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Services and Digital Trade
The Next Frontier for New Zealand's Export Competitiveness

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Overview

One of the clearest messages from the WTO Public Forum was that the distinction between goods, services and digital trade is becoming increasingly narrow. Services and technology now underpin almost every stage of international commerce, from product development to financing, logistics, and certification through to customer delivery.

Future export competitiveness will not depend only on negotiating market access or improving physical trade infrastructure. It will increasingly depend on whether New Zealand businesses have the technology, skills, digital infrastructure and regulatory environment required to connect efficiently into international markets.

This is particularly important for SMEs. Digital platforms have dramatically reduced the cost of finding customers and establishing a presence overseas, but access to a platform is not the same as being able to trade successfully across borders. Businesses still need to verify themselves, receive payment, move data, comply with regulation, fulfil orders and settle transactions.

The discussions in Geneva therefore point to a broader conception of trade infrastructure. Ports, roads and airports remain fundamental, but cloud capability, connectivity, digital identity, payment systems, cybersecurity, trusted data flows and paperless border processes are increasingly part of the infrastructure that enables New Zealand firms to export.

Key Recommendations for Business New Zealand

- Increase advocacy on digital trade facilitation issues.
- Identify areas of work especially for the services export sector.
- Work with the MFAT FTA Boost team to ensure trade remains accessible, exporters are participating in markets, and that they are utilising FTAs.
- Continue to advocate for multilateral/plurilateral rules in the digital trade space.
- Improve relationships in the services export and digital trade facilitation sectors to better understand the opportunities, issues, and shortcomings in policy work.

Services increasingly underpin all trade

Services trade was at the centre of this year's Public Forum, and it was noted that services are increasingly embedded throughout goods production and global supply chains.

Financial and payment services enable transactions. Telecommunications and IT connect businesses and customers. Maritime transport and logistics move goods. Engineering, testing and certification allow products to meet regulatory requirements. Software, cloud services and data increasingly sit inside both production processes and the products themselves.

The discussion on supply chain resilience reinforced this point. Services help businesses coordinate fragmented production, monitor supply chains, identify alternative suppliers, manage inventories and assess risk. A physical exporter can therefore be highly dependent on services capability even where its final export is a manufactured or agricultural product.

New Zealand should consequently be cautious about treating goods exports, services exports and digital trade as separate economic policy agendas. Increasingly, competitiveness in one depends on capability in the others.

From market access to participation

The discussion *Market Access to Participation: MSMEs in Digital Trade* was a useful framework for thinking about this challenge. One panellist described the MSME digital trade journey as a value chain: discovery, identity, payment, fulfilment and settlement.



Digital platforms have substantially improved the discovery stage. A small New Zealand business can find customers and build visibility in overseas markets at a cost that would have been impossible for previous generations of exporters. But once a transaction needs to move across borders, barriers can pop up.

Business verification may not be recognised in another market. Logistics systems still need to deliver a physical product. The list of digital barriers can go on and on and any one of these barriers can prevent an otherwise viable transaction from occurring.

The practical implication is that New Zealand's trade policy should look beyond whether an exporter technically has access to a market and look at whether that business can participate efficiently once the market has been opened.

Digital trade facilitation matters to SMEs

Many of the digital trade rules discussed in Geneva can appear highly technical: electronic invoicing, paperless trade, digital business identity, online fraud systems, data flows and recognition of electronic documentation. Regardless of whether or not businesses understand them, these rules can directly determine the cost and complexity of exporting.



Smaller businesses may never know the name of the e-Commerce Agreement, but provisions that reduce paperwork, enable electronic transactions and make systems work more consistently across borders can save time, money and administrative effort.

One proposal raised during the MSME discussion was mutual recognition of digital business identities. A business that has already verified its registration and identity domestically could have those credentials recognised in participating overseas markets. The broader principle is important: trusted information should be portable where possible rather than requiring businesses to repeat the same processes market by market.

This is where digital trade facilitation becomes a competitiveness issue rather than a technical trade-policy issue. Reducing friction across identity, payments, documentation, data and border processes lowers the fixed cost of internationalisation, which matters most to smaller firms.

Interoperability rather than uniformity

A related theme across the services and AI discussions was interoperability. Businesses are not necessarily asking countries to adopt identical rules for privacy, cybersecurity, data, AI or digital identity. Governments will make different policy choices. The commercial problem arises when those systems cannot work together.

A well-respected services trade advocate highlighted examples of small, cloud-based businesses whose ability to scale internationally depended on cloud access and cross-border data flows. Regulatory divergence, data localisation requirements and different compliance regimes can create costs that a multinational may absorb but that can make an international market uneconomic for a small exporter.

The objective should therefore be sufficient trust and interoperability between regulatory systems. International standards, mutual recognition, adequacy and other mechanisms can allow countries to retain their own policy settings while reducing unnecessary duplication for businesses.

For New Zealand, this is particularly important. Our businesses generally need to operate across multiple international markets to achieve scale. A highly fragmented digital environment raises the cost of doing so and can erode some of the market-access advantages secured through trade agreements.

AI raises the stakes for New Zealand

Artificial intelligence was a major part of the services discussion because it accelerates both the opportunity and the need for strong digital foundations. The Asia-Pacific panel highlighted investment by governments in national AI strategies, computing capacity, data centres, skills and supporting ecosystems. Malaysia was one example discussed of a country making a deliberate effort to build the capability and support network needed for wider AI adoption.

The message was that an AI strategy cannot sit in isolation. Businesses need access to cloud infrastructure, reliable connectivity, computing capability, energy, skills, cybersecurity and trusted data. They also need regulation that provides confidence without unnecessarily preventing firms from operating across borders.

For New Zealand, we need to ensure that businesses across the economy will have access to the technologies and infrastructure that allow them to use AI to become more productive, manage international complexity and compete with businesses in markets investing heavily in these capabilities.

AI adoption has the potential to be a great leveller, particularly for SMEs, by giving smaller businesses access to capabilities and efficiencies previously available only to larger companies. But this will only happen if they have the tools, skills and support to adopt it effectively. Otherwise, AI risks becoming another source of competitive disadvantage, widening the gap between businesses that can take advantage of it and those that cannot.

AI may also help address some of the complexity confronting exporters. Better use of technology can help businesses monitor regulatory changes, manage documentation, analyse supply chains and navigate multiple markets. But New Zealand firms will only capture those benefits if the underlying digital capability is available and affordable.

Technology infrastructure is trade infrastructure

New Zealand traditionally thinks about export infrastructure in physical terms: ports, roads, airports, freight capacity and energy. Those remain fundamental, and there are issues we need to address here in New Zealand . But the discussions in Geneva suggest that digital infrastructure increasingly deserves to be viewed through the same trade and competitiveness lens.

Digital systems and trade facilitation all influence whether a New Zealand business can trade internationally. Weakness in these areas can create friction just as surely as congestion at a port or an inefficient border process.

This does not mean technology investment should be pursued for its own sake or that government should attempt to build every capability itself. It does mean New Zealand should take a deliberate view of the technology environment required for an internationally competitive economy, including where private investment, regulatory settings, international agreements and public infrastructure need to work together.

There is also an international dimension. Domestic technology systems should be designed with connectivity to overseas markets in mind. Digital identity, payments, data governance and electronic documentation are most valuable to exporters when they can operate across borders rather than stopping at New Zealand's edge.

Implications for New Zealand and ExportNZ

New Zealand has spent decades improving access to international markets through tariff reductions and FTAs. That remains essential, but the next generation of export competitiveness will require a broader focus on the systems that allow businesses to use that access.

First, services should be treated as a core part of New Zealand's export competitiveness, including the services embedded in and enabling goods trade. Second, New Zealand should continue supporting international digital trade rules that reduce unnecessary friction and enable trusted cross-border transactions. Third, interoperability should be a guiding principle in areas such as digital identity, payments, data governance and emerging technology regulation.

Most importantly, New Zealand needs to consider investment in technology and digital capability as part of its international competitiveness agenda. Infrastructure, skills, cloud and compute capability, cybersecurity, digital trade facilitation and regulatory settings increasingly determine whether businesses can scale internationally.

Market access remains the starting point. But opening the door is only useful if New Zealand businesses have the capability and infrastructure to walk through it. As trade becomes more services-intensive and digital, ensuring they can do so will become an increasingly important part of New Zealand's export strategy.



GSC Meeting with D-G & Senior WTO Leaders

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