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Trade for All Team
Ministry of Foreign Affairs and Trade
Wellington
Via email: tradeforall@mfat.govt.nz

TRADE FOR ALL

About ExportNZ

ExportNZ is national industry association comprising of eight regional offices and representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body.

We are a membership organisation and across our two brands have approximately 2,000 members. We also have four regional partners: Employers Manufacturers Association (Upper North Island), Business Central (Lower North Island), Canterbury Employers Chamber of Commerce (Upper South Island) and Otago Southland Employers Association (Lower South Island).

Our value proposition for members is a mixture of policy and advocacy, education and training, networking, trade missions and inspiration through awards events and conferences.

Submission

ExportNZ welcomes the opportunity to submit on MFAT's Trade for All consultation.

We believe trade should, and does, benefit all New Zealanders. According to NZIER's report 'Distributional aspects of New Zealand's tradable and non-tradable sectors' from July 2018, the GDP contribution of the tradable sector made up 47 percent of the total GDP for NZ in 2017. The tradable sector accounts for \$107 billion of GDP and almost 900,000 jobs under the indirect classification approach. Overall, New Zealand's tradable sector accounts for 47 percent of New Zealand's GDP, while employing only 42 percent of New Zealand's workers. With higher labour productivity, the tradable sector can offer a higher average income compared to the non-tradable sector. Workers in the tradable sector get paid about \$3,700 more on average than workers in the non-tradable sector. 68 percent of tradable workers are employed in industries that pay over \$50,000 on average, compared to 53 percent for non-tradable workers. And although not everyone is employed in NZ's tradable sector, there are halo effects through wider economic growth, given many of our exporters also sell their goods and services domestically, and employees of exporting companies will spend the majority of their income locally.

We believe that the above also demonstrates the importance of supporting New Zealand's tradable sectors to grow, as it will improve employment opportunities and incomes. While business can be left to do business, for the Ministry of Foreign

Affairs and Trade, this involves opening more market access through free trade agreements, and ongoing work on non-tariff barriers.

We have outlined our specific comments on the various aspects of trade below.

International trade rules

In this time of such geopolitical and trade uncertainty, especially given the moves by the US to impose tariffs and not appoint judges to the World Trade Organisation's appellate body, we believe that New Zealand's role in supporting an open, rules-based global trading system is more important than ever. We applaud MFAT for the work you are doing in this area and believe it is in the best interests of all New Zealanders that this continues.

As a country that relies heavily on trade for economic growth, and therefore the economic wellbeing of our citizens, it is important that we continue to support wherever possible the rules-based system, the regional and global public goods and open plurilateralism. We see embedding NZ in the regional economic architecture as a key part of this strategy to do our bit to influence the global trading system.

Free trade agreements

We absolutely support New Zealand pursuing more high-quality free trade agreements. Opening up market access for NZ goods and services allows for more options and opportunities for exporters, and it is important for government to support business in this way.

We support the current process of consultation – it allows all parties to contribute to the process and should bring to mind ideas and issues that may not have otherwise been thought of. We welcome the comprehensiveness of recent agreements especially covering new global trends such as e-commerce.

We note there is a tension between keeping stakeholders informed of the details of a negotiation while not giving away the negotiations strategy to those we are trying to do deals with. We observe that more information has been publicly available in large economies like the US or EU, and we would hope that MFAT could share more information to trusted groups of stakeholders that would respect the requirement of confidentiality.

We would note that while an FTA goes a long way to improving market access, ongoing work on the reduction of non-tariff barriers in these markets is also important. These can be just as prohibitive as tariffs before an FTA coming into effect. We applaud the Government's work on NTBs to date but these need to remain a priority for our exporters to continue to succeed internationally.

Sustainable development

As we know, New Zealand is very geographically removed from the rest of the world. As goods make up 70 percent of the total value of our exports, these exporters rely on competitive production and transport rates in order to get their products to market. As NZ begins to examine a transition to a low-emissions economic future, thought needs to be given to costs and the impact on our ability to remain globally competitive when selling our products.

While we agree improvements can be made to New Zealand's emissions, it's important to note that our efforts will only have a global impact if the larger emitters (United States, China, etc) buy in to reducing their emissions at a similar pace. From a trade perspective, we would advocate that New Zealand needs to be in lockstep with the rest of the world in terms of emissions reductions, rather than a leader, in order to maintain our global competitiveness. There will not be much point in levelling the playing field with FTAs that eliminate tariffs if we have made our exporters uncompetitive due to climate policy related costs that other countries' businesses are not facing. That would result in carbon leakage and worse outcomes for the global climate. MFAT trade negotiators should cross reference the work they are doing on FTAs with New Zealand's approach to climate change negotiations vis a vis other countries, to ensure we maintain our global competitiveness.

Our FTA negotiations could be used as an opportunity to further the Government's goals of a low-emissions economy. We would note that this would lie outside the immediate scope of our trade policy and negotiations and should be re-evaluated in order to take a better integrated approach.

Women's economic empowerment

Trade, as with all aspect of the economy, should support women's economic empowerment. We note from NZIER's report 'Distributional aspects of New Zealand's tradable and non-tradable sectors' from July 2018 that women are less likely to be employed in the tradable sector. Women account for 40 percent of the tradable sector workforce, compared to 57 percent of the non-tradable sector. However, it is worth noting that this does not necessarily mean there are barriers to female participation in the tradable sector – it may be due to different qualifications, skills and preferences between males and females.

Our biggest export sectors have historically been primary commodity and manufacturing sectors, which have lower rates of female participation. As our economy diversifies and our services exports grow, we expect this to change. We also note that the internet and digital trade have lowered the barriers to entry and therefore, more women are opening their own businesses.

The Maori economy

New Zealand tends to do well out of trade deals because our biggest exports (dairy, meat, fishing, forestry, horticulture) also tend to face the largest tariffs. The reason Maori will do so well out of FTAs is because they are large owners of these assets. The Maori ownership of agriculture, forestry and fishing in 2013 was over \$10 billion, a close to 30% share. They have 40% of fishing quota, 10% of Kiwifruit, 30% of lamb production, 36%of forestry, 10% of dairy production and the list goes on.

All this is very good news for the New Zealand economy because Maori do not tend to sell their assets – they re-invest for future generations. This will mean in the future they are our globally competitive New Zealand-based multi-nationals (investing here and overseas). In a small economy a long way from our markets, we would struggle to build companies to this size otherwise.

It's also important to remember that trade is not just about the exchange of goods. It is about the exchange of ideas, of services, people skills and of people themselves via increased tourism and education. These are all good things and all contribute to the New Zealand economy, and Maori are important players in all these areas.

Regional economic development

Trade is obviously very important to regional development. According to NZIER's report 'Distributional aspects of New Zealand's tradable and non-tradable sectors', Tasman and Nelson, Marlborough, Hawke's Bay, Gisborne and Southland have the highest proportion of tradable sector workers in the country (above 50 percent). With over 50 percent of workers in these regions working in the tradeable sector, and no doubt a high proportion throughout NZ's other regions, trade is vital to New Zealand's regional economic development.

For the most part, New Zealand's high production of agri-based products has contributed to this regional economic growth. As we start to consider lowering emissions in the agri-sector, the regions need to think more about how they can develop broader trade-exposed industries in order to ensure foreign investment continues.

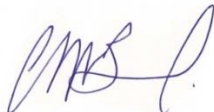
Small and medium enterprises

As a membership organisation that is made up largely of SMEs, ExportNZ knows first-hand the challenges SMEs face while exporting. A lot of our SMEs do very well overseas, but this has not come easily. Common challenges our members face include non-tariff barriers, finding trusted partners in market and gaining sufficient investment to push through delayed payments, cash-flow issues etc.

The work that Government agencies undertake to support exporters is important but sometimes businesses need to grow here first in order to not fail on their export journey. Government needs to be careful not to wave exporting support and financial assistance in front of businesses who need to grow here first. We are seeing a growing number of tools available to assist potential exporters in ensuring they are in the best position to export effectively, and this should continue.

Thank you for the opportunity to submit on the Trade for All consultation, and we would welcome the opportunity to contribute further to the discussion.

Yours Sincerely,



Catherine Beard
Executive Director
ExportNZ