

FTA (FREE TRADE AGREEMENT) EXPORTER SURVEY REPORT

COVER NOTE

In August 2009, the Ministry of Foreign Affairs and Trade (MFAT) and New Zealand Trade and Enterprise (NZTE) sent an online survey to 854 New Zealand export companies to gauge a business response to doing trade with Hong Kong, India, Korea, current TPP member states (Chile, Singapore, Brunei) and potential future TPP member states (USA, Peru, Vietnam, Australia).

The purpose of the FTA Exporter Survey was to:

- identify specific interests of concern from a broad range of businesses who have been identified as exporters to our target FTA markets;
- contribute to FTA negotiation teams' understanding of the types of business activity being carried out in those markets;
- provide information on how export is taking place;
- seek open lines of communication for further engagement between officials and businesses;
- widen the scope of companies who are engaged by officials on FTAs; and
- raise awareness of the current trade agenda.

The data from the 236 businesses that completed the survey (an "above average" response with a confidence interval of +/-5.4%) is the first time information of this level has been gathered by MFAT and NZTE, both in this format and on this broad scale. The following are some key findings extracted from the Survey Report.

GENERAL VIEW OF FTAS

- Over 75% of respondents saw a modest to substantial increase in business profitability by removing the barriers to trade and investment in their export markets.
- Over 70% of respondents saw a modest to substantial increase in business efficiency (production and distribution) by removing the barriers to trade and investment in their export markets.

TOP EXPORT MARKETS

- Respondents identified Australia (71%) and the USA (71%) as their top export markets. Other key export markets included Hong Kong, Singapore, India and Korea.

GOODS VS SERVICES

- The majority of respondents (84%) identified themselves as goods exporters, while only 32% identified themselves as services exporters. These results essentially mirror official statistics, which indicate that services make up 24.7% (or \$12.7 billion) of New Zealand exports (year ending March 2008). This is despite service industry representing 70.1% (or \$92 billion) of New Zealand's Gross Domestic Product.
- The top service export categories were computing services, business services (accounting, legal, consultancy, etc) and engineering services. According to official statistics, New Zealand's services exports are strongly dominated by travel and transportation, which jointly account for just under 80% of all services exports. This survey has identified top services exports that contrast official statistics.
- Nearly two thirds of respondents stated their export goods were subject to a tariff in their export market(s).
- 67% of respondents stated their goods/services were produced in New Zealand before being delivered to their overseas markets. Only 3% stated their goods/services were produced overseas (i.e. via a commercial presence in the market).

GOVERNMENT PROCUREMENT

- While the government sector makes up under a third of the respondents' customer base, over 50% of respondents stated they wish to sell (or are currently selling) to the government sector.
- Australia and the USA were identified as the top two target markets for Government Procurement, followed by India and Singapore.

IMPACTS OF FOREIGN COMPANY ACCESS

- Respondents identified the transfer of knowledge and technology (28%), increased cooperation (31%) and lower prices due to increased competition (42%) as likely impacts following increased access to New Zealand's market by foreign companies.

BARRIERS TO TRADE: INVESTMENT

- Over half of respondents stated they did not have a physical presence in any of the export markets in focus.
- 73% of respondents did not have forms of investment other than a physical presence (e.g. joint venture, equity share in a foreign company) in any of the markets in focus. Australia was the only market in which over 10% of respondents identified as having such forms of investment.
- Over half of respondents identified insufficient protection of intellectual property rights (such as patents, copyrights and trademarks) as a key barrier to trading and investing in overseas markets. India was the top market (47%) in which such barriers were most commonly faced.
- Over one third of respondents identified restrictions on forming partnerships or joint ventures, or the requirements to have partnerships with local businesses, as a barrier to trading and investing in overseas markets. India was the top market (21%) in which such barriers were most commonly faced.
- India was also the top market (38%) in which respondents commonly faced restrictions on equity that can be invested in a subsidiary company.

BARRIERS TO TRADE: MOVEMENT OF PEOPLE

- Over 80% of respondents identified the lengthiness and time consumption of obtaining visas and work permits, as a key impediment faced by staff that are based overseas, or that travel overseas for work.

INTEREST IN MFAT'S TRADE AGENDA

- Nearly two thirds of respondents expressed interest in receiving information and updates from MFAT on trade policy developments and FTAs.