

ExportNZ's 2023 Pre-Election Report:

State of Play for New Zealand's Export Sector



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Foreword:

The health of New Zealand's export sector is crucial to the state of our country's economy. Since the beginning of the COVID-19 pandemic, New Zealand has experienced ballooning trade deficit and this cannot continue. It is vital, then, that the next Government pays attention to the issues and the opportunities that our exporters see in both the short and long term to ensure New Zealand returns to a trade surplus.

There have been plenty of challenges over the past three years that exporters have had to contend with. As we continue to reconnect with the rest of the world and recover from the impact of COVID-19, exporters now face the possibility of a global recession, slowing consumer demand, increasing non-tariff barriers, and tension between two of our largest trading partners.

This report pulls together the advocacy work from ExportNZ and the BusinessNZ Network for the past 24 months, results from our ExportNZ DHL Export Barometer Survey, a series of pre-election engagements ExportNZ held around the country earlier this year, and feedback from our 2023 All-Of-Government Roadshow.

We've outlined a number of issues, both specific to New Zealand's export sector and to the wider business community that continue to cause bottlenecks to growing New Zealand's exports and the domestic economy.

Along with identifying the issues, we're also proposing solutions to help create a high-value economy that provides quality, high-paying jobs and sustains New Zealand's international reputation for producing high quality low-emissions goods and services.

Our intention with this document is to provide all political parties in New Zealand, with a better understanding of the issues and opportunities New Zealand's exporters are facing and how the next Government can work with the sector to ensure the New Zealand economy continues to grow.

Ngā mihi nui,



David Boyd

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Export New Zealand



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Trade Rules! By the Numbers:

International trade matters to New Zealanders. Exporting from New Zealand is critical to the success of our businesses and economy. The next Government needs to build on the work of previous Governments to support New Zealand's export sector,



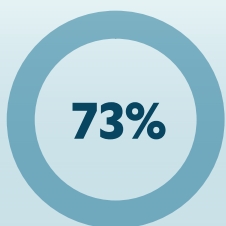
New Zealand's total export value for 2022 was \$89.9 billion (24 per cent of total GDP). Two-way trade in 2022 was valued at \$197.0 billion (51 per cent of total GDP).

Goods export grew 13 per cent to \$72.0 billion, while services exports rose 28 per cent to \$17.9 billion.



Non-Tariff Barriers (NTBs) cover 83 per cent of New Zealand exports and have an annual compliance cost of over \$12 billion.

In June 2018 (latest data source available), 628,000 New Zealand workers (approximately one in four), worked to produce goods or services for export.



Including the EU FTA, Free Trade Agreements now cover approximately 73 per cent of New Zealand's current trade.

The performance and quality of our export sector as well as our advocacy for the rules-based system are important elements of New Zealand's "soft power" influence.

Key Recommendations:

- Ensure that adequate funding is available through Government programmes for SME capability-building for exporting.

 - Increase assistance for exporters to participate in international tradeshows by implementing a comprehensive approach that includes some financial backing and facilitating collaboration among New Zealand delegates to make a strong New Zealand Inc group.

 - Continue New Zealand's active participation in international organisations and consistently advocate for the inclusion of non-tariff barrier discussions on the agenda.

 - Advance infrastructure projects that are of national significance in building capacity and resilience in New Zealand's supply chain.

 - Work between government and Industry to build a long-term NZ Inc. strategy to strengthen New Zealand's bilateral relationship with India, with a binding, comprehensive free trade agreement as the goal to build towards.

 - Support exporters to explore and access new markets by leveraging our recently signed free trade agreements CPTPP, NZ-UK FTA, and EU-NZ FTA (once in force).

 - Continue to pursue high-quality, comprehensive free trade agreements, to assist in building new markets for New Zealand businesses and to provide improved resilience and choice around market access.
- Continue to advocate strongly on the world stage for the rules-based trading system, the resumption of the World Trade Organisation Appellate Body, and the importance of maintaining our multilateral bodies.

 - Analyse the work done in Australia by the Simplified Trade System Implementation Taskforce and assess the opportunities for New Zealand to establish a similar taskforce.

 - Implement policies that allow businesses to accelerate the depreciation of R&D investments and capital expenditures on property, plant, and equipment.

 - Develop a model that supports mixed food exporters that is not based on cost recovery. For the mixed food exporters there is no equivalent to the Commodity Levies Act, which helps the primary sector to co-contribute.

 - Improve the education system so that every student has proficiency in literacy, numeracy, and digital competencies from primary school.

 - Work with iwi and Māori-led export organisations to ensure the Government is appropriately supporting capability-building programme for Māori-led businesses and exporters.

 - Ensure that New Zealand's climate and emissions policies are designed to prevent carbon leakage to less efficient economies.

Supporting Exporters Through NZTE Support and Capability Building

With New Zealand Trade & Enterprise's (NZTE) COVID-boost funding due to expire at the next Budget, and the Centres of Asia-Pacific Excellence programmes being de-funded, the next Government needs to ensure that there is adequate support for Small to Medium Enterprises (SMEs) to build capability and expertise to export their goods and services.

When asked in the [2023 ExportNZ DHL Export Barometer Survey](#), what Government assistance would help Kiwi businesses with exporting, almost a third (31 per cent) of respondents wanted support to attend trade shows overseas. It is worth mentioning that the requested support for attending such events abroad does not exclusively refer to financial aid, but also to facilitating connections between facilitating connections between New Zealand enterprises attending these shows, fostering a more cohesive and collaborative New Zealand delegation.

A fifth of respondents said they wanted more help from NZTE in overseas markets. Businesses expressed to us that they believed they would derive greater collaboration with other businesses from enhanced connectivity between NZTE customer managers.

Businesses praised the NZTE investment team focused on capability building and thought that more businesses could take better advantage if those offerings were better publicised.

Our Recommendations:

- Ensure that adequate funding is available through Government programmes for SME business capability building for exporting.
- Increase assistance for exporters to participate in international tradeshows by implementing a comprehensive approach that includes some financial backing and facilitating collaboration among New Zealand delegates to make a strong New Zealand Inc group.

“There is a need to support the small fish so they can become big fish and grow the economy”

- Strengthen the networks and collaboration between NZTE Customer Managers.
- Improve Publicity and Awareness of NZTE Investment Team Offerings through collaboration with industry associations, business networks, and Chambers of Commerce to promote the NZTE investment team's offerings and reach a wider audience.



Resolving Non-Tariff Barriers

We appreciate the increased effort into resolving non-tariff barriers (i.e. through the MFAT Non-Tariff Barriers (NTBs) Helpdesk), which are significant for exporters, difficult to resolve, and often require engagement across a range of New Zealand government agencies to address.

We had feedback from exporters throughout our pre-election engagements who explained that they had lost confidence in the various government 0800 numbers. They said that they no longer bothered to call these numbers because they feel as though they were being passed along, and progress was slow.

Given the uncertain trade outlook and rising protectionism, further consideration should be given to mechanisms to address NTBs or to prevent them from occurring in the first instance (i.e. through consideration of sectoral plurilateral agreements or via organisations such as APEC). Ensuring relevant agencies are resourced appropriately to support such engagement (i.e. travel of relevant technical experts) is also critical.

Our Recommendations:

- Continue New Zealand's active participation in international organisations and consistently advocate for the inclusion of non-tariff barrier discussions on the agenda.
- Establish a dedicated task force to identify and address non-tariff barriers (e.g., technical regulations, standards, certification) that hinder exports, and work to address these.
- Encourage New Zealand exporters to report NTBs they encounter, providing a streamlined process for submission and tracking progress.
- Allocate sufficient resources and funding to support agencies in engaging with their counterparts in other countries, including travel expenses for technical experts when necessary.



Supply Chains Resilience and Reliability

ExportNZ would like to see investment in New Zealand's domestic freight and supply chain system prioritised. Domestically, no one mode of transport should be relied upon solely, and we must therefore invest holistically in roading, rail, coastal, and air transport options.

The Ministry of Transport and the Productivity Commission are currently working on ensuring our supply chain systems are more resilient to shocks and events, and this work needs to be funded and followed through on by the next Government. Stakeholders in the supply chain system, including transport and logistics providers, importers and exporters from a range of industries, industry associations, and transport unions agreed that labour shortages are among the top issues in the sector.

It is imperative to undertake further initiatives aimed at attracting New Zealanders to unfilled job vacancies, while concurrently adjusting immigration policies to acknowledge the criticality of filling these roles.

Internationally, it is vital to our exporters that New Zealand continues to actively engage with our trade partners on trade facilitation, and address non-tariff barriers and customs cooperation. Doing so can increase the speed at which goods pass through the supply chain and reduce the delays that burden our exporters. Businesses have told us that New Zealand's cross-border trade relies on outdated and complex regulation and ICT systems. Businesses said they face challenges navigating complicated and siloed import and export processes; this costs them time, effort and money.

Our Recommendations:

1. Advance infrastructure projects that are of national significance in building capacity and resilience in New Zealand's supply chain.
2. Fast track The Stella Passage Project in the Port of Tauranga should be fast-tracked through the resource consent process given the benefits to the supply chain system.
3. Invest further in upgrading and increasing coastal shipping and KiwiRail capacity to ensure domestic freight moves smoothly regionally.
4. Revise immigration policies to acknowledge and effectively respond to the pressing need to alleviate labour shortages.
5. Track the progress of Australia's Simplified Trade System Taskforce which seeks to implement a whole-of-government reform agenda to create a simpler, more effective, and sustainable cross-border trade environment.



Build on Our Current Free-Trade Agreement Success

The 2023 Export Barometer Survey shows that SME exporters overwhelmingly export most to Australia, with the US, Europe, and the UK rounding out the top four (China ranked fifth in terms of export destinations tied with the Pacific Islands).

With FTAs now completed with both the UK and EU, the next Government needs to ensure that our government agencies have the right tools to ensure businesses can take full advantage of those agreements and that trading partners continue to abide by existing commitments.

The 40th Anniversary of the NZ-Australia Closer Economic Relationship gives New Zealand a good opportunity to push for closer ties with our trans-Tasman partner.

Continue to Develop Free-Trade Relationships with New Partners

Our Trade Negotiators have done an excellent job over the past several years to sign agreements with major trading partners through the CPTPP, RCEP, and FTAs with the United Kingdom and European Union.

ExportNZ would like New Zealand to continue to push for new free trade partnerships with willing partners. Concluding existing FTAs, with favourable outcomes for New Zealand exporters, with the Gulf Cooperation Council and Pacific Alliance, while enhancing partnerships with India and the US should be the priority.

Our Recommendations:

1. Upgrade the New Zealand-Australia Closer Economic Relationship to integrate the digital economy, enable bilateral indigenous business communities to grow, and collaborate on innovative solutions to address climate change.
2. Support exporters to explore and access new markets by leveraging our recently signed free trade agreements CPTPP, NZ-UK FTA, and EU-NZ FTA (once in force).
3. Continue to modernise and upgrade our current suite of free trade agreements to ensure they keep pace with changes to the global business environment.

Our Recommendations:

1. Continue to pursue high-quality, comprehensive free trade agreements, to assist in building new markets for New Zealand businesses and to provide improved resilience and choice around market access.
2. Work between government and Industry to build a long-term NZ Inc. strategy to strengthen New Zealand's bilateral relationship with India, with a binding, comprehensive free trade agreement as the goal to build towards.
3. Work to ensure the Indo-Pacific Economic Framework for Prosperity (IPEF) delivers meaningful outcomes and addresses non-tariff barriers in the US for New Zealand exporters.

Continue to Advocate for the Rules-Based System

New Zealand exporters (from SMEs to the Fonterra and Silver Fern Farms) rely on the rules-based international trade system to ensure a fair trading environment and that gives them the confidence to export. New Zealand must be a bastion against protectionist tendencies and continue to advocate against the weakening of global governance systems that have allowed countries like ours to thrive over the past few decades. The next Government must continue to push our trading partners to revive the World Trade Organisation and reinstate the WTO Disputes Settlement process.

Enabling Digital/Paperless Trade

The benefits of enabling an end-to-end paperless trade system are clearly outlined in the NZIER paper Digital Trade is the Way Forward for New Zealand. The benefits are not only financial but will also improve export firms' productivity and connectivity.

A paperless trade system could also make international trade more transparent, predictable, and inclusive. ExportNZ would like the next Government to work with the export sector to develop a framework for paperless trade, and to continue to petition our trade partners to also implement paperless trade systems. The Government and government departments developing systems should collaborate with international organisations, such as the International Organisation for Standardization (ISO) and GS1 to develop unified standards for digital certification systems.

Our Recommendations:

1. Continue to advocate strongly on the world stage for the rules-based trading system, the resumption of the World Trade Organisation Appellate Body, and the importance of maintaining our multilateral bodies.

"New Zealand is a small trade-reliant country at the bottom of the world – we depend on a fair and balance world system in order to trade"

Our Recommendations:

1. We recommend that the MPI connect with GS1 New Zealand on the future of digital trade and certification. Global standards on how data is structured (e.g., barcodes and QR codes) allow for tracking and visibility of product movement along the supply chain.
2. Analyse the work done in Australia by the Simplified Trade System Implementation Taskforce and assess the opportunities for New Zealand to establish a similar taskforce.



Supporting Innovating Companies

We would encourage the next Government to continue to work with industry to ensure the Research & Development (R&D) Tax Incentive and the R&D Grant are accessible and leveraged to help businesses invest in innovation programmes.

Accelerated depreciation has long been on the wish list for businesses investing in R&D and Property, Plant and Equipment. During our pre-election engagements across the country, businesses expressed that Callaghan innovation had fallen off their radar, and the work that Callaghan is doing is not as visible, better partnerships with industry associations would help to ensure that the work Callaghan do is more visible to business.

Businesses also said that the fringe benefit tax rate was too high, which prevented them from offering incentives to staff like health insurance – businesses offering staff health insurance would be a win-win, as it would also help to relieve the public healthcare sector. Barriers to New Zealand companies accessing foreign direct investment also need to be reviewed to help our companies access capital to grow.

“We are competing in a global environment for companies and talent, either cut the red tape and give business the ability to invest in themselves, or look at what benefits other countries are providing their companies”

Our Recommendations:

1. Implement policies that allow businesses to accelerate the depreciation of R&D investments and capital expenditures on property, plant, and equipment.
2. Foster closer collaboration between Callaghan Innovation and industry associations to facilitate knowledge sharing and promote Callaghan services effectively.
3. Conduct a comprehensive review and modernise our overseas investment act. Streamline regulatory processes and reduce bureaucratic hurdles to attract foreign capital and encourage its flow into domestic businesses.
4. A full review of the fringe benefit tax system should be undertaken.
5. Policies should be implemented to provide career pathways and latitude for academics to go between industry and academia more fluidly, as happens in Europe.
6. We recommend a funding strategy where revenue from commercialised intellectual property stays with the owner of the IP.

Assess and Improve the Regulatory System in New Zealand for Processed Foods

We would encourage the next Government to address the barriers that continue to hold back F&B manufacturers both here in the domestic regulatory system, and overseas through fit-for-purpose Overseas Market Access Requirements (OMARs). ExportNZ wrote a paper to Ministry for Primary Industries in 2020 removing Barriers for Mixed Food Exporters, outlining several barriers that face processed food exporters that are still relevant today.

“Don’t push through regulations outside of what other countries are doing, just make sure the platform is even”

Our Recommendations:

1. Support and funding for a mixed food sector specialist in MPI that is an in-house advocate and champion.
2. MPI to produce a food safety certificate for mixed food exporters that is more meaningful for the customers in market, not just a market access certificate.
3. Develop a model that supports mixed food exporters that is not based on cost recovery. For the mixed food exporters there are no equivalent to the Commodity Levies Act, which helps the primary sector to co-contribute.
4. Ensure all the Government websites are joined up – along with OMARS and FYI’s.



Staffing and Labour Shortages

Exporters need a wide variety of skills, some we can develop in New Zealand and some we need to source from overseas - exporters should be able to easily access both.

The latest ExportNZ Export Barometer showed that a quarter of all respondents (24 per cent) are struggling with labour shortages and a further 5 per cent also struggling with finding staff in overseas markets.

Equally, exporters need an education system that gives young people the tools and skills they need to enter the workforce. Exporters are willing to take on apprentices and trainees, but these people need to have a certain level of skill and capability to be able to operate efficiently and effectively.

The next Government needs to implement an open, simple, permissive, and predictable immigration system to help employers attract the talent they need. To support the export sector's workforce needs, the Accredited Employer Work Visa scheme should be simplified. This can be achieved by removing labour market tests and wage rules, which will make it easier for skilled migrants to transition between accredited employers. This flexibility will help exporters quickly access the talent they require, supporting their growth and competitiveness in international markets.

"We can't sell it if we don't have people to make it"

Our Recommendations:

1. To facilitate export-focused businesses, the Government should implement open, simple, and predictable immigration settings.
2. ImmigrationNZ needs to collaborate closely with employers and migrants to effectively implement these settings, and adequate staffing and funding should be provided to ensure efficient processing.
3. Accredited Employer Work Visa scheme should be simplified by removing labour market tests and wage rules.
4. Improve the education system so that every student has proficiency in literacy, numeracy, and digital competencies from primary school.
5. Ensure the RSE Scheme is mutually beneficial with more permissive but socially responsible labour and immigration settings to boost business confidence, allow for growth and investment and support us to produce high quality produce.
6. Increased funding for regulators to prosecute worker exploitation and strengthened regulatory processes to uphold employer accountability.



Support the Māori Economy

ExportNZ believes that international trade can have a significant and positive impact on the lives of Māori where one in four Māori jobs derive directly from international trade.

ExportNZ supports the unlocking of the Māori export potential as an important contributor to NZ Inc. Māori own a significant proportion of assets in the primary exports sector: 50 per cent of the fishing quota, 30 per cent in Lamb production, 30 per cent in sheep & beef production, 10 per cent in dairy production, and 10 per cent in kiwifruit production. Māori are investing for both current and future generations and will be the businesses of scale in the New Zealand economy as a result. The next Government must continue to support Māori economic development to improve outcomes for the Māori and New Zealand economy.

“The potential in the Māori economy is massive, to grow them is to grow the New Zealand economy and especially in the regions”

Our Recommendations:

1. Work with iwi and Māori-led export organisations to ensure the Government is appropriately supporting capability-building programme for Māori-led businesses and exporters.
2. Work with iwi to de-risk lending for multiple-ownership structured businesses, similar to the New Zealand Export Credit Office initiative.



Supporting Exporters Transitioning to a Carbon-Zero Future

Consumers continue to list sustainability as an important part of their decision-making process, and exporters are responding to this trend. The next Government needs to continue collaborating with exporters to support the transition to net zero and identify and address barriers to reducing their carbon emissions. SME exporters, especially, need support to access and invest in low-emissions technology, machinery and personnel. A compelling narrative supporting the sustainability credentials of New Zealand exporters on the global stage is also critical.

“There is no standardised way to measure emissions around the world, there can be a lot of smoke and mirrors and greenwashing involved by some of our competitors overseas”

Our Recommendations:

1. Streamline regulatory barriers that hinder businesses' capacity to invest in and embrace early adoption of climate mitigation and adaptation activities.
2. Foster a market-led transition that empowers businesses to explore diverse options for emissions reduction.
3. Pursue a least-cost pathway to achieve a low emissions economy.
4. Ensure that New Zealand's climate and emissions policies are designed to prevent carbon leakage to less efficient economies.
5. Support the development of 'green shipping corridors' between New Zealand and our overseas markets.
6. Commit to transitioning to low emissions maritime fuels and infrastructure to help decarbonisation and protect the value and reputation of New Zealand goods exports.



About Export New Zealand

ExportNZ is a national industry association 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 not-for-profit membership organisation and have approximately 2,000 export members around the country.

ExportNZ advocates for, inspires, connects, and celebrates New Zealand exporters. We aim to build a thriving ecosystem that supports each other.

We are exporters helping exporters.

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. Notably, we run a BusinessNZ Chief Technology Officers Group, incorporating the largest innovation-driven companies in New Zealand, many of which export.

Our Team

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