

SUBMISSION TO THE PRODUCTIVITY COMMISSION

NEW ZEALAND FIRMS REACHING FOR THE FRONTIER

SEPTEMBER 2020

This submission is made on behalf of the NZ International Business Forum (NZIBF), whose members are listed at Annex A¹. NZIBF is a forum of senior business leaders working together to promote New Zealand's engagement in the global economy. NZIBF provides policy advice and support to the New Zealand members of the APEC Business Advisory Council (ABAC).

Summary

NZIBF welcomes the Productivity Commission's enquiry into the success factors of New Zealand's most productive firms, especially in the context of the Covid-19 pandemic. NZIBF encourages the Commission to consider the impact of offshore trade barriers which act as a tax on New Zealand export firms' productivity. NZIBF supports the views of Export NZ on the question of foreign direct investment (FDI).

About the New Zealand International Business Forum

NZIBF provides a voice to articulate the needs and priorities of New Zealand's international business community, and in particular the importance of open markets, to the New Zealand Government and public stakeholders. The NZIBF Board brings together leaders from amongst New Zealand's largest internationally oriented companies and peak business organisations representing many exporters of all sizes. (A list of Board Members is in Annex A.)

Incorporated in May 2007, NZIBF works with companies, business organisations and government agencies to implement projects in the international trade and economic sphere, including working to develop New Zealand's key international business relationships and conducting activities to promote New Zealand's competitiveness. NZIBF receives no direct government funding for its operating budget but from time to time receives funding for jointly-funded projects. Funding in respect to the policy advice and support which NZIBF provides to the New Zealand members of the APEC Business Advisory Council (ABAC) is provided by both MFAT and NZIBF.

The scope of the enquiry

NZIBF welcomes the enquiry which could point to possible policy reforms which could improve New Zealand's overall competitiveness. Having studied the Commission's useful

¹ The views in this submission are those of NZIBF as a whole. Individual members may have different views on specific issues covered in this submission.

background document, we are surprised to see no mention of the impact on productivity of tariff and non tariff barriers in overseas markets. New Zealand's most productive firms are often exporters, given the small size of the domestic market and the opportunities available of offshore. The prevalence impact of trade barriers in preventing or frustrating firms' expansion overseas has been extensively studied², but the impact on productivity less so. Such barriers can be likened to a tax on exporters' ability to develop new business or to move up the value chain³. Action to address these barriers is also high on the New Zealand Government's agenda both in the context of free trade agreement (FTA) negotiations and international organisations such as the World Trade Organisation (WTO) and APEC.

Access to capital is also a critical factor affecting the productivity of New Zealand firms⁴. NZIBF is aware of the submission of Export NZ to the Commission and concurs with the view that *“removing barriers to Foreign Direct Investment (FDI) is necessary to facilitate the growth of New Zealand businesses and increase productivity. Overseas investment plays a vital role in transforming New Zealand businesses into firms that reach the global frontier”*.

Recommendations to the Commission

NZIBF recommends that the Commission:

- a. **consider** the impact on firms' productivity of tariff and non tariff barriers in key markets
- b. **note** NZIBF's support for Export NZ views on the impact of foreign direct investment.

For further information

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**NZ International Business Forum
September 2020**

² See for example: https://nzier.org.nz/static/media/filer_public/ac/2d/ac2d99f1-ac0f-4f53-86d3-e1d3d65e096a/wp2016-4_non-tariff_measures_in_apec.pdf

³ See: <https://www.tradeworks.org.nz/tackling-trade-barriers-to-help-deliver-asia-pacific-prosperity/>

⁴ See NZIBF submission to NZ Treasury: <https://www.tradeworks.org.nz/submission-reform-of-the-overseas-investment-act-2005-facilitating-productive-investment-that-supports-new-zealanders-wellbeing/>

Annex A

NZIBF BOARD MEMBERS

Executive Committee

Malcolm Bailey (Chair), Chair, Dairy Companies' Association of New Zealand
Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce and Industry
(representing the New Zealand Chambers of Commerce)
Bruce Cameron, Chairman, Zespri International Ltd
Philip Gregan, Chief Executive, NZ Winegrowers
Kirk Hope, Chief Executive, Business NZ
John Loughlin, Chairman, Meat Industry Association
Sam McIvor, Chief Executive, Beef + Lamb NZ
Alan Pollard, Chief Executive, NZ Apples and Pears
Hon Simon Power, General Manager, Consumer Banking and Wealth, Westpac
Katherine Rich, Chief Executive, NZ Food and Grocery Council
Sarah Salmond, Partner, Minter Ellison
Tim Silverstone, General Counsel and General Manager, Corporate Affairs, Sealord Group
Simon Tucker, Director, Global Stakeholder Affairs, Fonterra Co-operative Group

Associate members

NZIBF's membership comprises a range of associate members who are listed on our website, www.tradeworks.org.nz.