

## Opportunities in the US even without an FTA

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As leaders from the Asia Pacific region gather in Sydney this week, will they be looking forwards or backwards ?

Trade will be at the centre of their discussions but increasingly trade is being superseded by newer business models focused on investment and strategic alliances.

Why ? The problem is tariffs and subsidies but entrepreneurial business is finding new ways to get round these barriers by investing in offshore markets, sourcing locally made components and becoming local rather than external suppliers.

And so a company like Bloomsbury and Co, prevented from supplying New Zealand made chocolate to the American market by ridiculous restrictions, instead sources local chocolate and concentrates on adding value through its innovative branding.

It is more than a little ironic that as this global integration of markets gathers pace, the multilateral system for eliminating trade barriers is bogged down in its own never-ending processes.

The problem with the delay to concluding the World Trade Organisation's Doha Development Agenda is not just that the benefits of trade liberalisation will be denied to developing and developed countries alike. That's bad enough. The real risk is that the WTO becomes irrelevant to business.

When it comes to tariffs and subsidies there really is no alternative to the WTO. New Zealand needs to keep up its negotiating effort since a breakthrough, however difficult to achieve, is likely to bring big rewards.

At the same time a forward looking strategy needs to hedge bets by pursuing targeted bi-lateral relationships with key markets.

The US is a market of 300 million consumers with incomes double that of New Zealand. Despite this, New Zealand's success in making inroads into the US market over the last 25 years has been patchy at best. According to new research from the NZ Institute, the percentage of New Zealand goods exported to the US has remained steady but our market share of total US imports has continued to slip.

The fundamental disparity in the relationship between the two countries is also highlighted by the research - the US is our second largest export market but we rank only 48<sup>th</sup> for them. What's more we are heavily dependent on inward US investment.

One insight that might be surprising to New Zealand as a country that prides itself on innovation, is that on average Americans work fewer hours and produce nearly twice as much as New Zealanders. This does not so much suggest we are not innovative – rather it highlights how much innovation depends on investment in infrastructure,

research and development and how much we can learn from the US about new ways of doing business.

This is the background to the second US NZ Partnership Forum being held in Auckland next week. Organised by the NZ US Council, the Forum will bring to New Zealand 50 high level American politicians, senior officials and business leaders – including executives from Google, Boeing, Nike, Time Warner and Dairy Farmers of America. This is the most senior US delegation ever to visit New Zealand and it will be matched by equally senior New Zealand representation.

Delegates from both countries are prepared for a frank and open conversation about how the two countries can contribute to continuing growth in the Asia Pacific region, use innovation to drive the development of new business and to respond to the challenges of sustainability and renewable energy.

A series of case studies will highlight examples of entrepreneurial collaboration in sectors such as dairy, biotech, the creative industries and information technology. Some lessons from the NZTE Beachhead programme in the US will also be shared.

The NZ Institute research highlights the strong position both countries are in to entertain such discussions: New Zealand and the US are both ranked amongst the highest countries in the world in terms of economic freedom and ease of doing business by the Wall St Journal and World Bank respectively.

Some New Zealand businesses have already learned what can be achieved by partnering with American commercial acumen and power – Weta Workshop's ongoing success is the most visible example.

There is no doubt a Free Trade Agreement would make it easier for New Zealand business to develop these partnerships. While securing an FTA remains an important medium term goal, New Zealand business cannot simply wait for the political environment in the US to deliver.

In much the same way as we continue to strive for a conclusion to the WTO Doha negotiations, we need to continue our FTA campaign by developing our US-based constituency in favour of an agreement. The Partnership Forum which seeks to engage our American visitors with the New Zealand story is a vital tool for this.

Meantime we need to work on developing collaborative partnerships focused on investment and strategic alliances which add value to both partners, avoid the trade barriers that continue to frustrate us and promote economic development back home.

That's the forward looking agenda that will be pursued in Auckland next week.

**Stephen Jacobi is Executive Director of the NZ US Council. The Council, along with its Washington-based counterpart has organised the US NZ 2007 Partnership Forum on 9, 10 and 11 September. The New Zealand Institute research "The State of the US-NZ Economic Relationship" was commissioned specifically for the Forum and is available in summary form on the Council's website – [www.nzuscouncil.com](http://www.nzuscouncil.com).**

