

Sustainable and inclusive economic development in New Zealand's trade and economic policy

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Introduction

As New Zealand looks ahead from its current position in the midst of the Covid-19 global pandemic, many have been highlighting the opportunity we have to change the trajectory of our social and environmental issues and 'build back better'. Productivity, Sustainability and Inclusiveness were outlined as MFAT's focus areas moving forward (Drought & Mellor, 2020).

NZTE (2019), wrote that to achieve this goal of 'trade for all', the range of exports must be diversified and sustainable, with high value, rather than high quantities. MFAT (2020)'s report outlined the importance of harnessing the unique skills New Zealanders have, to continue to grow an economy that benefits everyone. Around one quarter of jobs in New Zealand are possible because of exports (MFAT, 2020), and there is an increasingly urgent need to make sure that the benefits are spread evenly.

David Parker said in July 2020, "*The crisis has shown that it is possible to make transformational changes almost overnight*" (Parker, 2020). This essay argues that New Zealand trade policy will play an important role in creating an environment of sustainable and inclusive development which directly improves the lives of people who were most severely impacted by the worst effects of the Covid-19 pandemic.

Overview

When Covid-19 hit New Zealand, many existing inequalities were worsened. Those most affected by the economic shutdown of the level 4 lockdown were already in, or at risk of falling into poverty. The number of children in poverty is estimated to have increased between March 2020-2021 by 18,000 (CPAG, 2020). Vulnerable groups of people often bear the brunt of economic shocks when disasters come along (CPAG, 2020), because "disasters don't impact unequal people equally" (Potangaroa, as cited in CPAG, 2020, p.25). This shows us a need for more inclusive planning ahead for future disasters. There were several critiques of the government Covid support policies often benefiting the rich more (Chisholm, 2021), which highlights an important point that 'trade for all' policy needs to be very intentional about not becoming another avenue for inequality.

This essay focuses particularly on tourism, small business and social enterprise, as avenues to further invest in businesses that will bring direct benefits to communities who were hit hardest by the pandemic. Other important businesses have not been included in this essay, not because they aren't essential to New Zealand's trade led recovery, and to creating jobs, but because this

essay is focused on the empowerment of businesses that have the potential to bring immediate and tangible effects to their communities, in line with 'trade for all' goals. It is important to use anticipatory policy making (Mazey & Richardson, 2020) to become more resilient and sustainable for the future.

Support for small business, female and Māori entrepreneurs

Goff (2021), studied trade agendas such as New Zealand's, in order to assess the usefulness of prioritising justice and inclusion at the centre of trade policy. The conclusion was that focusing on justice for women and indigenous groups, and small and medium-sized enterprises (SMEs) in particular, made a good start setting the tone, showing the way forward for further action by governments.

As of 2018, small businesses made up 97% of all businesses in New Zealand. Nearly 30% of employees in New Zealand worked for small businesses, and they contributed more than 25% of New Zealand's GDP (MBIE, 2018), however they were hit hard by the pandemic. This loss was particularly felt by women, Māori and Pacific business owners and employees. Many of the jobs lost in the pandemic were held by women, however the 'shovel-ready' projects that created jobs in 2020, tended to be jobs typically held by men (Humpage, as cited in Chisholm, 2021). The Ministry for Women (2020) further reinforced this view, showing that there were higher levels of women employed in affected industries such as tourism.

McKenzie (2020) wrote *"we have an opportunity to ask whether the system is geared up to produce equitable wealth distribution between Māori and non-Māori. If these disparities are increasing, then the answer is no, it's not"*. When writing about the wealth disparity he argues there should be more support for investing in Māori business that builds wealth, in order to tackle the inequality caused by the wealth gap.

Kukutai et al (2020), wrote *"Māori models of regenerative agriculture and ecotourism can help shape a globally distinctive Indigenous sector that puts inter-generational and environmental well-being first."* However they argue that these opportunities could be utilised more, beyond investment in short-term employment opportunities. MFAT's trade agenda has made it clear that this is a priority, and the government can now take action upon this accountability they have built, and provide more clear and specific support for people to figure out how to navigate the support available (MBIE, 2018). This is important for the value New Zealand has to offer. *"Te ao Māori "stands alone as the unique part of our country's offering to the world"* (Trade for All Advisory Board 2019, p 80). The role that MFAT plays in this support is in the negotiation of international trade agreements which help businesses more easily export their goods and services.

Tourism

Before the pandemic, on average, international visitors spent \$232 each, per day in New Zealand, 3.1x the average resident (MBIE, Stats NZ, Fresh Info, as cited in Tourism New Zealand, 2020). However, in April 2020, 6 out of 10 Auckland businesses in the Tourism and Hospitality sector reported to be operating at a lower capacity, and the majority of businesses felt it would take more than a year to recover (ATEED, 2020). A significant response has been made to try and remedy the inequality caused by the pandemic by providing extra support to the tourism industry.

This pause in tourism during the pandemic is the best opportunity to pursue avenues of change to make tourism more sustainable (Ioannides and Gyimóthy, 2020). Sustainability is of particular importance to New Zealand, which relies upon its 'green' image as a tourist destination (Chand, 2020). As ecological awareness has increased, this has influenced many tourists to travel to places known for their natural environments (Fiorello & Bo as cited in Chand, 2020), which is something New Zealand tourism has been able to capitalise on. However, it needs to be ensured that tourism policy in the wake of the pandemic does not lead towards unsustainable mass tourism, but provides a high value experience that is authentic and benefits local communities. Gibson (2019) points out effects of gentrification in places such as Venice and Barcelona, which is what New Zealand should be avoiding.

MFAT plays an important role in promoting the New Zealand tourism brand internationally and can leverage upon our 'build back better' approach to encourage more green tourism. Many tourism businesses in 2020 reported a felt need for further support with marketing and legal support. (ATEED 2020), however many did not access the support available to them, often because of the perceived cost, and uncertainty around what support they were entitled to. MFAT can play an important role in supporting the existing ecotourism businesses better tell their story and show the world the unique value of green New Zealand tourism.

Support of social enterprise

Social enterprises are defined as "impact-led organisations that trade to deliver positive social, cultural and environmental outcomes" (The Impact Initiative, 2021, p.13). BERL (2018), estimated that there were around 2,589 businesses in New Zealand that could be categorized as social enterprises. The annual GDP contribution was estimated to be over \$1.5 billion, with a total impact value of close to 3 million, and trade across multiple industries (The Impact Initiative, 2021).

Income from social enterprises goes directly back into communities, so this should be utilized as much as possible as an avenue for sustainable and inclusive recovery from Covid-19. NZTE (2019), wrote that because of the small size of the domestic market in New Zealand, it is essential for companies to have a more global outlook. Groups such as The Impact Initiative are working with the government and social enterprise support organization Ākina, to show how the

social enterprise sector in New Zealand can further the government's goals of inclusive trade. The work that they are doing to grow this industry in New Zealand, could be further progressed by large scale changes that create an environment that allows social enterprises to thrive in New Zealand (The Impact Initiative, 2021). In April 2021, they published a report to highlight to the government how it can help the social enterprise sector grow by lowering financial and legal barriers to trade (The Impact Initiative, 2021). In the UK, policy changes have been made to support social enterprises such as offering tax relief to investors supporting social enterprises, and some governments are using grants, awareness campaigns and specialised training to further support social entrepreneurs (Sanchez, 2016).

The Impact Initiative (2021) also identified a need for more targeted support and connection between the social enterprise sector and the government. This means government organizations such as MFAT will play a role in implementing policy changes to create these conditions for social enterprises to gain access to investment and thrive, and gain access to supply chains that share their values. Partnership and mentoring, with specialised focus on social enterprise would go a long way in breaking down some of these barriers that the sector is experiencing.

Additionally, they argue that the model of social enterprise could be used as a template for opportunities to deliver outcomes in communities that align with their goals. They point out that the natural Māori concepts of enterprise line up with the goals of social enterprise, and argue the direction New Zealand business should be taking is in the direction of social enterprise (The Impact Initiative, 2021), which is something that the government has recognized for years. *“Social enterprises can support a range of government goals including the development of a productive and competitive economy”* (DIA, 2014).

There is a lot of value to be brought from harnessing the expertise of New Zealanders knowledge in sustainability and social transformation, as well as Māori expertise, bringing that to the international market, and acquiring foreign investment into innovative social enterprises here. If New Zealand was considered to have expertise in social enterprise, this could become a way to generate income through this expertise, as has been done in other industries of expertise such as sustainable agriculture (NZTE, 2019). This would jointly further the government's goals of growing and diversifying New Zealand's economy through different forms of expertise, and furthering the collective knowledge of effective forms of social justice and inclusion. This can also have a longer term effect of furthering MFAT's humanitarian and aid goals by furthering our expertise in areas of social enterprise as a tool for change. Having more access to export markets allows innovative ideas from other countries to influence businesses in New Zealand (MBIE, 2021), and this is something New Zealand's social enterprise sector could benefit from.

Conclusion

Focusing on the areas of trade in this essay, was done intentionally to improve areas of the economy that are having a direct impact on the wellbeing of communities. If these businesses are prioritized and given more access to international markets, their benefits will be contributing towards MFAT's goal of ensuring benefits from trade are shared evenly and inclusively. If the differences that make New Zealand unique are harnessed, our sustainability, our unique small businesses, Māori enterprises, and social enterprises, are used as a model for other countries to follow, this will have significant long term value for New Zealanders. New Zealand has so much value to offer the world, and this can be better harnessed in the Covid-19 recovery to ensure that the inequality we are currently witnessing in the pandemic, will not continue to happen the next time a disaster hits.

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