

# TRADE

Building a Stronger Economy



## Building our exports

Enhancing and growing New Zealand's international trade links and opportunities is a key part of our plan to build a stronger economy and create more jobs with higher incomes.

New Zealand has always been a trading nation, with our productive sector and niche companies providing the world with high-quality unique products. As efficient producers with a small domestic market, our focus has to be on the rest of the world.

### Improving competitiveness in our markets

To achieve this we need to have smart strategies in place on a number of fronts. In today's world, economic and political power is shifting rapidly. New Zealand's sound relationships with our traditional partners in Europe, North America, and Australia need to be complemented by high-quality relationships with the emerging economies – China and India in particular.

National has made early progress in improving New Zealand's access to other countries' markets.

However, there is still much work that can be done to improve the competitiveness of New Zealand exports in key markets, encourage companies to take advantage of the opportunities they have, and secure an advantageous position for the longer term.

To do this, we need better coordination of core New Zealand strengths – this is the key idea informing the Government's 'NZ Inc' country strategies.

*“National will lead at least 28 high-level trade missions to Asian countries over the next three years to expand trade and business links. We will also continue to pursue high-quality trade agreements, including the Trans-Pacific Partnership and bilateral free-trade agreements.”*

## Key facts

- Refocused NZTE on its customers – Kiwi exporters.
- Signed free trade agreements with Hong Kong and Malaysia, and started negotiations with Russia, Belarus and Kazakhstan, India, and Korea.
- Led high-level trade missions to Mexico, China, Brazil, Hong Kong, the Gulf States, and India.
- Grown exports to our major trading partners.
- Developed the first NZ Inc Strategy to expand trade with India.

## Related policies

- Finance
- Economic Development

## National has...

### Boosted our trade network

- ✓ Refocused New Zealand Trade and Enterprise (NZTE) with a new organisational strategy and refreshed leadership. NZTE now concentrates on its customers and on leveraging the most value from our international resources.
- ✓ Reviewed Government agency operations off-shore to ensure we have a connected, cooperative 'NZ Inc' approach to our work overseas. As a result of the review, we have embarked on a programme to establish NZ Inc Country Strategies.

#### NZ Inc Country Strategies

NZ Inc Strategies are centralised plans that set priorities for New Zealand's operations in our key markets.

The strategies aim to strengthen our economic, political and security relationships with countries and regions, encourage people to people links and two-way investment.

- ✓ Announced the first NZ Inc Strategy for India.

### Promoted free trade agreements (FTAs)

- ✓ Continued New Zealand's programme of reaching bi-lateral FTAs.
  - Signed FTAs with Hong Kong, Malaysia, and ASEAN.
  - Started negotiations with Russia, Belarus and Kazakhstan, India and Korea.
- ✓ Progressed the Trans-Pacific Partnership (TPP).

Recently, leaders of the nine countries in the TPP agreed on the broad outlines of the FTA,

at a meeting hosted by US President Barack Obama in Honolulu on the fringes of the APEC summit. The Deputy Prime Minister Bill English represented New Zealand.

The announcement is an important milestone. It signals broad outlines – including progressive tariff elimination and an end point of full market access – and a strong political commitment from leaders.

Leaders are committed to a high-quality agreement. This negotiation is genuinely about free trade and getting trade rules that work for exporters.

- ✓ Worked hard to make sure we are making the most of our existing FTAs. New Zealand has a comprehensive array of FTAs. We have already seen the results – New Zealand exports to China at year end June 2011 totalled \$5.6 billion, up 90 per cent on 2008.

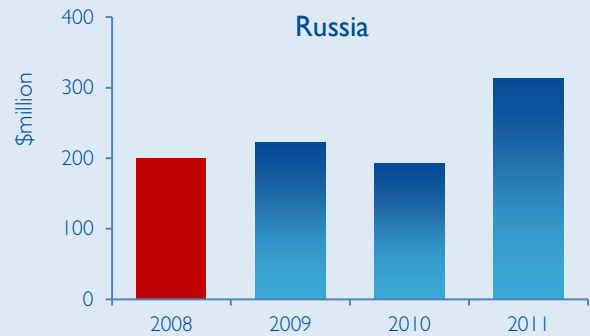
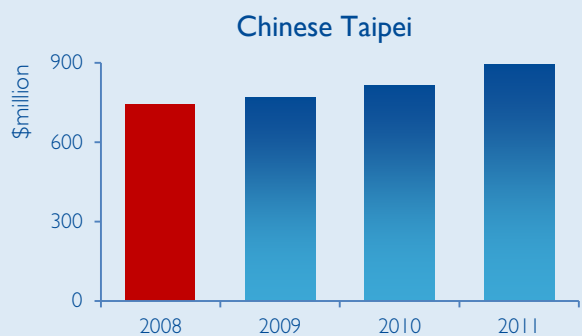
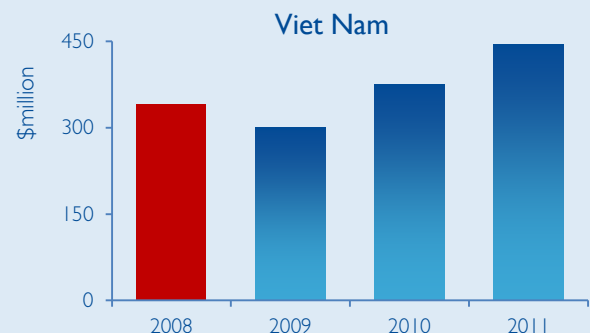
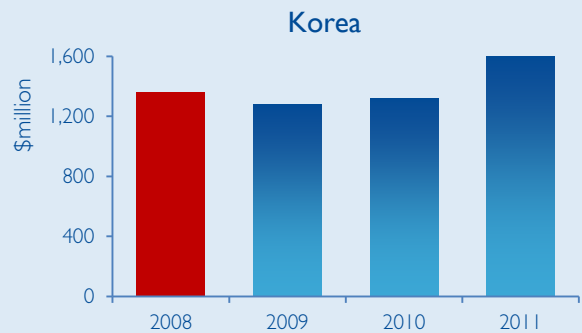
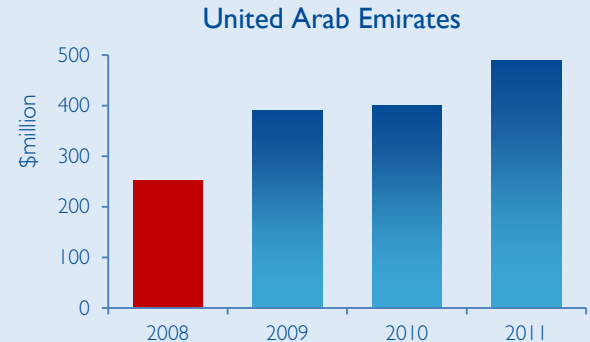
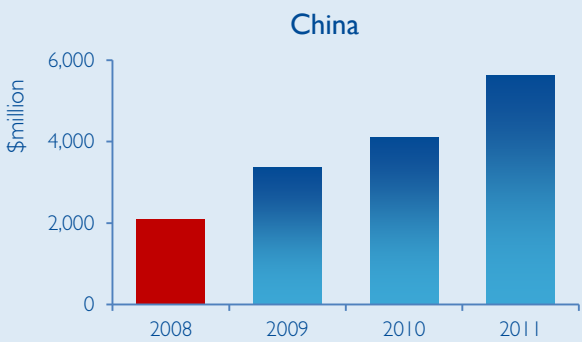
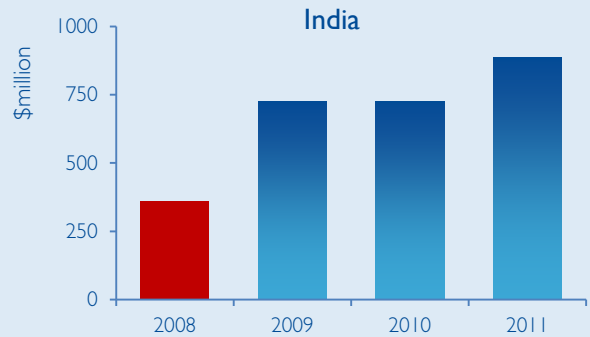
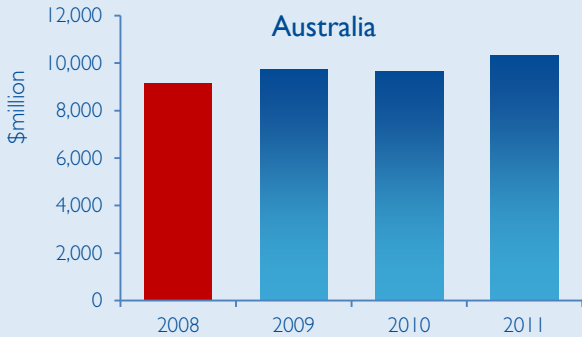
### Supported trade missions

- ✓ Carried out an extensive programme of engagement to promote our exports. Ministers have led trade missions to Mexico, China, Brazil, Hong Kong, the Gulf States, and India, and extensively supported New Zealand companies on bilateral visits, in places as diverse as Singapore and New York. These efforts have raised the profile of New Zealand exports and assisted our exporters in these markets.
- ✓ Taken real advantage of the Shanghai Expo. The 2010 Expo was one of the most successful efforts New Zealand has made off-shore. The business leveraging and communications programmes built around our participation were effective and rewarding for those businesses involved.

# Our results so far

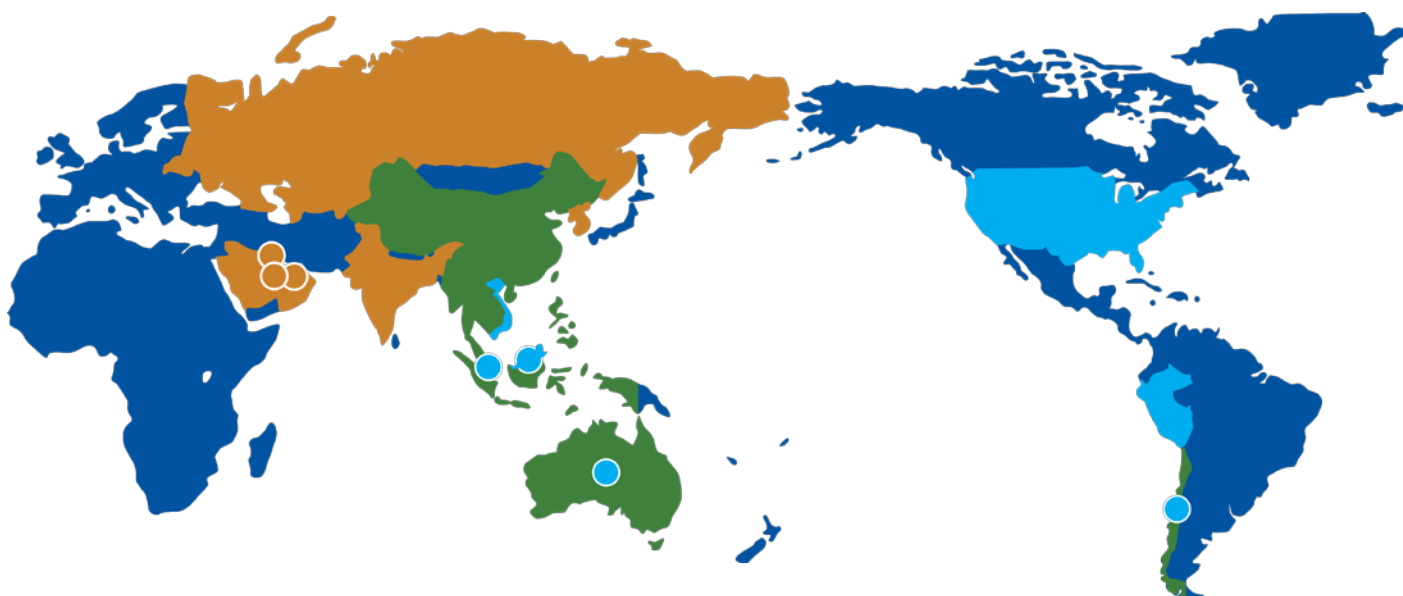
## Growing exports to our trade partners

All dates are for years ending 30 June



Source: Statistics NZ: Global New Zealand – International Trade, Investment, and Travel Profile – Year ended June 2011

## More free trade agreements



### FTAs in place

Australia, Brunei, Chile, China, Hong Kong, Malaysia, Singapore, Thailand, ASEAN.

### FTAs being negotiated

Korea, India, Russia, UAE, Bahrain, Saudi Arabia, Oman, Qatar, Belarus, Kazakstan.

### Trans Pacific Partnership

Brunei, Chile, Peru, the United States, Viet Nam, Australia, Singapore, Malaysia.

## The NZ Inc India Strategy

New Zealand's exports to India are growing rapidly. India is currently New Zealand's seventh-largest export market, earning \$917 million in the year to March 2011.

Only three years ago, India was this country's 24<sup>th</sup>-largest export market.

On 20 October 2011, John Key launched the National-led Government's NZ Inc Country Strategy for India.

The Strategy sets ambitious medium-term goals and provides a clear direction for the whole-of-government effort over a five-year period.

It will be the first of a number of such strategies..

The NZ Inc India Strategy identifies six strategic goals for furthering New Zealand's ambitions for its relationship with India. Each goal is focused, demanding, and precise – a benchmark against which success can be measured.

The six strategic goals are:

1. Grow merchandise exports to at least \$2 billion by 2015.
2. Grow services trade by 20 per cent per year.
3. Improve the bilateral investment framework and facilitate growth in the investment relationship.
4. Attract and retain skilled migrants from India.
5. Engage more deeply with India on regional and global issues.
6. Raise the profile of New Zealand's value proposition in India.

## What we will do next...

### I. Pursue further high-quality trade agreements

→ Continue to focus on completing successful bilateral FTAs out of our on-going negotiations.

New Zealand has on-going negotiations with Russia, Belarus and Kazakhstan, India, Korea and the Gulf Co-operation Council, as well as the TPP negotiations.

National will work as swiftly as possible to bring each of these negotiations to a quality conclusion, and will not settle for sub-standard agreements.

→ Conclude a quality TPP agreement, while ensuring New Zealand's best interests are served.

New Zealand's trade with the Asia-Pacific region has been growing rapidly in recent years, with Australia and Asia now taking over 60 per cent of our exports.

The United States is our third-biggest export market, and a high-quality free-trade deal could deliver the same kind of export growth we have seen out of our deal with China.

Recent progress on the fringes of the APEC meeting in Honolulu was substantial and encouraging – and adds real political momentum to concluding a quality result.

However, any deal must be in New Zealand's best interests. National has stated that we think the Pharmac model works very well and we will not trade it away just to get a conclusion to the TPP deal.

→ Focus quickly on outcomes when an opportunity arises in the WTO to move forward on the Doha Round.

A National-led Government would continue to put high priority into this formal negotiating agenda and will creatively explore any opportunity that arises to re-energise the global trade negotiations in the WTO.

→ Continue to look for new opportunities for New Zealand in the FTA space.

While our preference will always be for a comprehensive multi-lateral progress via Doha, in the meantime we must move on with an agenda of bi-lateral deals.

## What we will do next...(continued)

### 2. Boost trade missions

- Develop a comprehensive programme of Government-led trade delegations to China, India, and ASEAN.
- Target at least 28 high-quality trade missions led by sector Ministers over the next three years.

Experience in Asia and India has shown the strong link between business and political partnerships in of these countries.

During the Shanghai Expo, six business delegations went to China led by sector Ministers.

Our trade with China has grown massively over the past three years. In the year to June trade was up 90 per cent on 2008. That period has coincided not just with the FTA, but also with a high tempo of Government-led trade missions.

This shows that while the Government can put in place the architecture to allow freer trade, we must also take a role in ensuring New Zealand can make the most of those agreements.

Trade missions have been around for a long time, but the most recent experience in Asia has shown that Government-led missions are a vital part of opening doors in Asia for New Zealand businesses.

Successful missions have also been to Mexico, Brazil, and the Gulf States.

Government Ministers can gain access that businesses alone cannot. We need to leverage the opportunities this allows.

National will develop a programme of trade delegations, led by relevant sector Ministers, to undertake a comprehensive agenda of visits to emerging markets in Asia and other key areas.

China and India will be a priority, but we will also focus and build on the FTA we have with ASEAN to develop the opportunities we have in these markets as we have done in China.

### 3. Roll out our NZ Inc Strategy programme

- Drive our focus on NZ Inc agencies and interaction and release a series of NZ Inc Country Strategies

Our trade and economic objectives will be pursued in a more coherent and coordinated manner, with all of the NZ Inc agencies – MFAT, NZTE, Immigration, New Zealand Education, Tourism, and Defence – operating in concert, according to an agreed strategy.

These strategies will be designed market-by-market, with execution led by Ministers, and with a priority given to partnership with the New Zealand private sector.

Release of these strategies has begun with the India Strategy, and will include Australia, China, USA, ASEAN, Japan and the Gulf Co-operation Council.

## Labour would take New Zealand backwards

Labour will add 10 more costs on business and make New Zealand less competitive internationally:

- ✘ A capital gains tax on all businesses.
- ✘ A more than doubling of employer KiwiSaver costs.
- ✘ Irrigation taxes.
- ✘ A minimum wage increase that would cost thousands of jobs.
- ✘ Accelerated ETS tax on the farming sector.
- ✘ Cancellation of the 90-day trial period.
- ✘ A return to 1970s industrial relations policies.
- ✘ A wind-back of National's ACC changes, meaning higher ACC levies.
- ✘ Extra transport charges.
- ✘ Lifting interest rates by borrowing an additional \$15.6 billion over four years.

**New Zealand can't afford another dose of Labour**