural barriers in the New Zealand market would greatly benefit U.S. farmers, who currently export crops produced on one of every three cultivated acres.

The Bush Administration should do its part to spur these negotiations by liberalizing the U.S. agriculture market and reducing market-distorting subsidies. Such action not only would benefit the economies of the United States and New Zealand through increased trade, but would also help to further establish President Bush's reputation as a strong supporter of free trade.

In addition to agriculture, many other American industries would benefit from a trade agreement with New Zealand. The U.S.–New Zealand Council

---

Produced by the  
Center for International Trade  
and Economics (CITE)

Published by  
The Heritage Foundation  
214 Massachusetts Ave., NE  
Washington, D.C.  
20002-4999  
(202) 546-4400  
<http://www.heritage.org>



This paper, in its entirety, can be  
found at: [www.heritage.org/library/  
execmemo/em806.html](http://www.heritage.org/library/execmemo/em806.html)

---

estimates that a trade agreement would increase U.S. merchandise exports to New Zealand by approximately 25 percent. However, even more important than the free trade agreement's economic benefits for the U.S. economy is the momentum for trade liberalization that it could generate throughout the world. For example, The Heritage Foundation has made a proposal to promote free trade among countries that share similar institutions by establishing a Global Free Trade Association. New Zealand, which maintains low trade barriers, is open to foreign investment, and has secure property rights and low levels of regulation, would qualify for GFTA membership—as would the United States and 11 other countries: Australia, Chile, Denmark, Estonia, Finland, Hong Kong, Iceland, Ireland, Luxembourg, Singapore, and the United Kingdom. At present, the United States does not maintain a free trade agreement with any of these countries. A U.S.–New Zealand free trade agreement could lay the groundwork for the United States to negotiate additional trade agreements with other countries and could serve as a model to jump-start GFTA negotiations among the other qualifying countries.

In addition, a U.S.–New Zealand free trade agreement could stimulate greater progress toward free trade within APEC, a regional association of 21 countries, of which the United States and New Zealand are founding members. APEC members have utilized a number of different strategies to catalyze trade negotiations in an effort to achieve the goal of “free and open trade and investment in the Asia Pacific by 2010,” but, thus far, have not made significant headway.

The proposal to grant President Bush Trade Promotion Authority (TPA), which passed in the House but is yet to be passed by the Senate, would greatly enhance the prospects for a U.S.–New Zealand free trade agreement. TPA would give the President the authority to negotiate a trade agreement and would ensure that the agreement would subsequently be subjected only to a straight up-or-down vote by Congress and that its stipulations would not be changed. Although it is possible that a U.S.–New Zealand free trade agreement could be achieved without TPA, this mechanism would significantly facilitate and expedite negotiations between the two countries.

**Conclusion.** As *The Wall Street Journal* recently noted, “The loudest proponents for free trade—the U.S. and the leaders of the European Union—have refused to open their markets to New Zealand’s best products.” The United States’ recent moves toward protectionism have not escaped the attention of the world. This undermining of the credibility of America’s commitment to free trade must be addressed. As a partner to only three of the 131 trade and investment agreements that currently exist throughout the world, the United States can give evidence of its commitment to free trade by liberalizing its market and by actively pursuing bilateral trade agreements. A trade agreement with New Zealand will help start this process and will further strengthen a long-standing friendship between the two countries.

—Sara J. Fitzgerald and Aaron Schavey are trade policy analysts in the Center for International Trade and Economics at The Heritage Foundation.