
01 Building Export Markets





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Building Export Markets

The Government has committed to the following high-level goal:

Increase the ratio of exports to GDP to 40 per cent by 2025.

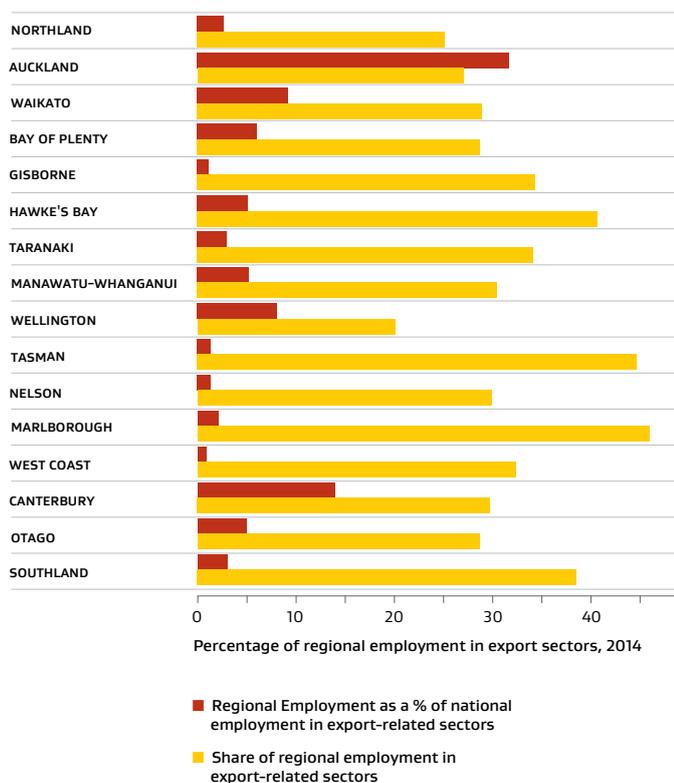
Growing more internationally connected businesses.

Internationally connected businesses offer significant benefits to our economy. They grow faster, innovate more, and bring more capital and jobs into New Zealand. They also attract skilled and innovative individuals and pay higher wages to New Zealanders. They are a critically important and valuable asset for New Zealand.

Over the past five years, New Zealand's total exports, which include pastoral-based products such as dairy, meat and forestry as well as services such as tourism, education and commercial services, have increased by 21 per cent and are now valued at more than \$67 billion. Creating an environment where New Zealand businesses are able to seize opportunities in an increasingly Asia-Pacific centred world is critically important for a prosperous New Zealand.

We have had some notable successes in a range of sectors over the past year. Since 2012 tourism has grown 21 per cent to exceed \$8 billion, with Chinese visitors spending over \$1 billion. Tourism expenditure is critically important for many regional economies

Exporting is a major source of jobs



Source: Ministry of Business, Innovation & Employment

Chapter summary

Over the next year government agencies will be working to broaden New Zealand's trade opportunities, to ensure our exporters have sustained and sustainable opportunities to grow. The key focus in these activities is to continue to add greater value to our exports through diversifying our product and market base.

We will be actively promoting trade negotiations with the EU and deepening economic linkages with Latin America's Pacific Alliance countries. We will seek to further strengthen our trade agreements with China and ASEAN countries, and will seek to successfully conclude the TPP and other current negotiations.

We will help exporters maximise the benefits of new trade opportunities in Korea and through the WTO Government Procurement Agreement. We will actively target non-tariff barriers, and continue our work to build the world's most efficient and cost-effective border management system.

Back home, NZTE and Callaghan Innovation will help to build the pipeline of export-active companies, while Tourism New Zealand and Education New Zealand will work to extend the recent growth record of New Zealand's tourism and international education industries.

New Zealand exporters have been working hard in the last several years into the headwind of a historically high New Zealand dollar. With the dollar now dropping, our exporters have the opportunity to significantly grow their contribution to New Zealand's prosperity.

such as Otago and the West Coast, where the sector accounts for between 10 and 15 per cent of regional GDP and an even higher proportion of jobs in the regions. During the same period, the economic contribution from international education increased by \$258 million to total \$2.85 billion. This increase was driven by strong growth in tuition fee income, which rose 17 per cent (\$129 million) from 2013 to reach a record \$884 million.

Information and Communication Technology (ICT) exports have grown 70 per cent since 2010 and were worth \$930 million in 2014. We can expect ICT exports to continue growing with the successful conclusion of the World Trade Organisation (WTO) Information Technology Agreement in July of this year. Once it has entered into force, the agreement, between more than 50 WTO Members including the European Union, will progressively eliminate tariffs on a range of IT related products, giving this innovative export sector more opportunities to expand.

Building Export Markets

Notwithstanding these successes, the last year has also been challenging for some sectors with slowing demand in China pushing down commodity prices – most notably felt in the dairy sector. In value terms, dairy exports fell 22 per cent over the last year, driven by a 58 per cent decline in exports to China. Currently the value of our dairy exports to China is roughly equivalent to that of 2012.

The downwards pressure on key commodity prices is a timely reminder of the need to continue to diversify both our product and market base. The active pursuit of free trade agreements (FTAs) has increased the range of countries that we can sell to and has created many new opportunities for businesses over the last 20 years. It has also strengthened our resilience in dealing with global economic challenges such as the eurozone crisis and the current softening of growth in China. By continuing to diversify our product and market base and focusing on moving our exports up the value chain, we can develop a more robust economy that is not as susceptible to commodity price fluctuation.

Significant trade policy successes over the last year include the signing of an FTA with Korea, New Zealand's sixth largest export destination, and our agreement with China to explore an upgrade of the China-New Zealand FTA. Upon entry into force, the Korea-New Zealand FTA will result in the elimination of tariffs on around 48 per cent of our exports to Korea. The China-New Zealand FTA upgrade, on the other hand, recognises the seriousness that both sides place on their commitment to the FTA remaining a modern, comprehensive, 21st century agreement. Exploring the upgrade with China is an opportunity to look at broadening the FTA to cover new issues, but also improve the quality of the current commitments in the FTA. This will ensure our businesses remain competitive with those of our trade competitors.

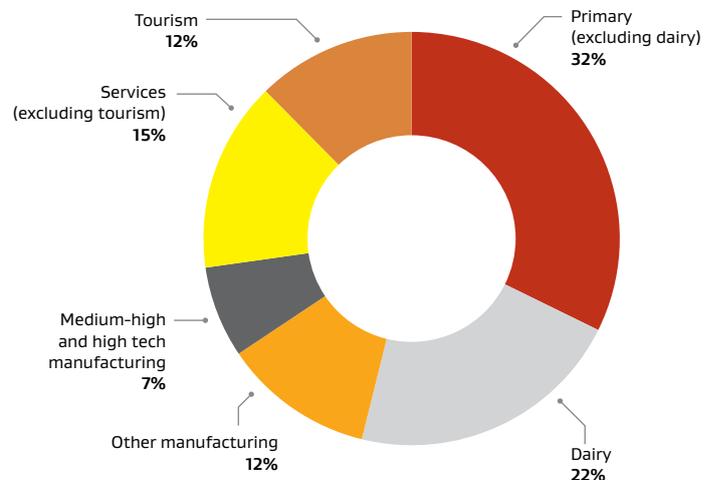
Our accession to the World Trade Organisation's Government Procurement Agreement (GPA) represents another important win, and will give New Zealand businesses enhanced access to a market worth US\$1.7 trillion (roughly equivalent to the size of the Canadian economy).

The recent decline in the value of the New Zealand dollar and falling interest rates, which are linked to the downturn in dairy prices, also present us with new opportunities for export growth. The headwinds created by a strong New Zealand dollar over a number of years have meant that New Zealand exporters have had to work hard to remain competitive in the global market place, and are now well-positioned to reap the rewards of a lower exchange rate in both new and existing markets.

We have not yet made the progress we would have liked towards our target of exports to 40 per cent of GDP by 2025. Recent technical revisions by Statistics New Zealand to the way in which the data is calculated has resulted in a shift downwards in the real export to GDP ratio for the last few decades, although this has had little impact on its growth rate. Economic activity in domestically-focused sectors (such as construction in Christchurch) has also been strong, making it difficult to increase our ratio of exports to GDP. In addition to this we face a difficult external environment with the growth of global trade volumes continuing to slow post-Global Financial Crisis and competition for new markets increasing. It's increasingly clear that a significant lift in our export performance is still required if we are going to meet our goal.

We therefore need a greater focus on adding more value to volume: building on our traditional primary sector strengths to capture greater value-add and supporting the development of high value, premium, knowledge-intensive businesses.

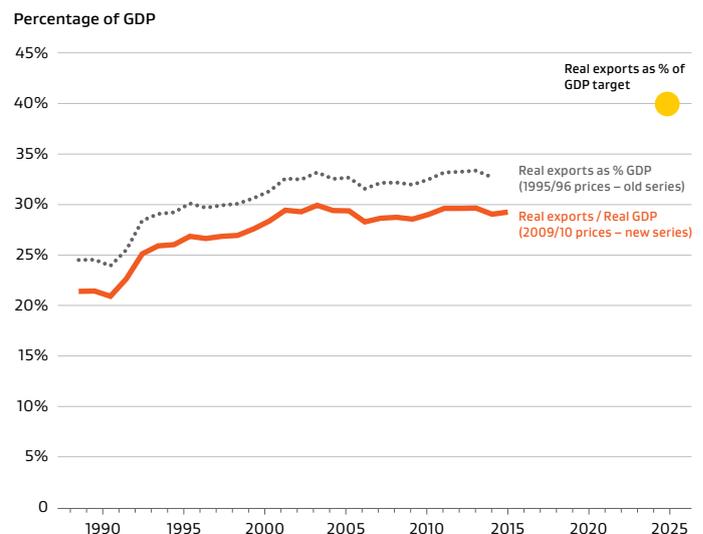
New Zealand's exports in the year to March 2015



Note: Other manufacturing is defined as textiles, clothing and footwear manufacturing; furniture manufacturing; jewellery and silverware manufacturing; not including dairy processing (which is captured in "Dairy") or food (captured in "Primary").

Source: Statistics New Zealand (March years)

Tracking our progress toward the exports to GDP target



Note: In December 2014, Statistics New Zealand revised the way in which data is calculated, resulting in a shift downwards in the real export to GDP ratio. The graph shows our progress according to revised methodology as well as the previous methodology.

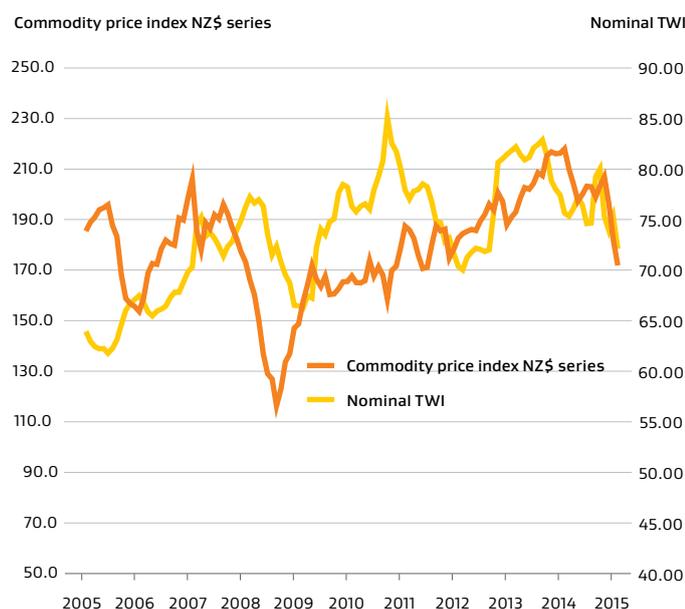
Source: Statistics New Zealand (March years)

Exporting provides business with access to new and bigger markets, as well as an entry into internationalised business networks and global value chains. These opportunities have supported greater specialisation and the development of new export streams, in both the high-value manufacturing and commercial services sectors.

This transition is underway. Exports of processed primary products, such as infant formula, have been growing at an annual average rate of 8.2 per cent per annum over the last 10 years compared to 4.3 per cent growth in unprocessed products. New export streams have also emerged with the value of commercial services exports growing 8 per cent per annum since 1995 compared to 4 per cent for goods. These new exports are now valued at an impressive \$4.6 billion.

Building Export Markets

Commodity prices affect the value of the New Zealand dollar



The burden of scale, however, remains significant for New Zealand businesses, warranting an active role for Government in assisting New Zealand companies to grow offshore. The Government's investment of an additional \$69 million over four years into New Zealand Trade and Enterprise (NZTE) has already resulted in an increase in the number of companies it intensively works with. This additional assistance provides scope for more companies to shift their focus towards making the most of global opportunities by NZTE assisting to manage the challenges inherent in operating from a small and distant market.

In the future, global growth will be increasingly driven out of the Asia-Pacific rim. We are well positioned to take advantage of our proximity with many fast-growing markets within a single long-haul flight from New Zealand. Our geographic location, which positions us between the growing regions of South America and Asia, will allow businesses to connect easily with markets in both continents. Recent Air Service Agreements (ASAs), which support direct flights to Argentina, have further opened South America to New Zealand businesses, creating the potential for production chains that bridge Asia and South America via New Zealand.

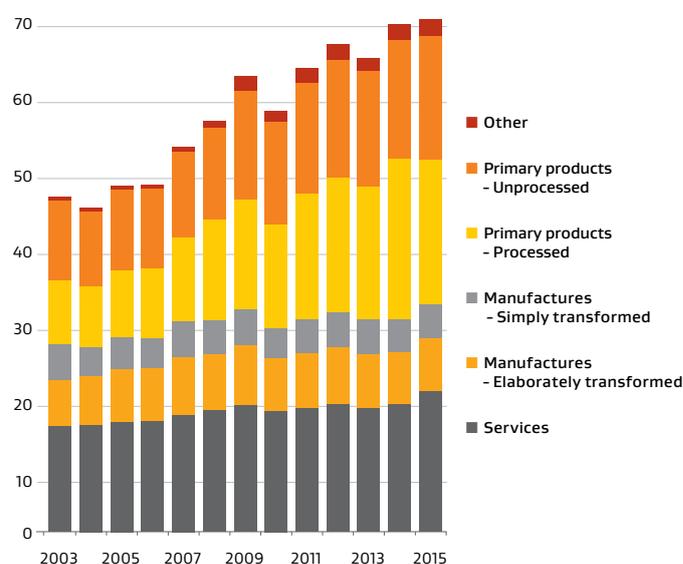
Underpinning this shift in global growth are our established trade and investment relationships with developed country partners, such as the US and EU. We continue to work to modernise and leverage these relationships to improve our access to the innovation, skills and capital which will in turn support growth with newer markets.

The Māori economy, now assessed to be worth some \$42 billion, is increasingly gearing up to participate more directly in new and developing export markets using Māori strengths in relationship building and cultural identity to carve out a unique proposition for New Zealand.

With emerging economies increasingly looking for safe food and high quality services, New Zealand's reputation will remain a critical component of our international marketing. The power of the consumer is growing in many of our major markets, and these consumers attach value to our guardianship of the environment

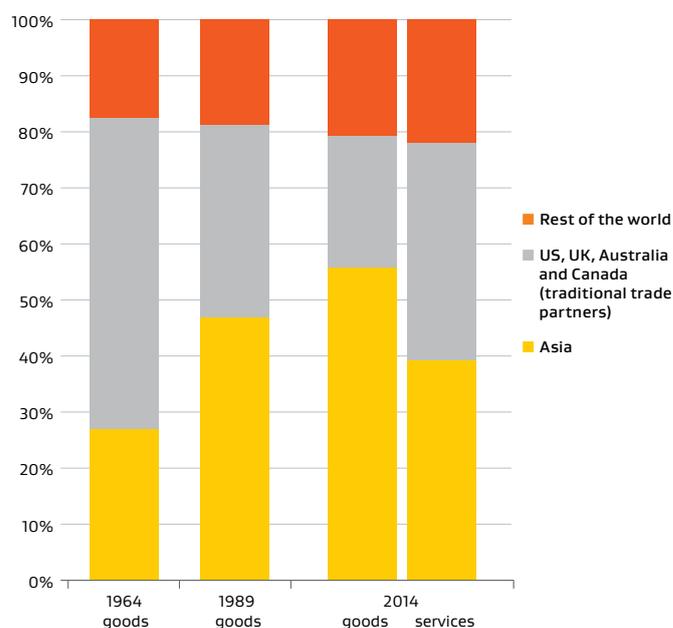
We are adding value to volume

New Zealand Exports, NZ\$ billions



Note: Classification differences mean that this graph has slightly different sectoral percentages to the graph on page 13 titled "New Zealand's exports in the year to March 2015"

Our trade is increasingly focused on Asia-Pacific



Note: The data providing a breakdown of trade in services by region is only available from 2007 onwards

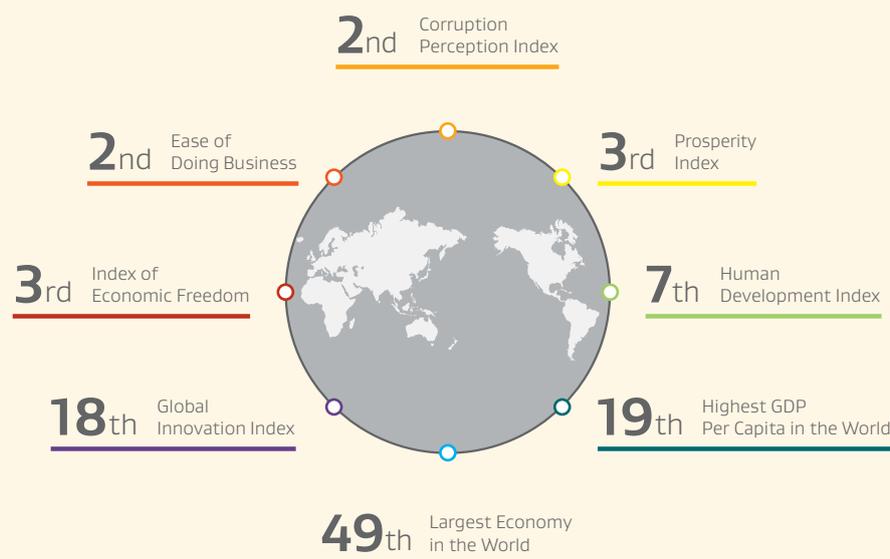
and reputation for quality and integrity. We need to build on those strengths at the same time as leveraging those assets to drive price premiums.

As a government, our goal is to support the development of a diverse range of high-value, internationally connected businesses able to seize opportunities in an Asia-Pacific centred world.

Major milestones achieved over the last year include:

- **Signing of the Korea-New Zealand FTA**, which marks the conclusion of our 10th FTA, will eliminate tariffs on 48 per cent of exports upon entry into force.
- **Increasing exports with Taiwan by over 15 per cent** following the entry into force of ANZTEC (the Agreement on Economic Cooperation between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu).
- **Agreement to explore an upgrade of the China-New Zealand FTA** will ensure that access to our second largest market, worth over \$10 billion in 2014, continues under favourable conditions. As a result, New Zealand businesses entering China will remain competitive to those of our trade competitors.
- **Accession to the WTO Government Procurement Agreement**, which gives New Zealand businesses enhanced access to a new market worth over \$1.7 trillion.
- **Significant growth in tourism** with the number of tourism arrivals breaking 3 million per annum, and tourism earnings exceeding \$8 billion for the first time.
- **Significant growth in the international education industry** with enrolments reaching the highest levels since 2004. The estimated value of New Zealand's international education industry has increased by \$258 million to reach a total value of \$2.85 billion.

New Zealand – ready to seize opportunities



- **Increasing the number of companies intensively serviced by NZTE** by 100 to reach a total of 625 companies, with a focus on ICT, Māori and high value food and beverage companies with demonstrated capability to grow internationally.
- **Increasing New Zealand's footprint in the ASEAN region** and in other emerging markets. NZ Inc. agencies have increased their staff numbers in Singapore, Jakarta, Ho Chi Minh City and Yangon, as well as in the Middle East and South America.
- **Continuing to roll out Trade Single Window (TSW)** with additional functionality that allows trusted traders to manage some of their own information online including the creation of client and supplier codes.
- **Concluding an Air Services Agreement with India** that provides for the airlines of each country to code-share on airlines from third countries. This will enable Air New Zealand to work with its Star Alliance partners, Singapore Airlines and Air India, to boost travel between India and New Zealand.
- **ICT exports have increased in value by \$384 million** since 2010 to reach a total value of \$930 million in 2014. IT design, consulting and development services alone were worth \$357 million in 2014.
- **Integration of the NZ Story** into company websites, events, marketing collateral, client presentations, promotional videos, with over 2,400 registered users downloading over 14,000 items such as images, videos and logos.
- **Creating Seafood and Wine versions of the NZ Story** to assist these sectors as they shift from a volume to a value proposition offshore.

Next steps

To deliver on our vision of growing businesses that are internationally connected and able to add value to volume and seize opportunities for New Zealand in an increasingly Asia-Pacific centred world, the Government will focus its efforts over the next year on the following seven key areas:

1. An ambitious free trade strategy

Minimising barriers to the flow of goods, services, capital, ideas and people across borders is critical to achieving our export goal. Over the next year, we will refresh New Zealand's Trade Policy Strategy to enable our exporters to seize opportunities presented by new markets and sectors when they arise. By actively updating our strategy to reflect the changing global environment, we will help ensure the New Zealand economy is well-positioned to ride out economic shocks, and that our approach to trade policy and negotiations supports the structural shifts required to make the most of new opportunities. These include pivoting towards emerging economies such as those in South America, and fine-tuning our negotiating framework to ensure we are getting the results we need from agreements. As part of this, we are putting increased emphasis on modernising our trade and investment frameworks with partners capable of boosting our access to innovation, skills and capital, such as through the FTA we are seeking with the European Union (EU). Our trade strategy also includes a deepening of our relationship with ASEAN economies, strengthening and building upon already existing trade relationships. Through our participation in negotiations to conclude the Trans Pacific Partnership (TPP) agreement and the Regional Comprehensive Economic Partnership (RCEP) agreement, we will ensure New Zealand remains an integral part of a more integrated Asia-Pacific region.

To ensure we remain ahead of the pack, we must constantly work to better leverage those FTAs already in place and address emerging issues that have become more prominent in global trade. This will include further embedding and updating agreements already in effect by strengthening regulatory cooperation and making the most of scheduled reviews. This ensures existing agreements remain current and fit for purpose. An example of this effort can be seen with China and New Zealand agreeing to launch a "joint assessment mechanism to upgrade the China-NZ FTA" in a manner that recognises the strong growth and increasing sophistication of the trade and investment flows between our two countries.

To maximise the impact of our trade strategy, it is critical we retain a strong New Zealand agency presence in foreign markets to help our exporters do business overseas. A reinforced offshore presence allows us to help New Zealand businesses assess the risks and opportunities, identify routes to market, find distribution partners, identify potential customers, understand nuances in the market, evaluate competition, set up their overseas presence and resolve access problems when they occur. Adopting an all-of-government approach represents a major investment to assist our exporters make the most of the increasing number of opportunities that can be found within a single long-haul flight from New Zealand.



Spot
light

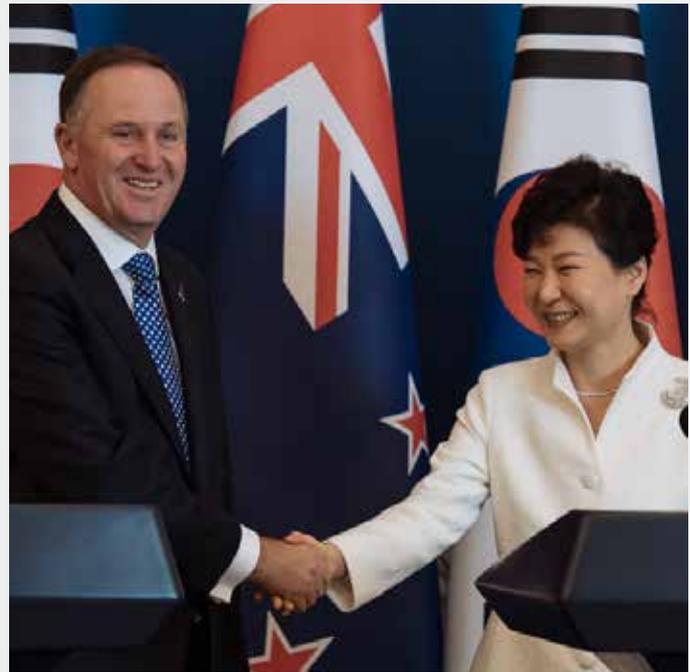
The Korea-NZ FTA

Korea is New Zealand's sixth largest export destination for goods and services, and eighth largest import source of goods and services, with total two-way trade of \$4 billion in the year ending December 2014.

Korea has a number of FTAs in place with some of New Zealand's key competitor countries. These FTAs have, over time, eroded the competitiveness of New Zealand exporters with, for example, 15 per cent tariffs in the wine industry putting New Zealand at a significant disadvantage against competitor countries such as the EU, United States (US), Chile and Australia.

On entry into force of the Korea-New Zealand FTA, tariffs will be eliminated on 48 per cent of our current exports and duties, with all tariff reductions largely implemented within 15 years. In the kiwifruit industry alone, tariffs will be eliminated from their current 45 per cent within five years of entry into force of the agreement, opening up significant new opportunities for trade.

The FTA will create new service opportunities in both markets, and offer improved market access commitments and protections for New Zealand investors in Korea. It will also provide a mechanism through which to deepen cooperation between our countries in a number of other areas, including in the primary sector and on issues related to labour and the environment.



2. Maximise the benefits to exporters of our trade agreements

FTAs and other trade agreements provide better access to markets. But they can only deliver on the promise of better access if New Zealand exporters utilise and leverage the FTAs available to them. This means exporters need to ensure they are claiming the preferences to which they are entitled (i.e. the lower tariff rate offered through the FTA). With the conclusion of each new trade agreement, the Government actively works to promote awareness of the agreement so that businesses, including small and medium-sized businesses, are able to take advantage of the concessions offered, or access granted, by recently concluded free trade agreements.

An example of this can be seen in the Government's focus on promoting uptake of the WTO GPA, which came into effect on 12 August 2015. In order to promote the benefits offered by the GPA, including access to a \$1.7 trillion market in government procurement, NZTE is holding a series of roadshows and trade missions to raise awareness of the GPA. NZTE will also facilitate in-market initiatives to introduce foreign government buyers to New Zealand exporters. Similarly, we are actively working to promote the Korea-NZ FTA to exporters so that they are ready to take advantage of its concessions once the agreement has entered into force.

Alongside its work implementing FTAs, the Government is committed to reducing regulatory barriers that inhibit trade, and prevent businesses from fully realising their export and internationalisation potential. Focusing both domestically and offshore, agencies across



Government are working together to identify and prioritise regulatory issues that are hindering our exporters' efforts. In order to make this process more efficient and to ensure the best outcome for exporters, the Government will create a single cross-agency group that can coordinate efforts in this area, and identify new ways Government can reduce barriers to exports. This could include amending domestic regulations as well as ensuring that trade commitments made by other countries to New Zealand are enforced, including through litigation where necessary. For example, New Zealand will continue its WTO dispute settlement litigation against Indonesian agricultural import restrictions, which have resulted in a 90 per cent decline in beef exports to Indonesia.

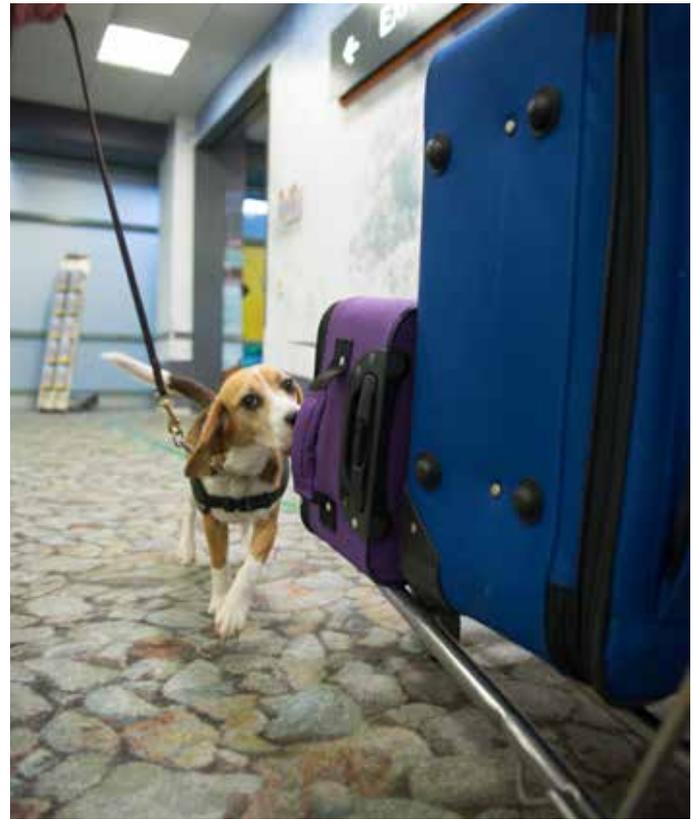
Building Export Markets

3. Develop the world's most efficient and cost-effective border management system to support trade and people flows

Our borders and border services are a critically important element of our overall efforts to grow trade and travel, while managing the risks this presents. How well we carry out these functions matters for export competitiveness, which relies on efficient supply chains, as well as New Zealand's attractiveness as a place to do business and as a travel destination.

New Zealand's success in growing trade and travel is placing increased demand on our border services. The border agencies (New Zealand Customs Service, Ministry for Primary Industries and Immigration) are working together to ensure we maintain and enforce a world class border management system that is cost effective to operate and for business to use. We will also ensure that New Zealand is protected from potential harm – including biosecurity risks, terrorism, people smuggling, the activities of organised trans-national criminal groups and the impact of imported drugs.

There are opportunities to consider how we give our trade partners greater assurance that they can 'trust' goods that originate in New Zealand and improve the travel experience for arriving passengers. Assurance will provide New Zealand exporters with greater access into overseas markets and with less disruption from overseas customs or security administrations. This includes exploring the possibility of Trusted Trader and Trusted Traveller schemes to facilitate more effective and efficient flows of goods and passengers.



Spot
light

Māori business internationalisation

The value of the Māori asset base is now \$42.6 billion, an increase of \$6 billion since 2010. However, average productivity of the Māori asset base remains below that of the overall New Zealand economy and exports from Māori-owned businesses account for just 5.5 per cent of the value of New Zealand's total exports. There is significant potential to lift the productivity of the Māori asset base leading to improved profitability and export performance that will strengthen Māori economic wealth and provide increased opportunities for Māori.

He kai kei aku ringa – the Crown-Māori Economic Growth Partnership – includes several recommendations to support Māori business internationalisation and export growth, including Te Puni Kōkiri support for Māori focused trade missions, and Government agencies collaborating on a range of projects to unlock the potential of Māori-owned assets. Te Puni Kōkiri's Māori Business Facilitation Service supports export-ready Māori businesses, including Māori Small and Medium Enterprises, through business advice, mentoring and networking opportunities.

Te Puni Kōkiri and NZTE are supporting increased collaboration amongst Māori businesses, particularly in the food and beverage sector, which includes the Indigenous Cuisine Cluster and the Miere Honey Cluster. NZTE is also working to lift Māori capability in the export sector and raising the profile of the Māori contribution to the New Zealand economy. This includes sponsoring the He kai kei aku

ringa award for Māori Excellence in Export as part of the 2015 New Zealand International Business Awards.

The private sector is also playing a vital role to support Māori business development. Groups such as Poutama, an independent charitable trust established to provide business development services to Māori, and the Federation of Māori Authorities (FOMA) have played a significant role in helping Māori firms lay the groundwork to successfully internationalise and grow.

Efforts to increase the internationalisation of Māori businesses and associated export-led growth are complemented by government funding and support for innovation, particularly within the Māori primary sector. This includes the Government's Te Pūnaha Hiringa Māori Innovation Fund as a key initiative to support Māori collectives increase the productivity of their assets through innovation.



Building Export Markets

4. Grow NZTE's portfolio of export-active companies

In today's market, New Zealand companies need to be competitive on a global scale. Market entry is tough and unforgiving, and even though global trends such as advances in communication technology can help to reduce barriers to trade, scale and distance remain significant challenges to businesses. To reduce this burden, NZTE aims to increase the impact of our support to businesses in order to help them on their international journey.

NZTE will continue to evolve its services suite to deliver maximum impact to firms wanting to grow internationally. NZTE will grow the number of firms it works intensively with to 700 (the F700), using NZTE's core implementation methodology, the Customer Way, with a focus on early stage ICT, Māori, and premium food and beverage companies.

As well as growing the number of companies NZTE works with intensively, it will strengthen the pipeline of future F700 companies, many of which are based in regional New Zealand. NZTE and Callaghan Innovation are launching a refreshed Regional Business Partner Programme to help to build the pipeline of innovative regional export companies and make it easier for businesses to understand the support they can access from the regional partners. Co-location of business support services in regional business hubs will create a 'one-stop shop' for businesses. NZTE will work to actively identify and support companies with the hunger and ambition, capability and capacity to embark on their global journey.

NZTE is also working to identify and support firms willing to work together to grow internationally. By working together companies are more likely to overcome global challenges and the barriers of scale. We intend to increase our efforts to support and co-invest in business-led go-to market coalitions of companies.

Through the Government-to-Government (G2G) Know How Office, NZTE and MFAT are also promoting and selling New Zealand Government IP and expertise to offshore government clients, often working in partnership with New Zealand private sector firms.

5. Growing international education

The international education sector is one of New Zealand's key export earners, and it plays an important role ensuring New Zealand's workforce has the skills and abilities required for a globally competitive economy. New Zealand's international education industry experienced growth of 13 per cent in 2014 with enrolments now at the highest levels since 2004. International Education contributed \$2.85 billion to the New Zealand economy last year, supporting 30,230 jobs across the country.

Ensuring New Zealanders are equipped with the international capabilities, readiness and competitiveness required for the global economy is essential. Our future workforce needs a greater understanding of the cultures and languages of our key markets in order to effectively work with them. To ensure our next generation of workers have these skills, the Government is investing in language learning at school level and study abroad in Asia for tertiary students.

In an increasingly competitive world, we need to ensure our international education strategy is fit for purpose and is attracting students who can benefit New Zealand. We are planning to expand the Prime Minister's Scholarships for Asia to include South America, and aim to build brand ambassadors for New Zealand and develop the international marketers, traders, diplomats, and entrepreneurs of tomorrow.

Another undeclared asset is our substantial number of international alumni, both overseas and in New Zealand. Our world class education system attracts highly skilled individuals who are fluent in other languages and commercial practices. They represent a largely untapped resource for companies looking to internationalise and for public sector agencies. We are developing a new project to link our international alumni more explicitly with our international sector. The potential talent pool is large. From 2006 to 2013, a total of nearly 22,000 international students completed Bachelor's degrees in New Zealand universities, and a further 19,000 completed post-graduate degrees.



Building Export Markets



6. Increasing value to New Zealand from tourism

International tourism is a major export earner for New Zealand. Tourism directly contributed \$8.3 billion (15.3 per cent of exports) to New Zealand's GDP in the year to March 2014, and this number is projected to grow. Visitor arrivals have just passed 3 million annually and are expected to grow four per cent a year, reaching 3.75 million visitors in 2021, earning New Zealand \$11.1 billion – an increase of over 48 per cent on 2014 expenditure.

To capitalise on this success, the Government has committed to continue supporting the industry as it responds to increased demand and converts it into greater earnings. Partnerships with airlines and airports provide essential foundations for building and sustaining supply-side capacity. Tourism New Zealand and the Ministry of Business, Innovation and Employment will continue to work closely with airlines and airports to support and build direct services and in-bound seat capacity to New Zealand. The Government will also maintain and seek new agreements that support the aviation routes that are critical to developing tourism.

With demand from emerging markets set to increase and in some instances outpace demand from advanced economies, Tourism New Zealand is committed to investing early within emerging markets like India, Indonesia and Brazil. Investing ahead of the curve will accelerate the positioning of New Zealand as a high-value destination early in these markets' development.

To build growth in periods with traditionally lower demand, Tourism New Zealand is placing increased focus on promoting arrivals in the shoulder seasons. Through its Regional Growth Programme the Government will also, in partnership with local stakeholders, help leverage the potential to build tourism in regions outside of the traditional main destinations for international visitors to New Zealand.

The business events sector is a high value market for New Zealand, delivering a direct contribution to New Zealand's export earnings through the money spent by international delegates. It also acts as an economic development tool by facilitating new international business to business relationships and bringing visitors to New Zealand during off-season periods to help bridge those slow periods.

7. Develop and grow New Zealand's international marketing brand

New Zealand has a successful, well-regarded national brand. Our image is largely centred on New Zealand's natural beauty and environmentally conscious population – a result of the successful 100% Pure New Zealand campaign that has run for the past 15 years.

Governance and people anchor our reputation; however there is a lack of cultural visibility and limited knowledge of our capability in science, technology, goods and services. As our export portfolio further diversifies and we see sharp growth in services, technology and value streams within the primary sector, it is essential that we extend New Zealand's reputation beyond our current known strengths. Competitive positioning and differentiation against other advancing nations becomes increasingly necessary as we compete to supply key growth markets in Asia, the Middle East and the United States.

The NZ Story provides a comprehensive and compelling narrative to support the success of New Zealand businesses on the world stage. Successfully marketing New Zealand to buyers and influencers allows New Zealand companies to take better advantage of new export opportunities.

Investment in the integration of the NZ Story into the education, tourism and immigration marketing and activation programmes has already been successful. We are further increasing our investment in 2015 through a transfer of \$3 million from NZTE to develop and grow the NZ Story for exporters of goods and services. Building on this success, our Major Events Initiative presents an opportunity to convey a compelling story to visitors and the world. This initiative will incorporate insights from New Zealand's national brand and perception research to inform key decisions and influence our prospecting programme.

To sustain our long-term competitive advantage and grow our exports over time, we must also remain vigilant in protecting our reputation and maintaining our integrity. To mitigate against any potential threats to our reputation, we will continue to engage with the market and regulators to ensure that our laws and regulations are fit for purpose without being burdensome on businesses.

Building Export Markets



71%

71% of our total 2014 exports (goods and services combined) were sent to countries within the distance of a single long-haul flight from New Zealand – the area within the dotted line.



New Zealand has concluded trade agreements with sixteen markets located within a long haul flight from New Zealand. We have negotiations under way with nearly all remaining countries located within this range.

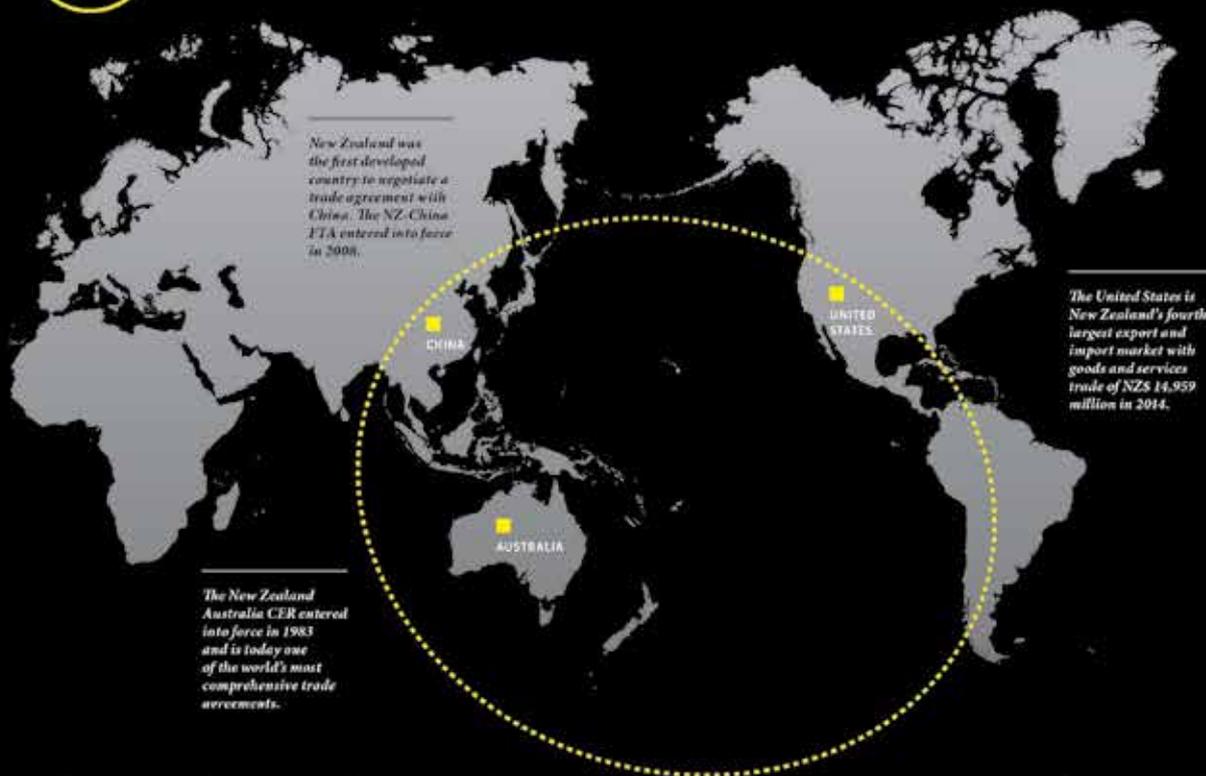
32%

14%

In the five years to December 2014 New Zealand goods exports to these markets grew 32%, whereas New Zealand merchandise exports to the rest of the world grew 14%.



WITHIN REACH OF A SINGLE LONG-HAUL FLIGHT – NEW ZEALAND 2014 EXPORTS



75%

Goods account for three quarters of the value of NZ exports to the countries closest to us, with services making up the remaining 25%. The split to countries further afield is 70% goods and 30% services.



New Zealand is well-placed to benefit from our relationship with Asia as consumers in the region begin to shift from middle-income to high-income brackets.

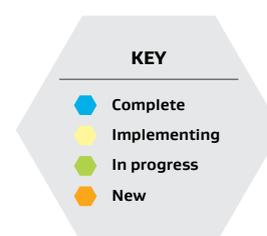


77% of total foreign direct investment (FDI) in New Zealand is sourced from markets within a single haul flight.

Project update

We have now completed 44 projects in the Export Markets workstream. This report adds 23 new projects. We have 17 existing projects in progress and 4 in the final implementation phase.

BUILDING EXPORT MARKETS					
	All actions	New	In progress	Implementing	Completed
Status June 2014	64	3	19	17	25
Status September 2015	87	23	16	4	44



Projects and progress

Action	Lead agencies	Status	Comment
Ambitious free trade strategy			
Prepare and publish an updated trade strategy for New Zealand	MFAT	New	Over the next year officials intend to refresh New Zealand's Trade Policy Strategy to ensure that our approach to trade and trade negotiations continue to support exporters and the New Zealand economy.
Complete negotiations for the TPP agreement	MFAT	In progress	New Zealand is committed to finalising an agreement as soon as possible that provides commercially meaningful access opportunities across the region for New Zealand exporters and investors. TPP Ministers made substantial progress towards this goal during their recent meeting in Hawaii in July, and agreed to continue engagement over the coming period to resolve the remaining issues.
Lift our engagement and seek a strategic partnership with South East Asian nations	MFAT, NZTE	In progress	The 40th Anniversary of the ASEAN-NZ relationship is a milestone event and we are working to set a new strengthened framework for the relationship. It will lift our relationship to one of closer engagement and mutual benefit. Efforts to capitalise on ASEAN 40 are progressing well, with a number of Ministerial-led trade missions underway to coincide with ASEAN 40 celebrations.
Grow our international footprint to balance our trade interests across the Asia-Pacific region and more broadly around the world	MFAT, NZTE	In progress	The programme is on track. The Consulate General in Chengdu, China, opened on 11 November 2014 and is now operational. We have added new New Zealand Trade and Enterprise positions in countries as diverse as Colombia, Saudi Arabia, Papua New Guinea, and Abu Dhabi, and have increased our presence in the Philippines, Indonesia, Australia, the UK, Germany, the US, Spain, Chile, and China.
Launch a new push into Latin America by developing a partnership with the Pacific Alliance	MFAT	New	The Pacific Alliance (involving Chile, Colombia, Mexico and Peru) is the most dynamic integration mechanism in Latin America and makes up around one third of Latin American GDP. New Zealand is one of the most active Observer members of the Alliance, and has engaged regularly with Pacific Alliance member countries, including at Ministerial level, to explore ways to deepen New Zealand's relationship with the Alliance. Most recently this saw Minister of Trade Tim Groser participate in the Pacific Alliance Summit in Paracas, Peru in July. Supporting these efforts there has also been a parallel increase in NZ inc resources in the Latin American region. NZTE and ENZ are looking to enhance their presence in Colombia over the next year, and the Government intends to establish an embassy in Bogota in the 2016/17 financial year.

Building Export Markets

KEY: ● Implementing ● In progress ● New

Action	Lead agencies	Status	Comment
Pursuing the launch of an EU-New Zealand FTA	MFAT		The EU is New Zealand's 3rd largest export destination (and a key market for high value products and services), 2nd largest source and destination of overseas investment and 2nd largest services export market. It is a global trade and investment heavyweight – with total GDP of more than NZ\$20 trillion, a sophisticated consumer market and high levels of R&D investment. With New Zealand now one of only six WTO members not to have a preferential market access arrangement with the EU either in force or under negotiation, the case for upgrading our trade and economic relationship through negotiation of a modern, high quality, FTA is compelling. Ministers and officials are stepping up work with EU counterparts to secure a decision to launch negotiations.
Negotiate a successful FTA “upgrade” with China	MFAT		<p>Following agreement in November 2014 to explore an upgrade of the FTA, an assessment process was launched in March 2015 which is expected to take 6-8 months to complete. Known as the Joint Assessment Mechanism, the purpose of the process is to provide the basis for decisions on the guidelines of the upgrade negotiations including objectives, methodology, scope and timeline.</p> <p>Officials are working to conclude this work by October and provide Chinese and NZ Ministers a joint proposal/scope for their endorsement and announcement. Subject to endorsement, it is hoped that negotiations could commence by end of the year with a view to concluding by the end of 2016.</p>
Negotiate priority Air Services Agreements (ASAs) to build transport connections	Transport, MFAT		<p>A replacement ASA has been negotiated with India, which, among other rights, now provides for the airlines of each country to code share on airlines from third countries. An ASA has been signed with Greece and enhanced air services arrangements signed with the Philippines and Viet Nam. ASAs have now been negotiated with all six Gulf Cooperation Council members and formal signing opportunities are being pursued. A further six ASAs were negotiated in 2014 with smaller markets.</p> <p>A New Zealand delegation plans to attend the next ICAO air services negotiation conference in October 2015 at which, among other relationships, establishing new air services arrangements in Central America will be a focus.</p>
Negotiate priority Double Taxation Agreements to prevent cross-border transactions being taxed twice	IRD, Treasury, MFAT		<p>New Zealand is actively renegotiating Double Taxation Agreements (DTAs) with China, Korea and Norway, seeking to update existing agreements.</p> <p>Preliminary discussions with Australia to review the current 2009 DTA, and discussions for new DTAs with Portugal and the Slovak Republic are planned for later this year. The updated DTA with Canada, signed in 2012 to replace the existing 1980 DTA, is scheduled to enter into force for withholding taxes later this year.</p>
Implement NZ Inc country and regional strategies	MFAT secretariat, cross-agency work programme		<p>NZ Inc. strategies for ASEAN, Australia, China, India, and the Gulf Cooperation Council (GCC) are all progressing</p> <ul style="list-style-type: none"> We are currently staging a programme of events across ASEAN's capital cities to celebrate 40 years of relations, culminating in a Commemorative Summit in Kuala Lumpur in November. We are working with China on a FTA upgrade, agreed during President Xi Jinping's visit in November. The Agreement on NZ-China science and technology cooperation in April has opened opportunities for further collaboration. We are working with Australia to establish a platform for improved bilateral science and innovation cooperation. This platform will be used to build pathways for NZ's knowledge-intensive firms to access Australian markets. The Cricket World Cup was successfully leveraged to build relationships with India's business and political leaders. These relationships are now being used to strengthen trade and economic linkages, with an upcoming business mission to India in September and planning underway for leveraging Black Caps tours in 2016. The Prime Minister and Trade Minister led a business delegation on a trade mission to Saudi Arabia, Kuwait and the United Arab Emirates (UAE) in April, supporting opportunities for NZ businesses and launching initiatives such as the #whynewzealand education campaign in Saudi Arabia. Work to move the NZ-GCC FTA towards legal verification and signature continues.

Building Export Markets

KEY: ● Implementing ● In progress ● New

Action	Lead agencies	Status	Comment
Maximise the benefits to exporters of our trade agreements			
Maximise the benefits of accession to the WTO Government Procurement Agreement with roadshows and facilitation of kiwi exporters	NZTE		NZTE has planned a programme help exporters leverage and maximise the benefits of this Agreement. This includes a trade mission to the US to introduce key businesses to the opportunities offered by the GPA.
Successfully implement the Korea FTA and promote the opportunities for New Zealand exporters	MFAT, NZTE		New Zealand is well on track to complete its domestic approval process by September. However, progress through the Korean parliamentary system has been delayed, meaning that we may face a later-than-anticipated entry into force (EIF) date of the FTA. The Ministry is working closely with Korean officials to achieve EIF before the end of 2015.
Set up a cross-agency group that proactively works to reduce non-tariff barriers to trade	MFAT, MBIE, MPI, Customs		Agencies are currently undertaking a stocktake of the work to address non-tariff barriers to trade and are engaging with key industry groups and businesses. The stocktake will inform and direct the effort and activities of the cross agency group.
Target efforts to maintain existing market access and promote FTA uptake	MFAT, MBIE, MPI		<p>Agencies are continuing to work together, in New Zealand as well as in FTA markets (Thailand and Malaysia for example), to promote our FTAs and provide advice to business on FTA utilisation.</p> <p>In its first year of operation, our FTA with Chinese Taipei (ANZTEC) has seen a 15.4 per cent increase in New Zealand exports to reach \$1.15 billion in the year to 31 December 2014.</p> <p>Agencies are continuing to work together, in New Zealand as well as in FTA markets (Thailand and Malaysia for example), to promote our FTAs and provide advice to business on FTA utilisation.</p> <p>In its first year of operation, our FTA with Chinese Taipei (ANZTEC) has seen a 15.4 per cent increase in New Zealand exports to reach \$1.15 billion in the year to 31 December 2014.</p> <p>In addition, work continues to protect existing market access and reduce barriers to exports from NZ businesses. This includes enforcement of trade agreements where necessary, such as the WTO dispute challenging Indonesia's agricultural trade barriers.</p>
Conduct fit-for-purpose tests on market-facing regulatory regimes	Treasury, MBIE, MPI		<p>With the Food Act 2014 scheduled to come into force on 1 March 2016, the focus is on developing regulations to make this Act fully operational. MPI is developing a Food Safety Law Reform Bill to address recommendations of the Government's WPC Inquiry and to improve alignment of legislation across the food regulatory regime. Cabinet has signed off the policy for the Bill, which is now being drafted for introduction by the end of 2015.</p> <p>In April 2015 Ministers requested regulatory agencies take international impacts into account when designing, changing or implementing regulations. MBIE, Treasury and MFAT are working with key agencies to identify and address any issues faced in taking an international connections perspective to regulation.</p> <p>Regulatory impact analysis guidance is currently being updated to prompt agencies to take into account international impacts when designing regulatory change. MBIE is reflecting the two objectives of facilitating movement of skilled people across borders and reducing barriers to competition in its current reviews of occupational regulation regimes.</p>
Develop the world's most efficient and cost-effective border management system to support trade and people flows			
Increase the use of SmartGate at New Zealand airports to speed up people flows	Customs		The Government has committed over \$6 million to fund additional next-generation SmartGates. Nine new generation SmartGates will be installed this year, with the remaining 20 to be installed over the next 18 to 24 months.
Roll out digitally-based operating model for all visa-processing	MBIE		<p>As at June 2015, 60 per cent of visa applications by volume are able to be lodged online. eVisas for Student Visa applicants onshore and offshore and for Work and Visitor visa applicants offshore will be rolled out later in the year, along with VisaView for onshore education providers.</p> <p>Work is underway to enhance technology to allow for family groups and tour groups to apply online (similar to an applicant applying for a single visa) meaning 80 per cent of visa types by volume will be available online during 2016.</p>

Building Export Markets

KEY: ● Implementing ● In progress ● New

Action	Lead agencies	Status	Comment
Review our biosecurity system to ensure it effectively manages biosecurity risks as volumes of passenger movements and goods grows	MPI		Initial engagement with key stakeholders completed. Draft Direction statements to go to public consultation in late 2015.
Complete trade single window for exporters and importers	Customs, MPI		Continue the progressive roll out of Trade Single Window into 2016.
Establish Mutual Recognition Programmes to ensure efficient passage of New Zealand goods	Customs		Customs New Zealand is actively working with countries that make up New Zealand's top six export markets to develop security arrangements that ensure efficient passage for New Zealand goods.
Implement Border Clearance Levy to allow border management systems to adjust for changing volumes of travellers.	MPI, Customs		Public consultation is completed. Implementation expected by 1 January 2016.
Develop a Trusted Traveller and Trusted Traders border programme with key trading partner countries	MPI, Customs, MBIE, DIA, Transport		Scoping work will focus on exploring the concepts of Trusted Trader and Trusted Traveller, how to operationalise Research, Science and Technology; and address issues around infrastructure supporting trade.
Grow NZTE's portfolio of export-active companies			
Grow NZTE's number of intensively-engaged companies from 500 to 700	NZTE		NZTE has grown the number of intensively engaged companies it works with to 625. The growth in the portfolio has focused on early stage ICT, Māori, and premium food and beverage companies.
Relaunch the Regional Business Partners Programme to build the pipeline of innovative regional export companies	NZTE		The RFP for the Regional Business Partners Network is currently in the market (closes 28th August). Successful respondents will begin delivering the contracts from 1 January 2016. An official relaunch is likely to be around March 2016.
Identify and support business-led coalitions to enter new offshore markets	NZTE		Build a business-led pipeline of firms seeking to collaborate in order to enter into new offshore markets The pipeline now has 14 Active coalitions involving 114 companies that are fully formed and NZTE is supporting in-market. There are 12 potential coalitions under development.
Use G2G Knowhow office to develop commercial export opportunities for New Zealand's Public Sector intellectual property and capability	NZTE, MFAT		Over the next year we plan to expand business development activities to grow and diversify G2G income to more countries and across an expanded range of intellectual property.
Set up regional Business Hubs as a focal point for regional business growth activities and coordination of central and local government agencies	MBIE		NZTE and MBIE are investigating the feasibility of creating an initial 3-4 business hubs in key regions to promote regional growth, and serve as a one-stop hub for government interactions.
Growing international education			
Review Education New Zealand to ensure it continues to be fit for purpose and is well placed to achieve the international education industry's medium-term goals	ENZ		A PIF review of Education New Zealand is underway and will be completed during this calendar year.
Expand the Prime Minister's Scholarships to Asia to include the Prime Minister's Scholarships to South America	ENZ		The success of the Prime Minister's Scholarships to Asia has resulted in 470 students from eight New Zealand universities to date being engaged with 30 institutions overseas to extend the understanding and knowledge of Asia for New Zealanders. Additional funding is now planned to extend the scholarships to Latin America.
Use the International Education Growth Fund (IEGF) to support the growth of revenue from education and training delivered offshore	ENZ		Next round of IEGF will open for applications in March 2016. Planning is currently underway to undertake an external review of the effectiveness of the programme to date.

Building Export Markets

KEY: ● Implementing ● In progress ● New

Action	Lead agencies	Status	Comment
Expand the Education New Zealand Regional Partnerships Programme to accelerate the growth of international education regionally.	ENZ		The Regional Partnerships programme developed by Education New Zealand to support the development and growth of the international education industry in New Zealand's regions, will be expanded to increase both the number of regions that are engaged and also the depth of activity in international education.
Leverage international alumni linkages to lift the skills of our international workforce in the public and private sector	ENZ		<p>Currently around 700 international student alumni have signed up through Kea.</p> <p>The "Every kiwi counts" Kea survey was distributed two weeks ago and is being promoted via ENZ channels.</p> <p>ENZ is currently developing a webpage around Alumni with a call to action to join Kea for studyinnewzealand.com.</p> <p>ENZ is focusing on leveraging the international student alumni as brand ambassadors for New Zealand, and New Zealand education, through improved connections and communications on how they can support New Zealand.</p>
Increasing value to New Zealand from the Tourism Industry			
Deliver marketing activity to build shoulder season arrivals	TNZ		Tourism New Zealand launched its renewed 100% Pure New Zealand campaign in July – reflecting a significant shift in timing as TNZ focuses on promoting arrivals in the shoulder season (October, November, March and April). There has already been a shift to an extended peak season, with total holiday arrivals for May up 16.5 percent, making for a record-breaking autumn.
Develop international-standard convention centres in Auckland and Christchurch, and Queenstown	MBIE		<p>Following the signing of the Supplementary Agreement to the NZICC Agreement on 26 May 2015, the NZICC design has proceeded to the Developed Design stage. Planning and design is currently underway for the Christchurch Convention Centre with Master Developer Plenary Conventions NZ and Preferred Operator Accor.</p> <p>The Queenstown Lakes District Council is in the process of planning its proposed convention centre at Lakeview.</p>
Give priority, through the Government's Tourism Growth Partnership, to investment in tourism initiatives that support economic development in regional New Zealand	MBIE		The Prime Minister's portfolio statement, which will be released before the next round of the TGP opens, will signal to the industry that priority will be given to projects that support economic development in regional New Zealand and encourage greater regional dispersal of visitors.
Deepen partnerships with air services industry to strengthen demand and value of routes	MBIE, TNZ		Air Services growth is substantial with capacity expected to grow 6.3 per cent in the year to end May 2016. New services to Argentina, USA and the Philippines as well as more services from China expected this year.
Capture the full potential value from growing Asian visitor markets	MBIE, TNZ		<p>Asia growth has been strong with arrivals up 20.5 per cent for the year to end June.</p> <p>New Zealand's growth in all Asian markets has exceeded Australia's growth over the past twelve months.</p>
Complete Nga Haerenga - The New Zealand Cycle Trail	MBIE		18 of the 23 Great Rides that comprise Nga Haerenga, the New Zealand Cycle Trail are open. Two of the remaining five trails are due to open this financial year.
Establish and implement Māori Tourism Action Plan	TPK, MBIE		Work continues in alignment with the Māori Tourism Action Plan. NZ Māori Tourism continues to build capability in the Māori tourism sector and to develop and promote Māori tourism and trade products to offshore markets.
Develop and grow New Zealand's international marketing brand			
Invest an additional \$3 million in Budget 2015 to boost marketing of the NZ Story offshore, including \$2 million for a business leveraging programme	NZTE, NZ Story		<p>New marketing contact programme launched to increase awareness and uptake of the NZ Story among the export community, with 202 new registrations in July 2015 alone.</p> <p>Over 150 new images loaded onto NZstory.govt.nz over August/September providing a complete refresh of the toolkit for users.</p> <p>In addition, the business leveraging programme for Rugby World Cup 2015 is set to begin on 13 September 2015 in a joint initiative with Air New Zealand.</p> <ul style="list-style-type: none"> The initiative showcases stories of New Zealand businesses via NZTE's campaign "The Advantage Line". The campaign utilises NZ Story imagery and assets, draws parallels between rugby and business and provides a platform for businesses to tell their own commercial and brand stories.

Building Export Markets

KEY: ● Implementing ● In progress ● New

Action	Lead agencies	Status	Comment
Expanding and developing the New Zealand Story to attract high-value investor migrants seeking to domicile in New Zealand	NZ Story		Immigration New Zealand is exploring ways to better integrate the New Zealand Story in its activities to high-value, high impact investor migrants.
Relaunch the NZ FernMark to create export ambassadors - brands that capture and encapsulate the New Zealand brand in their products	NZ Story		<p>FernMark Licence Programme on track for relaunch in September 2015. A new criteria and attraction programme will grow the network of visible and authentic brand ambassadors carrying the FernMark internationally.</p> <p>With an Augmented Reality experience attached to the new FernMark device, consumers globally will interact with the NZ Story and link to verification data providing assurance regarding the use of FernMark.</p> <p>A pilot programme is underway with 10 businesses to test and enhance the programme with demand for the FernMark growing in anticipation of the upcoming relaunch.</p>
Use the Major Events Development Fund to grow major events that help tell the New Zealand story	MBIE		The opportunity to consider NZ Story objectives and insights during the Major Events Development Fund investment process is being investigated. The aim is to enable the Major Events Investment Panel and Major Events Ministers Group to consider the ability of major and mega event investments to contribute to strengthening New Zealand's brand and furthering NZ Story objectives.

The list of completed BGA actions can be viewed online in the following location
www.mbie.govt.nz/info-services/business/business-growth-agenda

Building Export Markets

