

**AOTEAROA'S TRADE-LED RECOVERY  
BESPOKE ADVICE, MARKING OUR STORY AND MANAGED COMPETITION**

Christopher Bradburn  
University of Auckland  
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The brief: In 2019, the Trade for All Advisory Board reported to the Government on how trade policy can be made to work for all New Zealanders. It found that trade is a crucial generator of the country's wealth and economic wellbeing, but that trade policy must reflect New Zealand's full range of interests-economic, social and environmental-and its partnership with Māori under Te tiriti/the Treaty.

As New Zealand looks to deliver a trade-led recovery from COVID-19 and to 'build back better', how can our trade and international policy better support sustainable and inclusive economic development for all New Zealanders?

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## **Introduction**

The Trade for All Advisory board offered the Government recommendations on how to make trade policy work for all New Zealanders right before the Covid-19 health crisis. Now government engines are rearing to *rebuild* the economy on a new path based on inclusion, growth and sustainability. This essay sets out to offer three novel policy and programme recommendations as a response to the advisory board's findings. We begin by calling for a NZTE / MFAT collaboration to target SME firms that are ripe for scaling to export, and offering them bespoke, trade orientated business plans that would encourage growth. We argue this gives the government an opportunity to embed their wellbeing policy goals into the private sector. The second option is a novel labelling scheme based on an Aotearoa *terroir*, or *Tūrangawaewae*, which would add value to our overseas goods by branding our unique national story and commitment to quality. We recommend this is twinned with a Māori led labeling scheme that would allow Māori enterprises to protect the integrity of their resources and culture in line with the *Te Taumata* model, while driving money back into their communities. The essay finishes by recommending a new trade deal that would reduce food inflation by allowing certain efficiently produced food items from overseas to compete with 'overpriced' fresh produce at home. The result would be a reduction in inflation that disproportionately affects low income households.

## **Increasing SME Exports: A Targeted Strategy**

Trade oriented businesses generally pay better wages and employ more staff than other, less productive local industries (Drought & Mellor 2020), which follows that simply increasing exports is a very clear and blunt way of improving living standards. When we look at the lay of the economic land in New Zealand, most industries are made up of small and medium sized enterprises, however, the export industry is overwhelmingly made up of larger firms (*ibid*), which suggests exporting requires

significant investment and growth not easily available to SMEs. The Trade for All Advisory Board states that increasing the number of export led companies in New Zealand is the number one challenge to increasing 'export performance'; they go on to say the government needs to *target* firms that are capable of growth that have the potential for exporting overseas (TFAAB 2019). Opening access for New Zealand's SMEs to foreign markets is a proven way of increasing productivity among smaller businesses that would create jobs and may increase wages (*ibid*). This implies investment and expansion of these companies, which is beyond the direct capacity of New Zealand Trade and Enterprise's own remit, however where MFAT and NZTE can help local businesses scale for export is in their capacity to share their international knowledge and significant industry networks. MFAT in partnership with NZTE could guide certain companies 'ripe for change' by offering bespoke advice on specific foreign markets, followed by trade-led business plans aimed at expansion. The result would be increased confidence among certain firms to take more export oriented risks. Certainly, a NZTE / MFAT guided and approved business plan would legitimate many requests for finance to serve private expansion.

### **Bespoke Trade Orientated Business Plans**

Offering bespoke, trade-focussed business plans would provide opportunities for agencies to listen and take stock of the strengths and weaknesses of industries hoping to export overseas. This was a critique from the Trade for All Advisory Board who mentioned stakeholders feeling that governmental agencies were all too ready to offer 'answers' rather than trying to understand from 'people's knowledge' (*ibid*, pp.14). Coupling with private businesses could be an effective way of extending the government's wellbeing framework goals by learning and transferring information from each other; engaging with studies and 'data' outside the specialised expertise of Ministries to help promote wider avenues of business success.

An excellent example of extending knowledge structured upon wellbeing goals is a study on farming business owners in New Zealand that considered how gender differences correlate to profitability, risk, farm management and future intentions (Brown 2019). The study suggested that female farmers were much less likely to take significant financial risks compared to men, though significantly more

open to new business innovations and management practices (*ibid*). Using deep studies from wide sources paints a picture that helps to explain why, for instance, female stakeholders have a disproportionately low connection to export tradable goods in New Zealand (Drought & Mellor 2020, pp.5), and offers a window through which some solutions may appear.

Implementing policy goals oriented towards helping private businesses sell overseas will require intimate engagement, valuable advice, and mechanisms for listening to their needs, concerns and weaknesses. The goal is helping to increase New Zealand SMEs' share of national exports and thereby improving overall living standards. This essay argues that it also allows the Ministry to embed the government's wellbeing framework into the private sector.

### **Adding Value: An Aotearoa *terroir*, A *Tūrangawaewae***

Midway through July of this year, Marc Rivers, Chief Financial Officer of Fonterra said New Zealand is entering the era of 'peak milk' (RNZ 2021). Commonly known as New Zealand's most significant and famous commodity, and with no new land available for dairy conversion, New Zealand's new trading era will move from 'volume to value'. Adding value will involve offering something the international market does not have by building on New Zealand's competitive advantage, and protecting the unique goods that come out of Aotearoa through labelling standards, intellectual property rights, and a shared national commitment to export quality. The Trade for All Advisory Board offers some examples of value-adding business sectors that include digital and agricultural science. However, these are industries heavy on research and development that imply future, hoped-for revenues, and while they are easily patented and therefore harder to appropriate, this essay argues for programmes that will add value to our current exports through novel labeling standards.

Branded labelling ties products to an overarching national story that Aotearoa can sell and protect overseas. It is a commitment to quality, and with careful respect, may utilise sacred notions of nationhood, land and culture to elevate local goods by sewing in meaning and value; a *terroir* for New Zealand, a *Tūrangawaewae* (*T-WaeWae*). From here we begin to ask deeper questions about what New Zealand stands for and what we can offer the world; what do we want to protect and what do we

want to sell. A labelling brand can make sense of this by offering an *exclusive* non-transferable national story overseas that adds *value* to associated products. In this way, New Zealand products that are labelled stand out, and stand up for quality, but it may also embed the government's wellbeing framework that include gender equality, fair pay, and a commitment to reducing carbon emissions.

It is not always sincere to use the words *sell* and *sacred* in the same intentional way and selling a national story in part to increase the price of goods and products is a delicate undertaking. This brings us to the Government's Treaty obligations and the contentious issue of cultural appropriation and unequal economic outcomes, which Māori have shown extraordinary tenacity and success in defending against through its *Te Taumata* model<sup>1</sup>. This essay proposes a unique labelling standards system run and owned by Māori that is nationally endorsed to promote Māori owned exports. The result of this is two fold, firstly to ensure Māori have the right to control and protect any intellectual property and or custom rights in line with the *Mataatua* Declaration<sup>2</sup>. And secondly, it could help keep export revenues within their own communities. Māori make up a large proportion of the export driven workforce and yet their incomes trail behind *pākehā* (Drought & Mellor 2020). The government has few levers that can indirectly affect salaries in the private sector outside of minimum wage and tax policies; a Māori run labelling system is one way for Māori to better control their local export economy and set the standards they would like to see in their communities and industries. Adding value to their *whenua* and protecting their *rauemi taiao* through *kaitiakitanga* that is internationally officiated by government backed labelling standards. A Māori labelling scheme could twin itself to the previous, national *Tūrangawaewae* label proposed earlier as a parallel mark of quality, protection and a national commitment to a common New Zealand story. The label does not have to be obligatory but products using the label will follow clear standards set by the government. Imagine a well priced Māori, *Tūrangawaewae* labeled butter product sold in China or a *Tūrangawaewae* labelled Sauvignon Blanc selling in the UK for top dollar. This vision adds value to New Zealand and Māori products sold overseas, while protecting our values and quality of life at home.

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<sup>1</sup> *Te Taumata* Model: <https://www.tetaumata.com/>

<sup>2</sup> *Mataatua* Declaration: <https://ngaaho.maori.nz/cms/resources/mataatua.pdf>

## Managed Competition

Part of guarding a high standard of living in New Zealand means keeping costs competitive for Kiwis through fair competition, inflationary regulations and supply standards. In July of this year, the Commerce Commission (2021) came out with a report that signalled market failures relating to the high cost of food when measured against incomes. They listed a number of explanations mostly related to the supermarket duopoly, however a NZIER report (2019) on the same issue observed that food produced for the domestic market is more expensive than food produced for export because domestic focussed businesses are generally smaller scaled, which “limits their ability to produce at sustainably lower prices” (pp.ii). While most of New Zealand's food is for export, New Zealanders pay internationally driven prices at home. The report does go on to say imports of cheaper foods have “reduced inflationary pressures” in New Zealand (*ibid* pp.10), which follows that there may be room for MFAT and MPI to negotiate future trade deals of certain fresh food items to compete with ‘overpriced’ domestic produce. The point is not to supplant local producers or undermine New Zealand export prices but to reduce the cost of food at home through managed competition that would proportionately benefit low income earners.

## Conclusion

The government is clear, it wants a trade-led economic recovery from the Covid-19 health crisis. The Trade for All Advisory Board has built multi-layered scaffolding on which the government's vision can look out from as it plans future international trade policies. This essay acknowledged foremost the importance of supporting small and medium sized enterprises to begin selling overseas using the extensive networks and knowledge systems of MFAT and NZTE. Bespoke, trade-led business plans is one way of targeting SMEs ripe for expanding to export and building business confidence. A ‘volume to value’ approach pressed by the TFAAB means sewing in *meaning* and value to our national products sold overseas through a common national story and commitment to quality assured by a government backed branding label scheme; an Aotearoa *terroir*, a *Tūrangawaewae*. Further still, twinning a national label with a Māori led labelling scheme ensures the protection of Māori intellectual property rights, culture and that export money is driven into their own communities. Lastly, this essay

suggests negotiating careful trade deals for the importation of some fresh items to compete with domestically produced 'overpriced' items at home in order to lower the cost of food in New Zealand. This means building back fairer, and building back better. A trade for all.

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