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Trade key to NZ's future

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OF THE top five countries New Zealand trades with, it only has trade deals with two, an ExportNZ conference has heard.

"That leaves us very vulnerable," says trade expert Charles Finny. "We don't have links to those markets that others do."

National trade spokesman Todd McClay had earlier pushed the case for NZ to forge ahead in doing deals with like-minded countries.

Of our top five goods export countries – China, Australia, US, EU and Japan – we only have trade deals with China and Australia, he told the Auckland conference held on September 21.

McClay says when we

do trade deals we get it right and trade flows increase significantly in both directions, as has been the case with China. He says that FTA got NZ through the global financial crisis (GFC).

"To continue to offer opportunities to NZ we need more trade deals."

EU commission president Jean-Claude Juncker has expressed a desire to have a trade deal with NZ within two years; "that will take a lot of hard work", McClay added. He expects this will take "three years rather than two".

NZ is one of only six WTO countries that don't have a trade deal with EU.

McClay says with the UK we are in a good space since Brexit was announced last year. UK trade secretary Liam Fox



Charles Finny

confirmed earlier this year that NZ will be first cab off the rank with Australia for new FTAs once they get through Brexit.

Meanwhile, McClay says TPP11 is a high-quality deal.

"If we step back from that, we give up the position of leadership and respect for NZ as trade negotiators."

Finny is not certain there's a global trend towards protectionism. He says the US is looking inward, but would not necessarily describe Brexit as being actively anti-global.

"The Brits are accompanying their comments on Europe with a desire to negotiate FTAs with a number of other countries including NZ," he says.

There was a protraction of international trade after the GFC, but we are coming out of that. We are seeing growth in

ground. During a recent visit the overwhelming message he got from businesses and city and state level officials was

that while they read the tweets from President Trump, it is not affecting them too

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international trade but "we have a lot of work to do".

Finny says it is very interesting to see the leadership role currently being played by Japan.

"Some wouldn't have believed it – maybe myself a few years ago – but Japan now is the real champion."

NZEIR deputy chief executive John Ballingall says US protectionism is a worry, but we have to separate the rhetoric from what is on the

much on the ground. The US economy is growing at 2% – one commentator said it "was the most robust 2% they had ever seen". Unemployment is down to 4.3%.

"As long as the new administration doesn't do anything too ridiculous either on the foreign policy front or on the trade front, then I think the prospects for NZ into the US remain pretty solid," says Ballingall.

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Todd McClay

TPP STILL IMPORTANT!

CARETAKER-TRADE Minister Todd McClay says TPP without the US is still important.

He says this is because Japan is the world's third-largest economy and NZ doesn't have a trade deal with that country at present.

If they get high quality rules across the Asia Pacific through TPP these "become infectious".

"Think about the NZ beef farmer: before TPP we face a 38.5% tariff rate in the Japan market. With an FTA, Australia is down to about 19%. For frozen beef, NZ exporters are facing a 50% tariff at the moment. Under TPP, that will go down to 9%."

Japan is showing real leadership on TPP, to the surprise of many.

Finny says his TPP nightmare scenario is that we are the one country insisting on renegotiation and that is the cause of the whole thing unpicking.

Labour initially said it would like to restrict foreign house buyers; which is allowed under TPP. But since that initial policy announcement Labour then changed it to a ban which requires renegotiation.

"There is ample opportunity to restrict foreign purchases of real estate under TPP," Finny says.

Ballingall says banning foreign investors in existing properties has the potential to take some heat out of the residential property market. But he questions what will be put at risk for a very small potential benefit?

"It is the potential markets in existing agreements, which is the \$2.5 billion gain potentially from TPP. It is being left out in the cold if the TPP goes ahead without us – if we decide not to sign it."

He adds there is also the reputational risk of signing a deal then wanting to renegotiate it backwards.

"To my mind, that trade-off does not make sense."

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