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PRIORITY ON INTERNATIONAL BUSINESS ENGAGEMENT

By Stephen Jacobi¹

Amidst the exchange rate gloom, last week's news that exporters are continuing to invest in market development was reassuring. DHL's Export Barometer revealed that three out of four exporters surveyed had investment plans for the coming year.

This is not to deny the real pain experienced by exporters recounted in last Friday's reaction to another interest rate hike. But the reaction of Export Year Business Champion Ken Stevens was revealing: "New Zealand's business leaders are becoming part of global networks and are intrinsically linking with their markets".

As the New Zealand Institute reminds us, the ability of New Zealand business to engage effectively with the rest of the world through trade, inward and outward investment and strategic alliances is a key ingredient in the drive to raise productivity growth, living standards and overall economic performance.

The Government has a key role to play in putting in place the right macroeconomic framework and encouraging innovation and improving competitiveness. In that context the recent Budget announcement of a 15 percent tax cut for research and development should give a boost to the investment plans of those surveyed by DHL.

But the challenge of building better bridgeheads for New Zealand overseas is too important to be left to the Government alone. Effective business input can help shape the Government's international policies and ensure that they generate wealth for New Zealanders. Business itself can help advance this agenda through its own extensive international networks.

That's why, this week, a new body is being launched to promote a vision for New Zealand's international business growth. The New Zealand International Business Forum will work closely with the Government to set the priorities for the country's international business agenda.

The Forum brings together the Chairs or Chief Executives of some of New Zealand's largest internationally oriented companies, together with the country's principal business organisations. These companies cover the dairy, meat, seafood, kiwifruit, software and services sectors. The business organisations represent the larger part of New Zealand's export, manufacturing and services sectors. The Forum marks the first time these business leaders have come together in this way and at such senior level.

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Of course several business organisations already work on aspects of this agenda. The Forum provides an opportunity to combine their strengths around key projects while each continues to pursue their core policy advocacy role.

The urgency of this opportunity is heightened by the languishing state of the World Trade Organisation (WTO) negotiations. While negotiators talk of “convergence” by the end of June, it is increasingly clear that the Doha Development Agenda will fall short of the high hopes held out when it was launched in 2001. That makes it no less a priority for New Zealand but Doha’s deconstruction is likely to intensify efforts to conclude bilateral and regional agreements.

There New Zealand is making some headway, notably with China and ASEAN and a range of less commercially significant agreements but it has been difficult to interest key partners such as the United States, Japan or Korea which would represent significant transformational opportunities for the New Zealand economy. Other markets of interest like India and the EU are only just beginning to be thought of in these terms.

The US provides a model of where business and the Government can work together to take a critical relationship to a new level. The strategy pursued by the NZ US Council over the last 18 months has enabled the development of much stronger relationship judged by the US Ambassador as “the best it has been in decades”.

Other key relationships need that sort of attention. Japan is the top priority for the International Business Forum. The world’s second largest economy has emerged from its long sleep and New Zealand needs to revitalise the business and economic relationship with a country that is already our third largest market and significant source of investment. With business partners in both countries, the Forum intends to lead a new process of high level engagement with Japan aimed at telling the story of a relationship which delivers value for both Japanese and New Zealanders.

The Forum cannot solve the problems of a high exchange rate. It can look at ways of better informing New Zealand’s international business strategy and enhancing the participation of business leaders in international business networks. It can also continue to explain to New Zealanders why international business is important for the country’s future growth and development. In this way it can work to ensure that even in the current difficult climate New Zealand’s international competitive position continues to be advanced.