

Creating resilient value chains

by leveraging the



Te Aoutanga Aotearoa
Southern Link

www.taa-sl.com



By Dene Green

February 2023

**Ehara taku toa i te toa taki tahi,
engari he toa taki tini
Success is not the work of an
individual,
but the work of many**



Ihirangi Contents

Key Take Outs:

- Regionalisation
- Near and Friend Shoring
- Just in Case
- Public Private Cooperation
- Economic Supply Chain resilience

Preface	4
What is the Southern Link?	5
Regionalisation	8
Global Value Chain & Near Shoring	9
Southern Link Te Aoutanga Aotearoa (TAA)	10
Australia	11
AU/NZ & Pacific Islands	14
Friend Shoring	15
SME Roll of Supply Chain Resilience	19
Public Private Partnership	20
Swiss Stock Piling	21
Sweet Spot	22
Global Value Chain -Value	24
Global Value Chain - Road Map	26
Southern Link TAA Delivery Requirements	28
Treasury	32
Looking Ahead	35
Conclusion	39

Kupu Whakataki Preface

This business report identifies how the Southern Link Te Aoutanga Aotearoa Global Value Chain can support an Aotearoa New Zealand framework of economic resilience.

With Aotearoa New Zealand's heavy reliance on imports on raw material and manufactured goods, we're particularly vulnerable.

Due to the distance our nation is geographically located from Asia/Europe and the USA, these supply chain challenges are easily intensified as we have witnessed with the global pandemic /the war in the Ukraine and climate change. Our supply chains are stretched and exposed (both "**Sea**" / "**Air**") at the best of times.

A recent economic study estimated that about a quarter of the pandemic-related real GDP decline is due to disruption of Global Supply Chains¹.

Prior to the pandemic crisis, outside of selected critical products such as fuel and pharma, Aotearoa New Zealand had limited supply of essential goods in place. We relied on "**far shore**" imports and a "**Just in Time**"² supply chain methodology. In times of local natural disasters, we could still rely on Global Supply Chains not impacted by disasters on our shores.

The pandemic battered Aotearoa New Zealand, brittle supply chains and the immediacy of self-reliance placed our holistic focus on survival first and foremost. Kiwi Supply Chain professionals had to react in heroic ways to make continuity of supply and delivery (more luck than design) work on behalf of all their customers, associated industries and the general population.

The residual fall back in terms of reactive and ad hoc Govt expenditure was crucial at the time to ensure the supply of essential goods. The sky rocketing demand such as panic buying (we were not alone) led to a surge in goods and services prices globally and particularly on main trade corridors out of China. **The collapse in international air travel** caused by the pandemic put New Zealand's ability to air-freight essential products at risk. Hence a significant amount of 'Public' spend was disbursed to keep society maintained via "subsidized commercial air linehauls" direct to New Zealand as a substitute to the disruption of shipping lanes and lines during the pandemic, as an example.

Now that we have had time to reflect upon the last 3 years with hard earned experience both Public and Private, we have a **once – in – a-generation opportunity** to future proof our economic supply chain, we cannot "**risk**" our "**chance**" to survive another pandemic.

¹ <https://www.sciencedirect.com/science/article/pii/S0022199621001148>

² <https://www.theguardian.com/commentisfree/2021/oct/11/just-in-time-supply-chains-logistical-capitalism>

The first is **Resilience**, the second is **Agility** and the third is **Sustainability**.

Recognizing **resilience** and responsiveness to unexpected developments are essential.

The **Southern Link TAA** enables that opportunity and a road map for success, to support and eventually transform our future resilience. Enhancing our supply chain and improving our reliance on far shore with a merged capability for **“near shoring”** and **JIC (Just in case)** coupled with the development of a unique and flexible, Aotearoa New Zealand **‘hubbing and fulfilment infrastructure’** that will enable an **“economic competitive advantage”** through **“supply chain resilience”** for both Māori/NZ Govt and New Zealand businesses.

How both Government/Māori and businesses respond to these changes will have significant implications for the future productivity and wellbeing of all Aotearoa New Zealanders.

This business brief overviews this dynamic fusion of **“near shoring”, “just in time”** and the anticipation of growing **“regionalisation”** including Australia New Zealand and the Pacific Islands. How Kiwi exporters can accelerate their ambition through a market leading and future proof service advantage. How the Southern Link TAA (NZ Govt/Māori/Private Business with some small encouragement of policy recommendations), strategic location will represent a sophisticated **“resilient supply chain”** that enables a regional competitive advantage underlying a strong motive for a base of imports, exports and foreign investment.

What is the Southern Link?



The Southern Link was proposed by the New Zealand China Council in 2019:

<https://nzchinacouncil.org.nz/category/southern-link/>.

with a subsequent in-depth review on the Southern Link Global Value Chain by NZIER in 2021.

<https://www.nzier.org.nz/publications/southern-link-the-potential-to-develop-a-global-value-chain>.

These reports steered the way for Aotearoa New Zealand to exploit on the growing air/sea trade links by making Aotearoa a major conduit for the flow of people and goods between Asia/Oceania and South America. The objective is to transform these interconnected markets into an Asia Pacific South America business Trade Hub.

The Southern Link Te Aotanga Aotearoa (sponsored under MFAT) will capitalise on these advantages:

- *Development of an efficient and effective hubbing facilities located in selected hyper locations (including co-location of air and sea freight) within Aotearoa New Zealand.*
- *Regional and Global leadership in the digital economy.*
- *Lifting Aotearoa New Zealand's economic supply chain resilience.*

Aotearoa New Zealand will turn these comparative advantages into a competitive advantage that other competitors are unable to match.

Aotearoa New Zealand will be a staging post for e-commerce hubbing infrastructure to service consumers in Asia, South America, Australia, and the Pacific. Capturing the reason why Global air and Shipping lines foresee our country as an Oceanian destination of opportunity.

*The Southern Link TAA will “**emphasis the desire to see the business to be within the wider Māori economy**”.*

- *The Southern Link TAA envisages to be supported by all IWI and higher education institutions.*
- *The Southern Link TAA will encourage the orchestration **Digital eCommerce /Marketing convergence** with Blockchain being its framework -connecting the broader Southern Link TAA services and capabilities mandated under NZ Govt.*
- *Kiwi **SME's** will have an exciting platform to build upon their “International” ambitions.*
- *The Southern Link TAA envisages to be located within six proposed IWI owned and managed hyper location hubs supported by existing higher education institutions:*
 - *Marden Point – **Ngapuhi** - North Tech/Auckland University.*
 - *Auckland Airport -**Tainui** – Auckland University/Waikato University.*
 - *Ruakura – **Tainui** – Auckland University/Waikato University.*
 - *CEDA **Ngati Toha** - Massey University /Victoria University.*
 - *Port Taranaki – **Taranaki Iwi** - Massey University / Victoria University.*
 - *Christchurch Airport/Lyttleton Port – **Ngai Tahu** - Canterbury University/Otago.*

***Five Strategic Exigencies** will empower the success of the Southern Link eCommerce TAA:*

- 1. Critical New Zealand Trade Needs,*
- 2. Foreign Affairs,*
- 3. Economic Transformation,*
- 4. International eCommerce export acceleration,*
- 5. Cyber Security,*

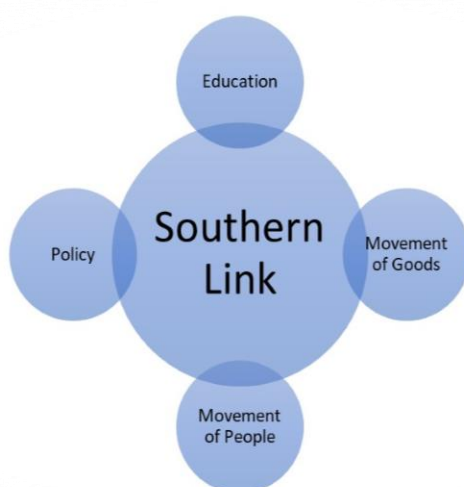
We believe the Southern Link TAA places Aotearoa New Zealand in the middle of a global value chain for the first time, bringing businesses closer to market and unlocking opportunities, foster New Zealanders particularly SMEs to enhance their export expectations.

- *Building a bridge for Māori.*
- *Optimize access for ASEAN Free Trade Area (AFTA) a market of 550 million people.*
- *Linking a conduit between Aotearoa New Zealand and 700 million South Americans.*
- *A **front door of an accessible** market for 33 million Oceanian people (New Zealand Australia and South Pacific).*
- *Reduce Carbon Emission.*

*A bridge for the wider **Southern Link** purpose, capabilities, and opportunities— **Policy, Movement of People and Education**. An empowered **Southern Link TAA** may then be leveraged so as Aotearoa New Zealand can develop world class:*

- **Logistics Hubs**
- **International Educational Hubs**
- **R&D Hubs**
- **Technology Hubs**
- **Centre for Policies**

Located within Hyper Location Hubs. We believe the Southern Link TAA alone could reach 4 billion dollars annually in new import /export revenue within 5 years of service implementation.



*The Southern Link
Te Aoutanga
Aotearoa*

*Fits within
Movement of Goods
One of four critical
parts of the Southern
Link*

Rohe Rohe Regionalisation

The future trajectory of supply chains looks less global and more regional.

The recent COVID-19 pandemic the war in the Ukraine and climate change have organizations to re-think and establish a supply chain closer to home (i.e. regionalization). For instance, U.S. companies are likely to shift some of the manufacturing production back to North America. The recently signed trade deal between the U.S., Mexico and Canada the ([USMCA Agreement](#)) is likely to accelerate this process.

It should be noted regional trade agreements such as USMCA Agreement already cover more than half the world's trade.

Concurrently, European companies are potentially relocating manufacturing to Eastern Europe, Turkey or North Africa.

Meanwhile, government interventions and attempts at regulating international supply chains are increasing. [A Gartner report published in May 2020](#) pointed to Japan releasing a multi-billion-dollar stimulus package to help their companies bring manufacturing back to the country.

Closer to home:

Australia has an objective to bring manufacturing back home to Australia.

Australia foresees a strategic opportunity to mine, process and ultimately utilise critical minerals in manufacturing industries on shore which will diversify Australia's global supply chains and increase the value of the country's exports.

However, it remains clear that a significant proportion of manufacturing componentry's will still need to be imported from China and further afield.³

Here Australia is looking at shoring imports by making them **"Shorter", 'Smarter'** and more **'Sustainable'**.

The Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) was signed on 28 March 1983 and has become the cornerstone of the trade and economic relationship between

³ https://treasury.gov.au/sites/default/files/2019-03/04_Imports_of_goods.pdf

our two countries. Arguably there are no two closer independent countries like Australia and New Zealand particularly when it comes to Trade Agreements.

Therefore, New Zealand's proximity to Australia, combined with a stable regulatory framework provided by the CER enables the opportunity of Near and On Shoring for both countries.

For Government and private business seeking to extricate their supply chains from Asia (China)/Europe or the Americas and near shore them to Australia and New Zealand.

Special economic zones (SEZs) have the potential to allow alternative solutions, enabled with special jurisdictions. These SEZ's serve as potential catalysing environments for nearshoring.

Due to mounting disruptions, **free zones** and **special economic zones** are gaining popularity all around the world. Within a global economy, competition is continually focused on trading an advantage over rivals. A special economic zone (SEZ) is one of the most common vehicles (Hubs) to delivering a supercharge to an regions international trade performance.⁴

These innovative hubs can also foment the safe deployment of private sector capital to move supply chains.

Global Value Chain and Near Shoring

As more Governments and private enterprises are embracing 'nearshoring', which involves producing items closer to home, this is a reversal of the decades-long trend of 'offshoring' manufacturing.

Bloomberg noted US CEO's have been highlighting plans to relocate production through offshoring, reshoring or near shoring at a greater clip in 2022 than they did in the first 6 months of the pandemic. Bloomberg links this to disruptions caused by the recent wave of strict Covid lockdowns in China triggering the decision to move production out of China⁵. Accelerating greater US supply chain

⁴ <https://www.burohappold.com/articles/using-special-economic-zones-as-a-tool-for-building-economic-growth/>

⁵ <https://www.bloomberg.com/news/articles/2022-07-05/us-factory-boom-heats-up-as-ceos-yank-production-out-of-china>

resilience through regionalisation with the use of current USA/Canada and Mexico USMCA Agreement(Friend Shoring)⁶.

The timing of these trends coincides with new pressures that businesses face. This has been accompanied by a shift away from ‘**just in time**’ supply chains, which were stretched and broken during the chaos of the pandemic and further exacerbated by the recent Covid lockdowns in China.

The “**just in time**” business model relies on keeping inventories of stock extremely small and ordering when demand is high, via short-term contracts, to cut costs (optimisation). For many years, it was the status quo of supply-side work.

Yet in 2022, amid continuing disruptions prompted by the pandemic, companies are shifting towards a ‘**just in case**’ approach with production located nearer to home, and companies holding more stock in case of further disruption. It marks a reversal of a long-standing trend where companies focused on cutting costs and reducing friction at the expense of flexibility. In this way, private enterprise and government are focusing on building resilience and responsiveness in the supply chain.

Resilience can be built into supply chains in three ways: a shift from “**just-in-time**” to “**just-in-case**” inventory management, the nearshoring or reshoring of manufacturing closer to the final point of retail, and an increase in transparency and monitoring to boost flexibility.

Global value chain will be empowered through **end-to-end integration**, the development of **new capabilities** and **tailored regional** responses to the specific impact of disruptions. The use of “**near shoring**” and “**just in case**” cross border proficiency, add value to those products that public and private sectors are focused upon.

Southern Link Te Aoutanga Aotearoa (TAA)

Today’s supply chains have evolved into highly complex global systems. They have multiple interdependent components and hidden vulnerabilities. They therefore need a multi-layered approach that addresses resilience over three different time horizons: **short term (Operational)**, **medium term, (Tactical)** and **long term (Strategic)**.

⁶ https://macdonaldlaurier.ca/what-are-the-critical-elements-of-friend-shoring-lawrence-herman-for-inside-policy/?utm_source=rss&utm_medium=rss&utm_campaign=what-are-the-critical-elements-of-friend-shoring-lawrence-herman-for-inside-policy

- **The Southern Link TAA** represents a like-minded special economic zone (SEZ's) and offers an Innovative **Kiwi** developed framework capable of providing Customs regulatory and institutional security that may make all the difference in accelerating Regionalisation '**near shoring**' and the enablement of '**just in case**' to Australia and New Zealand.
- **The Southern Link TAA** has the ability and a clear advantage to bridge complex "multi layered vulnerabilities."
- **The Southern Link TAA's** regulatory framework means Australasian business or Govt institutions who utilise their services do not have to pay export or import duties (unless product is expedited into the New Zealand domestic economy). This could permit them to become manufacturing hubs for supply chains previously located in Asia.
- **The Southern Link TAA** framework may help businesses build efficiencies and thereby defray the initial costs of extricating their supply chains from importing nations like China. The Southern Link TAA's are Innovative hubs that can catalyse supply chain relocation and mitigate Government and private business concerns.

Growing geopolitical competition with China and snarled supply chains brought on by continued government lockdowns have reinvigorated calls for '**near and onshoring**'. Supply chain dependency in key industries such as construction and pharmaceuticals.

- **The Southern Link TAA** can take hold and meet with success, it is already evident that Australia and New Zealand companies are looking to duplicate and **create shorter, regionally based supply chains**. The guiding theme is that regionalization is increasingly more important than globalization, therefore building future resilience and responding to shocks.

Sizeable foreign investment could be created through Southern Link TAA's in a way that would be mutually beneficial to Australia New Zealand and Pacific Island countries.

Ahitereiria Australia

The Australian Government has recently changed its strategic course towards increasing resilience of its economy with a set of actions focused directly on supply chains. The government provides funding through an AU\$1.3 Billion to support the scaling-up of Australian businesses, transform ideas into commercial opportunities, and integrate better international supply chains.

Currently the priority sectors are space, medical applications, resources, construction materials, food and beverages, defence, recycling, and clean energy.

➤ **Office of Supply Chain Resilience**

Australia has recently created a govt department which focuses on critical supply chain vulnerabilities that could impact Australia's national interest.

This includes:

- health, safety, or wellbeing.
- economic stability and viability.
- national security.
- international partners.

This department advises the Australian Government on supply chain risks and potential actions to improve resilience.

Their current work is focused on ensuring ongoing access to essential goods and services including:

- personal protective equipment (PPE).
- critical pharmaceuticals.
- agricultural chemicals.
- Semiconductors.
- telecommunications equipment.
- water treatment chemicals.
- critical plastics.

➤ **Working with industry**

This department engages directly with targeted sectors to help them understand Australia's supply chain risks. These business insights can provide early warning signs of disruptions to critical supply chains.

Partnering with countries on global supply chains

The office of Supply Chain Resilience is currently working with a number of international partners:

➤ **United Kingdom**

They are working with the United Kingdom (UK) on a joint supply chain resilience initiative. The project provides capability building support to interested countries through shared insights and approaches.

The initiative supports interested countries to:

- improve public sector approaches to building critical supply chain resilience.
- strengthen global supply chains through shared learning and coordinated action.
- build greater transparency into key global supply chains.
- promote international action to respond to disruptions.

➤ **The Global Supply Chain Resilience Forum**

Australia has joined other nations to strengthen cooperation on global supply chains.

The Global Supply Chain Forum is the largest multilateral forum focused on supply chain resilience. This Forum is attended by ministers from the UK, Republic of Korea, Singapore, Indonesia, Japan, India, Canada, Mexico, Brazil, EU, France, Germany, Italy, Netherlands, Spain and the Democratic Republic of Congo.

Addressing stresses in global supply chain and the role of governments to step in and support businesses and workers where the supply of essential goods and services is at risk of significant disruption.

The Australian Government is committed to respond to important views raised by stakeholders at the Forum including the need to ensure there is adequate workforce in times of crisis, the critical role of public procurement in strengthening and diversifying supply chains, and the need for substantial public-private partnerships to build critical supply chain resilience.”

➤ **India and Japan**

Australia’s Minister for Trade, Tourism and Investment, Mr. Piyush Goyal, India’s Minister for Commerce and Industry, and Mr. Hagiuda Koichi, Japan’s Minister for Economy, Trade and Industry have agreed to cooperation between Australia, India and Japan to address supply chain disruptions in the Indo-Pacific region.

Australia reaffirmed their commitment to further develop the Supply Chain Resilience Initiative, to promote strong, sustainable, balanced, and inclusive growth in the region.

Complements Australia's other international engagements on supply chains such as the Indo-Pacific Economic Framework and the Quadrilateral Security Forum.

➤ **Supply Chain Resilience Funding**

The Australian Government's \$15 billion National Reconstruction Fund will drive co-investments in projects that address vulnerabilities in critical supply chain while the Buy Plan Australia will ensure that the **Office of Supply Chain Resilience** can make use of government procurement as a major economic lever to strategically address supply chain risk.

Australia, New Zealand and Pacific Islands alignment of Supply Chain Resilience and Leverage

"With Australia's ongoing investments in building their supply chain monitoring capability. Australia are clearly leveraging their position to work with interested governments, to provide advice and support collaborative actions to strengthen key global supply chains in a way that will benefit both Australia and their partners.

Technology shifts, climate change, economic disruption, and supply chain issues are critical areas in which governments are striving for greater resilience.

1. Climate-resilient government: How governments are addressing climate change.
2. **Reshoring** and "**friend shoring**" ⁷supply chains: Reshaping supply chains to improve economic resilience.
3. Future-proofing the labour force: Enabling the adaptive worker of the future.

Whilst Australia and New Zealand pursue independent Supply chain resilience programs.⁸

⁷ <https://www.nytimes.com/2022/11/18/business/friendshoring-jargon-business.html>
<https://www.linkedin.com/pulse/what-friend-shoring-maria-antonieta-cordero/>

⁸ <https://www.rnz.co.nz/news/political/465577/nz-working-with-singapore-on-supply-chain-resilience-for-exporters-ardern>

There is no better companions to pursue mutual holistic supply chain risk mitigation and the development of competitive advantage.

Hoa Tukuti Friend Shoring

Australia and New Zealand business can't control the shocks disrupting their supply chains, but they can mutually take actions to make their supply chains more resilient. Shortening supply chains so they are closer to the home market (**onshoring**) significantly improve resilience for manufacturing business.

In the USA, US Treasury Secretary Janet Yellen has proposed "**friend-shoring**" as a means to insulate global supply chains from external disruption or economic coercion. The idea is for a group of countries with shared values to deploy policies encouraging companies to spread manufacturing within that group. The goal is to prevent less-like-minded nations from unfairly leveraging their market position in key raw materials, technologies, or products to disrupt the US economy or those of its allies⁹.

Here a friend-shoring policy between Australia /New Zealand (and the opportunity of a wider Pacifica) would harness historic institutions (CER) linking the two countries associated with a new approach to economic cooperation and security.

Asialink Business's September 2021 survey of Australian businesses, ***Disruption & Innovation - Reshaping Regional Supply Chains***, shows this uncertainty is hitting **small business** hardest, with 32% of those surveyed reporting restrictions on business could threaten their operations, compared to 15% of **medium- sized businesses** and 8% of **large businesses**.

New Zealand Business disruption and uncertainty would be similar.

In real terms, Australia and New Zealand are positioned on the fringes of Asia. Both countries source similar products from the same countries within Asia. If we look at global merchandise imports at a trade lane level and the potential risk in terms of Australia and New Zealand¹⁰.

⁹ https://www.washingtonpost.com/business/what-friend-shoringmeans-for-trade-in-a-less-friendly-world/2022/06/22/5c3d4f30-f1e3-11ec-ac16-8fbf7194cd78_story.html

¹⁰ <https://tradingeconomics.com/new-zealand/imports/australia>

Trade Data Analysis (Example) Merchandise Global Supply Chain Resilience and Risk

Australian and New Zealand Trade Import by Continent

Import by Continent

Australia

Asia 62% (China 29%)
Europe 20%
Americas 14%
Oceania(New Zealand) 2.1%
Africa 1%

Import by Continent

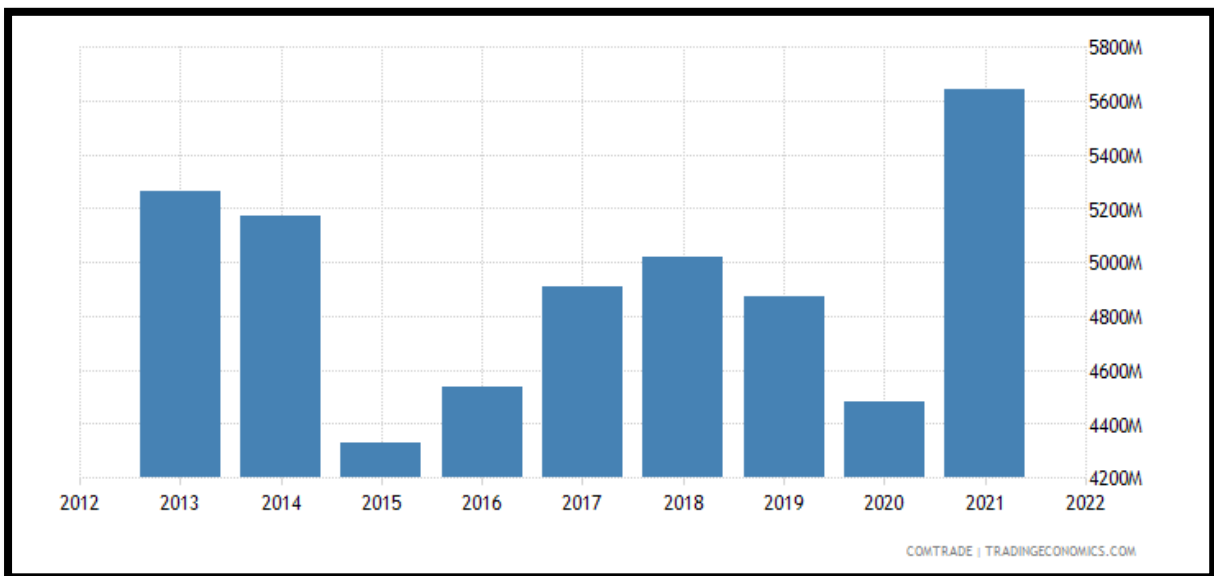
New Zealand

Asia 57% (China 24%)
Europe 19%
Americas 12%
Australia 12%

Australian and New Zealand Trade import by Category

Australia Imports By Category	Value	Year
<u>Machinery, nuclear reactors, boilers</u>	\$38.62B	2021
<u>Vehicles other than railway, tramway</u>	\$34.48B	2021
<u>Electrical, electronic equipment</u>	\$28.23B	2021
<u>Mineral fuels, oils, distillation products</u>	\$26.86B	2021
<u>Pharmaceutical products</u>	\$11.03B	2021
<u>Optical, photo, technical, medical apparatus</u>	\$9.62B	2021
<u>Plastics</u>	\$8.03B	2021
New Zealand Imports From Australia By Category	Value	Year
<u>Vehicles other than railway, tramway</u>	\$7.26B	2021
<u>Machinery, nuclear reactors, boilers</u>	\$6.98B	2021
<u>Electrical, electronic equipment</u>	\$4.41B	2021
<u>Mineral fuels, oils, distillation products</u>	\$3.99B	2021
<u>Plastics</u>	\$2.05B	2021
<u>Optical, photo, technical, medical apparatus</u>	\$1.65B	2021
<u>Pharmaceutical products</u>	\$1.42B	2021

New Zealand Imports from Australia 2013 to 2022



It is clear, that Australia and New Zealand are importing the same essential products.

With the recent disruptions and cost within supply chains because of the pandemic. Australia becomes an attractive alternative for New Zealand business to near source similar merchandise that Australia has imported themselves.¹¹

Shipping costs out of China have not reduced as compared to Australia. Lesser shipping services that are available into New Zealand are forcing importers into “**re shoring**”, in particular Australia.

The critical mass and the priority of this merchandise that Australia can orchestrate from suppliers and shipping lines, will clearly resonate with New Zealand business.

With shorter supply chains albeit arguably more expensive merchandise (3rd party access), the critical importance is “**Operational**” delivery and consistent access to the merchandise source.

We can see the spike in 2021 imports from Australia particularly in relation to pre pandemic figures.

Although within the short term. New Zealand business utilising Australia as near shore give some ‘**Tactical**’ relief.

At a “**Strategic**” level the Global Supply Chain risk still remains for both Australia and New Zealand in terms of accessing the same imported products from Asia (particularly China) Europe and the Americas.

Medium to large New Zealand businesses arguably have the expertise to navigate complex supply chains and alternate merchandise with acceptable pricing (Australia). However New Zealand **SME**

¹¹ Massey University New Zealand Supply chain and Logistics Risks Outlook 2023

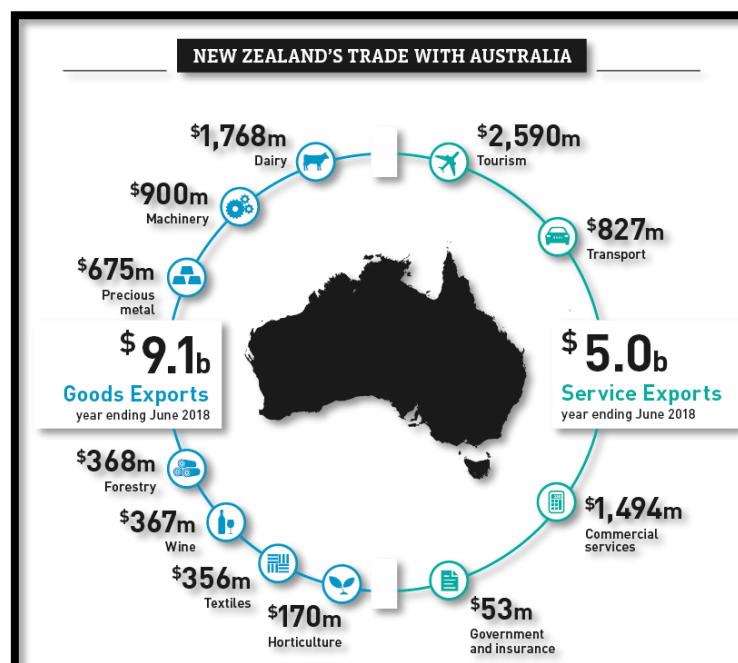
business may not have the same leverage, therefore disruption risk is significant through Asia/Europe and the Americas.

As firms and governments seek to adjust to a new normal of uncertainty and tense geopolitics, the concept of friend-shoring has emerged as an alternative model for global trade. The term was coined to describe the shift towards supply chains that skip 'unfriendly' countries in favor of 'friendlier,' more reliable nations.¹²

Friend-shoring offers an affordable alternative to reshoring—bringing manufacturing back from overseas— to reduce disruptions, delays, and increased production and transportation costs. Shorter supply chains and friendlier conditions should allow firms more security, transparency, and control over their supply chains.

The Southern Link Te Aoutanga Aotearoa has the opportunity and capability to reverse New Zealand companies sourcing products from Australia. By offering Australian “firms and govt’ the ability to scale (in volume) in terms of merchandise and utilize New Zealand as their **friend shore** with safe and secure locations with ease of access for supply. This innovation will allow New Zealand firms to access Australian products – **onshore** within New Zealand. Reducing cost of transport and time.

New Zealand's Trade with Australia



¹² <https://ctsi-global.com/2022/friend-shoring-the-future-of-trade-and-supply-chains/#:~:text=As%20firms%20and%20governments%20seek,alternative%20model%20for%20global%20trade.>

SME Role of supply chain Resilience

SMEs play a critical role in the global and domestic economy.

An EU report¹³ on Resilience of global supply chains, examined the roll of [SME'S](#) and concluded SME's will need targeted support to help diversify their supply chains and boost resilience at the same time due to limited resources, SMEs are not often prepared for supply chain disruption with lasting negative consequences. Through the [European Cluster Collaboration Platform](#) and [the Enterprise Network](#), EU aims to address and help SME's diversify supply by linking them with new partners.

Saudi Arabia's Vision 2030 noted, the SME sector in Saudi Arabia is projected to contribute approximately 35 percent of the Gross Domestic Product (GDP).¹⁴

New Zealand exporters including SME carry a significant percentage of imported products as part of the manufacturing process.

New Zealanders SME's and exporters are particularly more vulnerable as we do not have the benefit of an EU next door. However here we believe an empowered Southern Link TAA will enable access to digital technologies, (eCommerce solutions) diversification of suppliers and enhance their resilience to supply chain shocks.

At an operational level, the Southern Link TAA will help eliminate middle dealers, reduce the distance to suppliers, and acting as a consolidation centre with Government/customs legislative support.

As we have noted SMEs are significantly vulnerable within Supply Chain disruption. In our mind [New Zealand Trade and Enterprise](#) services could be broadened to qualify how New Zealand Exporters can be holistically supported through direct improvement of production supply capacity similar to EU in co-ordination with the Southern Link TAA.

Mitigate this risk

A critical objective of the Southern Link TAA is to ensure it is compelling and attractive in terms of New Zealand to be part of Australia's "[Global Value Chain](#)" through a "[friend shore](#)" partnership.

<https://my.nzte.govt.nz/article2/australian-manufacturing-is-coming-home>

¹³ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698815/EPRS_BRI\(2021\)698815_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698815/EPRS_BRI(2021)698815_EN.pdf)

¹⁴ file:///E:/logistics-06-00047-v3.pdf

The absolute prize for Aotearoa New Zealand's economic supply chain resilience and aspirational growth is within an aligned holistic AU/NZ Global Value Chain .

- 1) Australia and New Zealand cooperate and mutually target key sectors sovereign manufacturing that can be friend shored into the Southern Link TAA.
- 2) Risk is diversified as supply chains are bought closer to home.
- 3) New Zealand business solutions and technologies have greater connectivity and access to help transform Australia's manufacturing industry.

The Southern Link TAA will act as a conduit gateway for business connectivity. Enabling New Zealand exporters ease of access to Australian manufacturers who utilise Southern Link TTA services.

Te Waihangā Public Private Partnership

How could Aotearoa New Zealand manage supply chain disruptions?

The Southern Link TAA orchestrates a potential **"Global Value Chain"** that can be a channel of supply chain resilience for both Australia and New Zealand.

One of the key concerns for both Public and Private business utilising **'Just In Time'** (increase inventory) has risk in terms of obsolescence, perishability and stock holding.

We see New Zealand importers have raised stock levels significantly due to the global pandemic.

On the other side, Aotearoa New Zealand is a small market that can quickly impact access to goods and services through importation or limited local vendor manufacturing.

Lack of supply escalates the need for normal goods and services to essential goods and services and demand at a national and political level with associated higher cost versus products enjoyed in bigger markets such as Australia¹⁵.

In May 2021 the EU Parliament Commission published an update, **"Resilience of global supply chains"**¹⁶. For which the EU recognised a quarter of imported products are very vulnerable. With a low potential for diversification and substitution by EU products. What was recognised about half of these products are from China alone (52%). The report concluded 6 in depth essential categories.

¹⁵ <https://www.stuff.co.nz/business/industries/129402872/100-containers-of-plasterboard-heading-to-nz-to-help-solve-gib-crisis>

¹⁶ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698815/EPRS_BRI\(2021\)698815_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698815/EPRS_BRI(2021)698815_EN.pdf)

Pharmaceutical ingredients, batteries, hydrogen, raw materials, semiconductors, and cloud edge technologies.

The report identified the need for influence on supply chain design **by incentivising shortening, reshoring, near shoring or diversification.**

Within the report the **OECD** sees two avenues through which procurement can contribute to supply chain resilience: **First**, cross border sharing of information risk management and on the availability of essential goods, prices, and contacts to form essential procurement strategies and minimise disruption. **Second**, regional or bilateral standardisation of procurement procedures joint procurement agreements, simplify cross border transactions, facilitating the sharing of goods and inputs, and improving buying power particularly those of smaller states (Australia v New Zealand and Pacific Islands).

Possible measures to achieve this includes tax subsidies, tax incentives, tariffs and local content provisions in current **“Free Trade Agreement”**, and government ownership/investment in strategic sectors including **‘Public Private Partnerships’**.

Huiterangi Swiss - Stock Piling

Swiss stock piling¹⁷ is a civic duty, as an example **Switzerland** recommends that each household should have a **stock** of drinks and food for a period of seven days in the event of war or natural disaster.

Here we have parallels with Aotearoa New Zealand and a growing individual and collective duty to be prepared with a stockpile drinks and food in times of natural disaster and severe weather.

The economic and supply chain consequences of the pandemic/War in Ukraine and future climate change concerns have heightened the discussion about security of supply resilience further than food drink and emergency supplies.

Here a form of Swiss stock piling would be acceptable in Aotearoa New Zealand.

However, we must look at an Improved systemic resilience in the long term that fits for our country needs.

Switzerland is heavily dependent on food (45% imported). With over 3 to 6 months of essential food stuffs and goods kept in storage within its borders.

¹⁷ <https://www.bwl.admin.ch/bwl/en/home/themen/pflichtlager.html>
<https://www.carbura.ch/en/compulsory-stockpiling>

Switzerland's history of geography has ingrained strategic thinking about the country's supply since WW1.

One of the strengths of Switzerland's geography in terms of supply chain resilience is the locality between Germany, France, Italy, and Europe.

Swiss imports are based on **German products** with a share of 24%, Italian goods with 11% and U.S. goods that supply almost 10%. France supplies almost 7% of the country's imports, while countries like China and Austria provide almost 4%.

Switzerland's close ties with its neighbouring countries are also reflected in the individual product categories: Germany is the largest import partner in eleven out of twelve categories (exception: China is the largest import country in the category of textiles, clothing and footwear).

Swiss stock piling supply chain, its geographical resilience works on **near shoring** and **just in case**.

Switzerland is landlocked, surrounded by many of its top trading partners. Switzerland shares its southern border with Italy, its western border with France, its northern border with Germany, and its eastern border with Austria and Liechtenstein connected by Road and Rail.

Relative ease of supply chain access bordered by friendly countries enables some degree of security and neutral **isolationism**.

The Swiss system of supply chain resilience has been designed to be fully involved by the private sector ensuring the security of supply of essential goods and services is first and foremost the responsibility of the private sector.

This within itself is the strength of private sector leadership. Thanks to a high level of Swiss exports, numerous international companies (private sectors) maintain considerable production capacity in Switzerland – for example for food, pharmaceuticals, chemicals, and other industrial products. This is due to the favourable framework conditions for global exports, which has a positive impact on supply security.

This level of Swiss exports and Swiss relevance ensures private enterprise albeit International and national have the magnitude of scale and resources to support and reinforces Switzerland's scale of stock piling.

Wahi Reka Sweet Spot

The question for Aotearoa New Zealand is how we can develop and grow a cross-border networking of development, research and production which guarantees a level of availability, diversity, and

degree of innovation of essential goods and services assuring economic “supply chain resilience” at favourable prices.

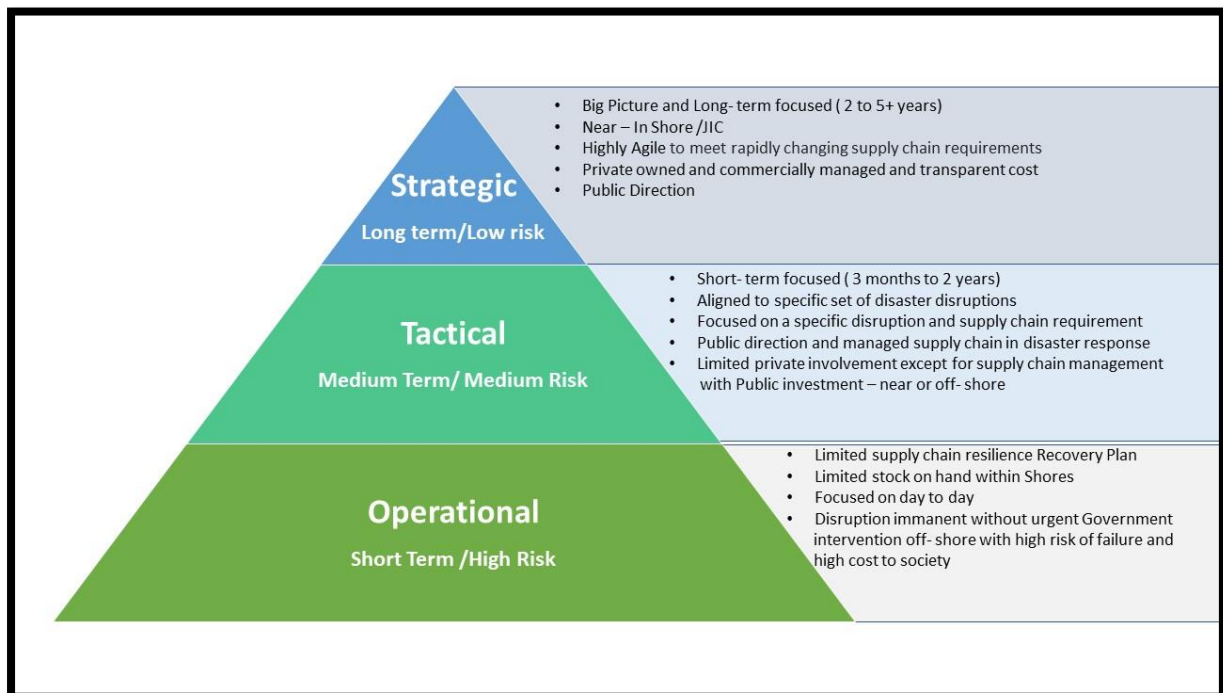
Finding the balance across identified essential goods and services, increasing “supply chain resilience” and a degree of **agility**¹⁸, is the sweet spot.

How Aotearoa New Zealand can entertain an acceptable level of **supply chain self-reliance** (key essential goods and services at Regional and National) commercially managed within a form of public partnership cooperation.

Commercial ownership would focus on two key criterions.

1. Adequate secure access to goods in volume that enables an agreed quantity and timeliness of stock piling that can be managed at a commercial level.
2. Price to consumer.

Three levels of a commercially managed - economic supply chain -resilience:



The Southern Link TAA multi hub capability assures strategic supply chain enablement.

¹⁸ <https://www.mckinsey.com/capabilities/operations/our-insights/supply-chains-to-build-resilience-manage-proactively>
https://www3.weforum.org/docs/WEF_RRN_MO_BuildingResilienceSupplyChains_Report_2013.pdf
<https://www.bcg.com/publications/2021/building-resilience-strategies-to-improve-supply-chain-resilience>
https://www.pwc.com/gx/en/about/pwc-asia-pacific/asia-pacifics-time.html?gclid=Cj0KCQiA54KfBhCKARIsAJzSrdpePUMrCWXYarOMQmArFhOLtxPy6d2DBQbcvucW6w3JxsK5W1mdWMIaAgRgEALw_wcB

Arguably the Southern Link TAA enables both Australia and New Zealand Public Private sectors to align and prioritise key imported goods and materials for both countries and the Pacific Islands within Aotearoa New Zealand shores.

Southern Link TAA Global Value Chain -Value

The Southern Link TAA is a world leading innovative initiative designed to be the Gateway for the Southern Hemisphere in the same way that Singapore was to Asia. With the objective to become an Southern Hemisphere **digitally enabled economic technology “Trade Centre”** for Asia (China), South America and Australia Pacific Islands within the Pacific Rim. Show casing Aotearoa New Zealand as a world leader in Cross Border eCommerce within the increasingly developing **digital e-commerce world**.

Businesses that might operate within Southern Link TAA hubs would be those that operate within ecommerce supply chains (**B2Be/B2C and B2B2C**) either operating as ‘**near shoring**’ supply buffers or by adding value to products involved in tasks around reconfiguring, branding, and adding value to products prior before re-shipping out across to Asia/Australia, South America and further afield.

To mitigate risk and transfer equal value across Aotearoa New Zealand, there will be six authorised **Southern Link TAA’s “Hyper Trade Hubs”** located at ocean/air and inland ports.

These Southern Link TAA’s:

- Will play a vital role in enabling a regional strategy to use the hubs to help existing operations establish cost optimized facilities, and to attract new employers to the area that require a Southern Link TAA strategy to enable their global supply-chain.
- Will differ in their procedures, cost structure and outreach to enable Global/National supply chain operators and their companies to access their Hub. Therefor this gives foreign investors and manufacturers a competitive choice.
- A Māori, Govt and Private Partnership entity, with its co-ordinated and unified focus to empower Aotearoa New Zealand’s economy.
- Technology will be key in harmonizing global value chains. The proposed digital capability (**Blockchain**) will enable the combination of data from multiple sources, ensure trust among partners sharing information through robust security features or harmonized proprietary and open-source software to work seamlessly across borders.

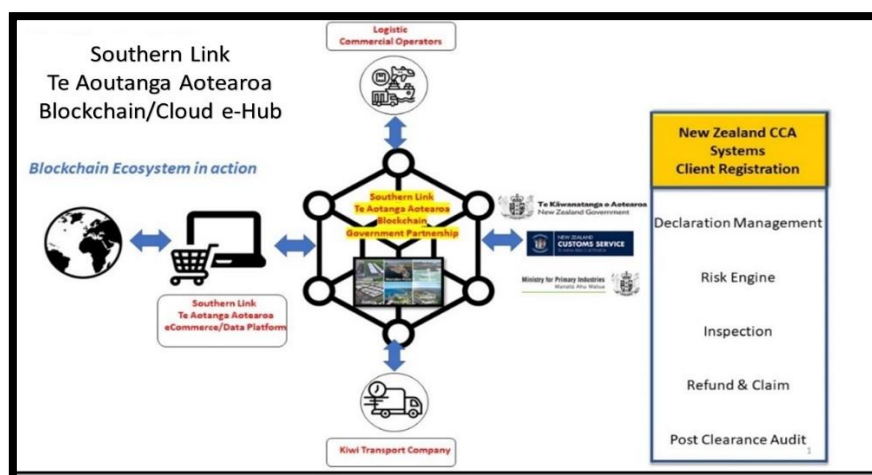
For example, the European Union has put in place such an initiative with a €700 billion (\$780 billion)-plus recovery and resilience facility,⁴ while Germany invested €7.6 billion (\$8.6 billion) in a digital hub initiative⁵ that includes infrastructure for data, making use of common platforms and increasing resilience.¹⁹

Noting the Southern Link TAA will use **Block Chain**, **Blockchain** within itself is distributed · **Blockchain** is immutable. Thus, ensuring cyberattacks in the future are mitigated. This blockchain initiative fits within MBIE initiative: Future of business Aotearoa New Zealand²⁰.

The US government is heavily involved in blockchain to ensure resilience in Supply chain.

'The international trade industry sees blockchain technology as a tool that may affect every aspect of international trade—from manufacturing to shipping and distribution, and even customs clearance. Wide-scale blockchain implementation is years away, but when it comes to the international trade environment, the U.S. government should actively engage in such implementation now in order to endorse systems that adhere to global standards and promote economic growth and fair trade practices worldwide. Blockchain technology is promising to revolutionize supply chain management; with proper government and industry support, this technology may also improve the international trade environment as well as compliance and enforcement capabilities'.²¹

Southern Link TAA Blockchain



The Southern Link TAA service and integrated logistics ecosystem can be a foundation for Australia and New Zealand as a regional solution for the building of a sustainable and **Resilient Global Supply chain** for manufacturers/essential goods and raw materials for Public and Private co-operation and

¹⁹ <https://www.weforum.org/whitepapers/charting-the-course-for-global-value-chain-resilience/>

²⁰ <https://www.mbie.govt.nz/dmsdocument/25454-mbie-ltib-the-future-of-business-for-aotearoa-new-zealand-pdf>

²¹ <https://www.hsaj.org/articles/1557>

partnership. For Aotearoa New Zealand, the Southern Link TAA allows the enablement of ‘**Supply Chain Resilience**’ afforded to larger economies that are investing in permanent supply chain office and long term funding for “**onshore’/’friend shore’** manufacturing (US/EU/UK/AUS).

Value Chain Road Map

The Southern Link Global Value Chain Road Map” is a proposed way of creating and capturing the identified value by structuring, coordinating, and integrating the activities of what was previously individual ad hoc access to off shore markets. This implies considering business not as isolated entities, but as part of an ecosystem that includes other business but also consumers workers, communities, the environment, and society as a whole.

Relate these activities effectively to an autogenous operation (Southern Link TAA) with the aim of developing a network of activities that create fundamentally:

1. New commercial export markets.
2. Supply Chain Resilience.

The success of which would need a complex mix of policy and actions to solve multi-dimensional challenges. Including a shift of investment (both Public and Private) towards infrastructure and services.

The Southern Link TAA favours the Strategic Long Term Low Risk Value Chain Model with 4 trajectories empowered with technology:

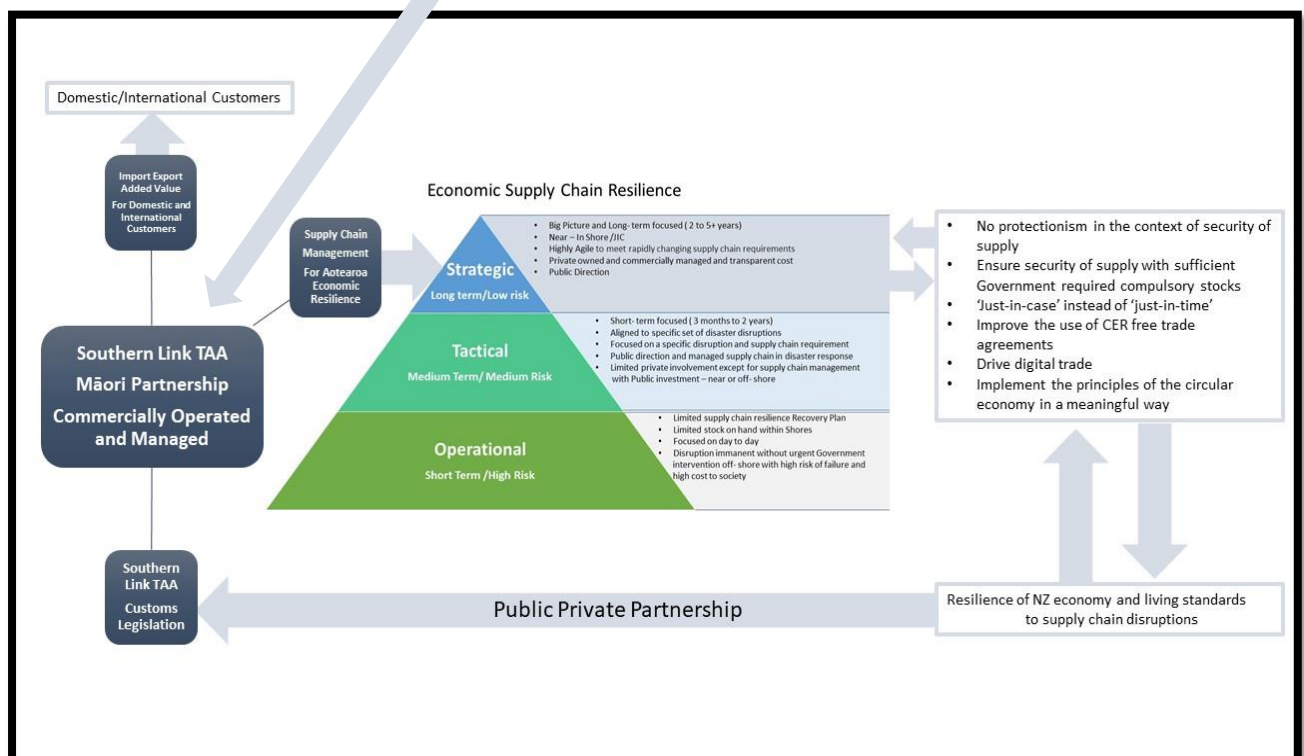
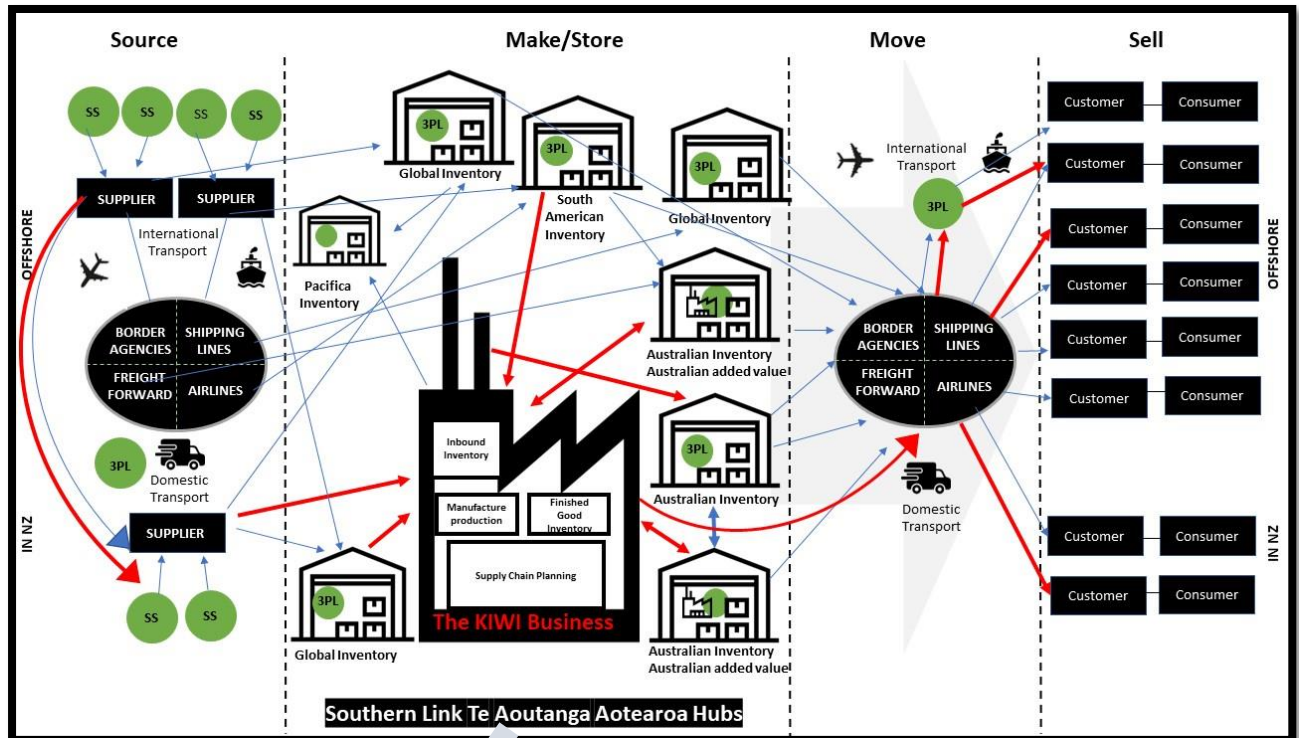
- 1) **Reshoring** – will lead to shorter, less fragmented value chains and a higher geographical concentration of value added.
- 2) **Diversification**- Will lead to a wider distribution of economic activities.
- 3) **Regionalisation**- Will reduce the physical length but not fragmentation of supply chains.
- 4) **Replication**- Will lead to shorter value chains and rebuilding of production stages.

One of the concerns Aotearoa New Zealand faces is the size of our own market and the scale and affordability to pursue a ‘**supply chain resilience**’ initiative as identified within this business brief.

Does NZ’s smaller and less diversified economy increase the potential impact of disruptions and justify greater investments in resilience? This concern is elevated due to the risk of ongoing loss of international connections to Aotearoa New Zealand given our countries relatively small market. De – risk NZ’s smaller market by unifying and growing the potential size of the prize within Oceania, and espousing the unique value (Australia and New Zealand) that the Southern Link TAA can only achieve. The Southern Link Te Aotanga Aotearoa is touted as a flagship government initiative that can play an important roll in NZ’s economic recovery bringing jobs investment designed to boost trade innovation and prosperity whilst enabling resilience in Supply Chain.

By presenting the importance and relevance of the **Southern Link TAA** as **Oceania's leading Regional and Distribution Hub**. The road mapping of relevance goes hand in hand.

Resilient Value Chain



Southern Link TAA Delivery Requirements

Contribution to a climate resilient future

New Zealand is on the path to a low emission, climate resilient future. Government has set into law a target for net zero greenhouse gas emissions by 2050 (other than for biogenic methane). The Emissions Reduction Plan is one mechanism we are using to focus our collective efforts toward transitioning to a more resilient, low emissions economy.²²

Southern Link TAA will undertake a measurable Emission Reduction Plan that incorporates **International** and **New Zealand** transport requirements (Sea Air Road). Thus, ensuring sustainable **Transport** choices and services²³.

International Examples:

- A more direct route between China -New Zealand to South America can provide the quickest link into South America by two or three days faster, which is more economical and reduces the carbon footprint.
- Cross border movements from a Southern Link TAA will minimise Global to Regional (Australia and Pacific Islands) shipping deliveries by reducing movements through goods Consolidation particularly sea over air,
- Keep abreast International best practices.

New Zealand Examples:

- The Southern TAA will be focused on meeting our New Zealand Governments Emission Reduction Plan
- The Southern Link TAA Blockchain can support supply chain emission by providing transparency and accountability of the supply chain of goods and services.

²² <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/low-emissions-economy/emissions-reduction-plan/>

Southern Link TAA geography and collaboration hubs

Southern Link TTA's modal will have economic flexibility within a defined geographic boundary.

A hypothetical TAA would be demarcated in agreement with customs and MPI. The services of which a TAA customer may undertake are predetermined through customs legislation

The government would be focused on land assembly, site remediation and transport infrastructure to connect TAA's with ports (Air/Sea) road/rail.

Each TAA will have unique geographical and national needs individually facilitated and invested by government

The government would encourage collaboration between the TAA's, firms, domestic and global transport providers, and higher education.

- A. A clear understanding and awareness of local innovation ecosystem and its priorities.
- B. A coherent plan for engaging with local leadership to help accelerate economic growth through R&D.
- C. Each TAA will be commitment to engage constructively with local innovation ecosystem, driving national, regional, and local impacts from R&D for Kiwi's and kiwi businesses.
- D. Each TAA will be focused on building strong partnerships with appropriate local, global and national bodies (Public or Private) in order to ensure plans are aligned for the benefit of local kiwi's priorities and help to support local, national or global economic growth plans

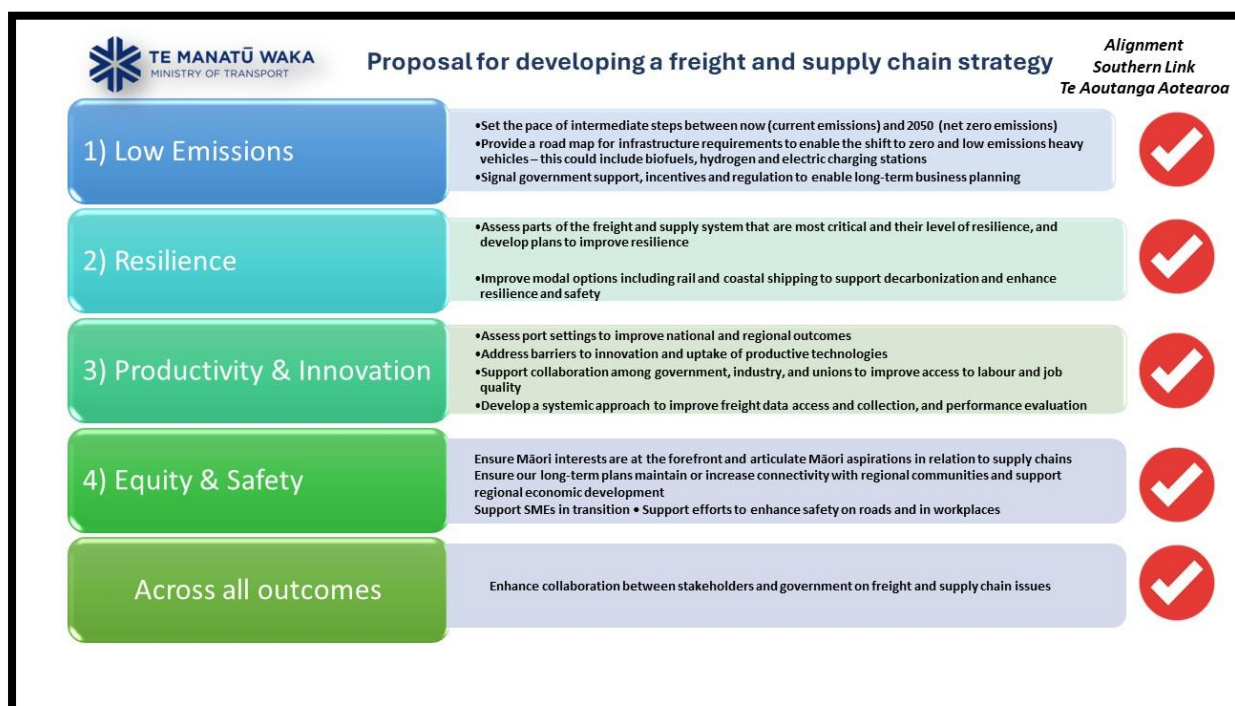
TAA's are designed to be hotbeds of innovation, TAA's will contribute to the local and national innovation ecosystem's through facilitating trans national research (aligned with higher education), skills development and data -sharing in the TAA region.

The government will be committed to ensuring that the TAA initiative model maintains NZ's high standards with respect to security, safety, workers' rights, data protection (Blockchain), biosecurity, transport and the environment.

Te Manatu Waka Alignment with Southern Link Te Aotanga Aotearoa

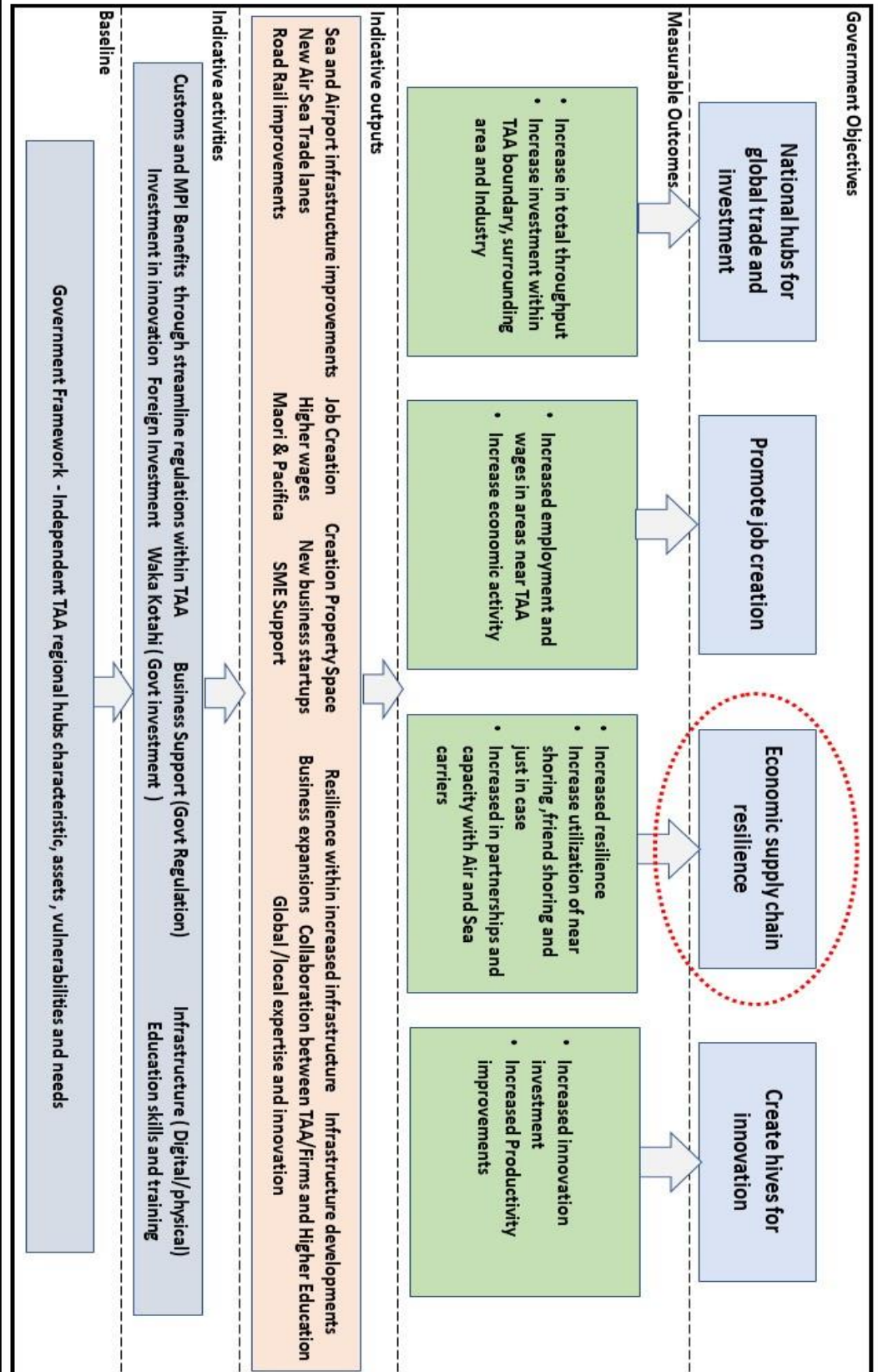
Trucks, trains, ships, and planes move about 280 million tonnes of freight a year around New Zealand. Almost everything we have or need to live our lives and operate our society and economy, is brought to us via this system. It is a complex and dynamic web of links and nodes involving multiple modes of transport, infrastructure networks, logistics nodes such as warehouses and cold stores, and agents including producers, freight forwarders, distributors, container yard operators, transport operators, and many more. Supply chains involve far more than transport. Of the five key supply chain management aspects – the plan or strategy, the sourcing of raw materials or required services, manufacturing, delivery and logistics, and the return of defective or unwanted products – the delivery and logistics task is the key focus of this issues paper.²⁴

The Southern Link Te Aotanga Aotearoa is a crisp and clear strategy that is aligned with all aspects of Te Manatu Waka long term and holistic strategies including support of SME's, decarbonisation, ensure Māori interests at the forefront, mitigation of supply chain disruptions off shore, near shore and onshore.



²⁴ <https://www.transport.govt.nz/assets/Uploads/Freight-and-supply-chain-issues-paper-full-version.pdf>

The Southern Link Te Aoutanga Aotearoa (TAA) logic model – linking inputs, outputs and outcomes to objectives



Kaitohutohu Kaupapa Rawa / Treasury

Economic resilience global supply chain

Kaitohutohu Kaupapa Rawa/Treasury²⁵ will play a critical role in the formation of the Southern Link Te Aotanga Aotearoa.

The design of the Southern Link Te Aotanga Aotearoa would need “Treasury” approval in terms of tax deferral versus the economic value that the initiative will generate.

At a holistic level:

- The Southern Link Te Aotanga Aotearoa (TAA) aims to create economic activity - like trade, investment, and jobs – connected with shipping ports / airports / rail and roading.
- Goods imported into a TAA trade hub are exempt from taxes, that are normally paid to the NZ government.
- It means business in TAAs can import materials tariff-free, only paying tariffs on finished products leaving the site for elsewhere in NZ.

Or the goods can be re-exported overseas without NZ duties being paid.

In the UK, their equivalent ‘Special Economic Zones’ (Freeports)²⁶ have enabled additional incentives:

1. Companies inside the sites will also be able to claim lower property taxes, including on new buildings they buy.
2. Firms also benefit from lower rates of national insurance - a tax paid on employees' wages - if they take on new staff.

In terms of the economic value of the Southern link Te Aotanga Aotearoa to Treasury and Aotearoa New Zealand - is within their own research:

²⁵<https://www.treasury.govt.nz/news-and-events/news/gabriel-makhlouf-speech-re-awakening-treasurys-wharenui>

²⁶ <https://www.gov.uk/government/news/first-freeports-launched-in-major-economic-boost>

NZ Treasury insight²⁷

WEU Special Topic - The economic impacts of global supply chain disruption

“An ongoing risk for New Zealand will be the loss of international connections if global supply chain disruption persists. Given the country's relatively small market and geographic isolation, some trading partners may shift away from New Zealand to focus on closer markets where trade is more convenient. Some export sectors have already experienced challenges accessing previously reliable overseas markets, and fear that these connections could be damaged permanently. The longer disruption persists, the greater the risk that international trade becomes less globalised and New Zealand loses important connections, with significant implications for the domestic economy”.

The USA Treasury's intent of their special economic zones is to encourage international trade and increase U.S. exports²⁸

According to the USA FTZ Board's 2018 annual report, there were 195 active zones (out of the approved 260) and each state (plus Puerto Rico) has at least one zone. Over 440,000 people were employed at roughly 3,300 firms that used FTZs during the year. The total value of merchandise received in FTZs was \$794 billion.

There are critics of UK freeports (Southern Link TAA familiarity to UK's 'special economic zone') point to the risk that they will simply transfer business away from other areas of the UK without increasing the overall size of the economy. There have also been concerns about risks relating to money laundering and tax evasion.

- Clearly the national breadth of the Southern Link Te Aoutanga Aotearoa mitigates concerns of provincial isolation.
- In terms of money laundering and tax evasion, the Southern Link Te Aoutanga Aotearoa will be using Block Chain across all facets of private public data catchments.

Perhaps Canada²⁹ has implemented a Treasury key initiative in terms of management and control of Canadas existing and proposed “special economic zones”. That that give some guidance and a road

²⁷ <https://www.treasury.govt.nz/publications/research-and-commentary/rangitaki-blog/weu-special-topic-economic-impacts-global-supply-chain->

²⁸ https://help.cbp.gov/s/article/Article-1852?language=en_US

²⁹ disruption#:~:text=Overseas%20demand%20remains%20strong%2C%20but,to%20deliver%20goods%20to%20customers

map on the implementation of the Southern Link Aotanga Aotearoa within Aotearoa New Zealand, that is worthy of review.

“What are the considerations for requests to establish an FTZ Point? Considerations for requests to establish an FTZ Point at a new location include:³⁰

1. *An economic priority for the region (as identified by local/provincial governments).*
2. *Private sector leadership and commitment.*
3. *Dedicated governance body (through legislation/incorporation).*
4. *Favourable business environment and available land.*
5. *High quality infrastructure.*
6. *Active participation in and connection to global supply chains.*
7. *Access to a skilled labor force.*
8. *Access to a multimodal transportation system.*

The proponent must demonstrate capacity and will be assessed against the considerations described above. There must be engagement and commitment from the private sector, and by government”.

My final comments are in terms of the economic value that the Southern Link Aotanga Aotearoa can achieve for Aotearoa New Zealand. Comes from the UK and their Treasury remarks:

“At Wilton International, Koss acknowledges that the freeport model might come with risks. However, it nonetheless stands as an opportunity in an area where the promise of a new beginning will be leapt upon.

*“It’s great to have a focal point around which everybody can coalesce, and everybody understands what you’re trying to do. The starting gun has been fired. **It’s great to see the Treasury have approved that, and we’ve now got to get out there.**”*

*Neil O’Brien, the minister for levelling up, said: **“Freeports will help to generate prosperity and spread opportunity by driving trade and innovation as we level up across the United Kingdom.”**³¹*

³⁰ https://www.worldfzo.org/Portals/0/OpenContent/Files/487/Canada_FreeZones_Atlas.pdf

³¹ <https://www.theguardian.com/business/2021/nov/13/low-taxes-and-levelling-up-the-great-freeport-experiment-comes-to-teesside>

Titiro whakamua Looking Ahead

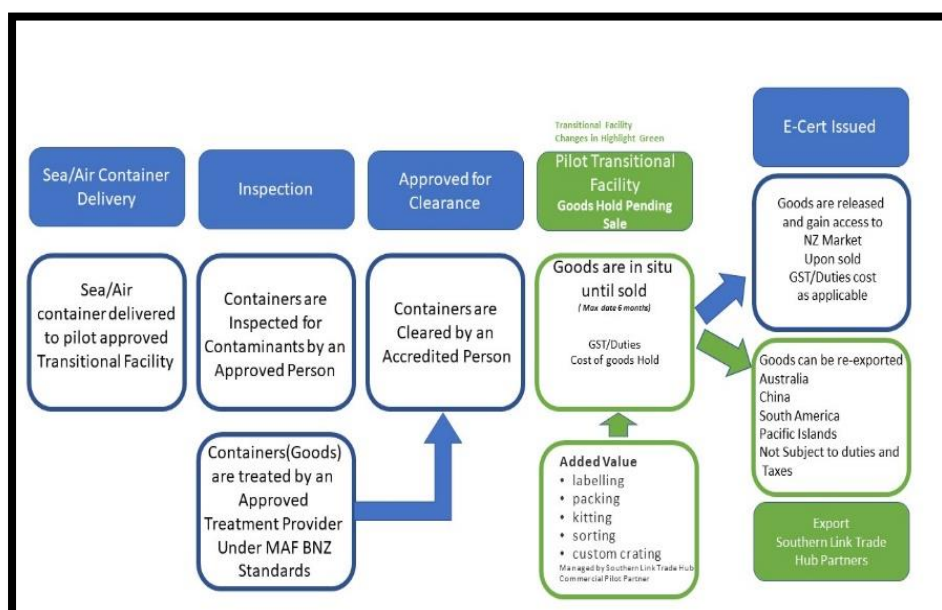
In the near-term post the pandemic aftereffects. We will see some an ease of high freight cost and capacity.

There is optimism, and as conditions improve it will be tempting, and in many ways unavoidable, for people to go back to their old ways of living and working. Time has the ability to make people forget the absolutely devastating disruption the pandemic has wrought on all of us.

We do not need to keep our country on a war footing, far from it. However, in terms of supply chain, the world will enter a new normal which implies a significant change from our ways of living and doing business as compared to how we lived and worked before we heard of the Coronavirus.

The seismic shifts of the past two years have turned kiwi industries upside down, and businesses of all sizes are adopting innovative supply chains, moving into previously inaccessible markets, and competing in new ways. This wave of change is ushering in a newfound confidence and a priority of business growth.

The objective is to continue and improve our momentum of supply chain resilience through agility adaptation, planning and shifting to meet current and future demands both Public and Private.



Overlay Southern Link TAA Import Export Workflow

The utilisation of near shoring /Just in Case/Digital enhancement, enabled through the Southern Link TAA will allow companies to land, store, handle, add value and re-export export goods without paying customs duties. The Southern Link TAA will also have the ability to help defray the cost of inventory though duty referral

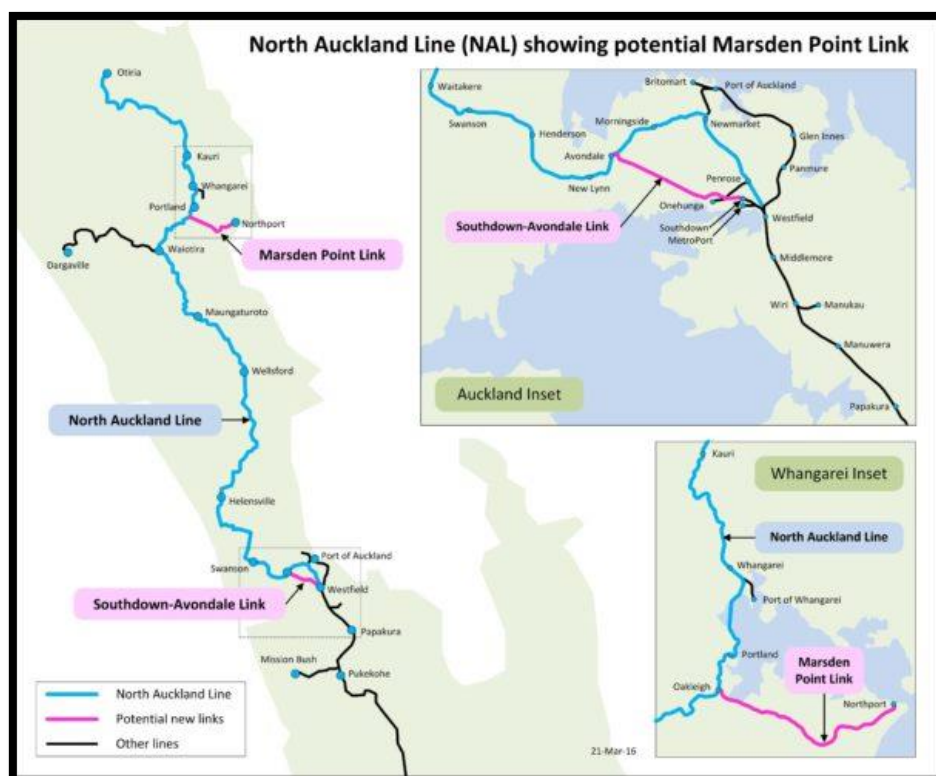
The Southern Link is designed to support an ecosystem of Trade partners (Australia/Asia and South America). encompassing “**Education, Movement of People, Policy** and, **Movement of Goods**” (Southern Link Te Aotunga Aotearoa).

Public and Private have the ability to take advantage of the policy boast with a competitive advantage, whilst continuing to focus on building agility and tackle operational, labour demand and supply constraints.

SMEs can be equipped with these Southern Link TAA strategies such as resilience to help them survive and thrive.

The Southern Link Te Aotunga Aotearoa will be a catalyst for bringing forward longer-term government infrastructure investments such as **Northland**³² and the **rail link to Marsden Point**.³³

Marsden Point Link



³² <https://www.northlandnz.com/northland-inc/about-us/>

³³ <https://www.kiwirail.co.nz/our-network/our-regions/northland-rail-rejuvenation/>

The Wall St notes: Yet the big question remains: How much will more ‘**resilient supply chains**’ cost, and will they have staying power? Once the current struggles become a distant memory—and memories are notoriously short when profits are at stake.³⁴

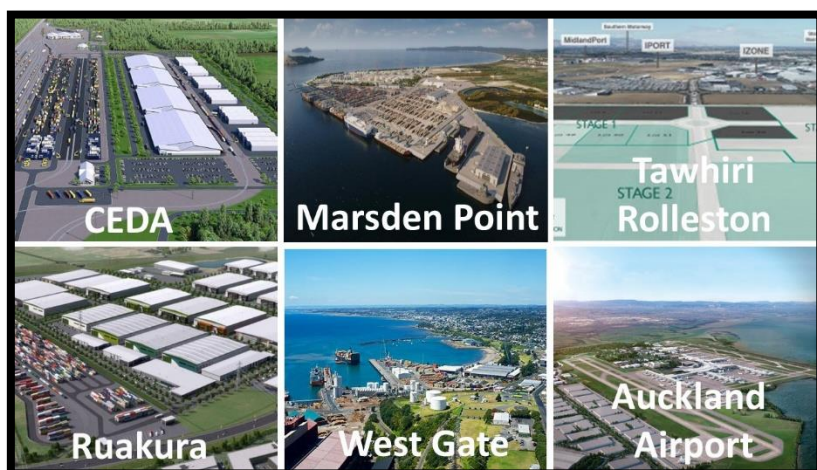
Ultimately the question and opportunity for Aotearoa New Zealand, does the Southern Link TAA has the means to help business to competitively restructure their supply chains, escalate commitment to **digital transformations**, which will lead to stronger unified commitment to sustainability goals aligned with the building of resilient value businesses?

We believe so, the Southern Link TAA empowered through Māori and blockchain. Has the resource and capability to develop the appropriate on shore (**friend shore for Australia**) infrastructure on behalf of NZ Inc empowered by simple Customs legislation changes. Supporting key markets and international supply sources. Acting as a one control tower supporting eCommerce and sharing product /componentry/add value and material. Within an environment to cushion increasing frequency and magnitude of shocks.

Six Southern Link Te Aoutanga Aotearoa Trade Hubs and Ecosystem models.

Economic & Supply Chain Leverage - Nationwide Coverage – Māori/Public Partnership.

A road map for success



³⁴ <https://www.wsj.com/articles/supply-chain-resilient-11638302050>



Whakatau Conclusion

The Southern Link Te Aoutanga Aotearoa represents to a unique and compelling opportunity for Aotearoa New Zealand.

To become an innovative Gateway for the Southern Hemisphere much the same way that Singapore is to Asia. With the ability to become a digitally enabled economic supply chain and trade powerhouse located in the centre of Oceania. Positioning ourselves as stable shores connecting future trading blocs between China/Asia/Oceania/North and South America (Pacific Rim) and Europe.

Our strategic location, political stability, legal framework, financial service, business infrastructure and flexibility will enable security and trust for foreign investment.

Aotearoa New Zealand SME

For Aotearoa New Zealand the resilience and economic objective is to mitigate the impacts of supply chain disturbances combine with an ongoing cushion of future global disruptions aligned with our unified desire to increase our import and export competitive advantage for Large and SME business alike. Resilience and national success to strong economic performance will only resonate to New Zealand's society when all economic actors (Large & SME) have access to the same advantage.

Aotearoa New Zealand SMEs make an unprecedented contribution to New Zealand's cultural, economic and commercial health in terms of innovation, production and employment generation. As per the Government, SMEs employ approximately 29 per cent of the country's workforce and contribute over a quarter of its GDP. Making up the majority of NZ enterprises, these businesses play a crucial role in the economy, supplying larger exporting businesses as well as regional economic growth.³⁵

Encouraging external investment, boosting transparency, and growing the small business sector are key steps to ensuring the success of Aotearoa New Zealand.

³⁵ <https://www.stuff.co.nz/business/prosper/advice/123092425/swot-analysis-shows-how-new-zealands-small-businesses-are-weathering-covid19>

Māori Economy

- The Māori economy is growing and Iwi who have built up assets and wealth have a major role to play in New Zealand's financial future.
- The Māori economy has grown from \$16 billion to \$70 billion in 20 years, and with a projected growth of 5 percent per annum, that's expected to reach \$100 billion in assets by 2030.³⁶
- The Māori contribution to the New Zealand economy is multi-faceted, and includes the primary sector, natural resources, enterprise, and tourism.

The Southern Link TAA supports a mix of policy/technology and infrastructure with the ability to solve multi-dimensional challenges around increasing the **resilience** of Aotearoa New Zealand's global supply chain into the future. Māori, as a custodian of the Southern Link Te Aoutanga Aotearoa economy, has a critical role to play as an empowerment for KIWI business and SME, by enabling access as a launch pad for new markets, help diversify their supply chains and boast **resilience**.

The Southern Link Te Aoutanga Aotearoa:

- Espouse **Resilience, Agility** and **Sustainability**.
- A Māori initiative that is focused on the economic prosperity of all Aotearoa New Zealanders.
- Takes the offshore Supply Chain risk into an onshore Aotearoa New Zealand competitive advantage (**Value Chain**) for all. Bringing global business and foreign investment (**friend shoring with Australia**) onto our doorstep.
- Has the backbone of digital eCommerce and Blockchain.
- Represents a **regional trade hub** of 33 million Australian /New Zealand and Pacific Islanders connected to Asia, Oceania, and South America.

³⁶ <https://www.nzherald.co.nz/kahu/the-maori-economy-is-booming-and-will-be-worth-100-billion-by-2030/L73MCPZMUFGREVEXWQTXL7XC62Q/>

- A possible foundation for **1000's of new future jobs** across the **Six Southern Link TAA Trade Hubs (empowered by higher education/firms/transport logistic experts)** and the potential to deliver **\$ billions** in net additional gross added value to the NZ economy within the next 5 years.

The insight and foresight to take this innovative initiative further is ready to be move forward.

Two-thirds of chief economists expecting a world-wide recession in 2023, the global economy is in a precarious position. The Southern Link Te Aoutanga Aotearoa can reduce fragmentation in supply chains, ensuring the future viability of international trade for Aotearoa New Zealand whilst enabling prosperity for communities through empowered kiwi businesses both SME and large.

We believe the Southern Link Te Aoutanga Aotearoa is a flagship and will be a global gamechanger in terms of business confidence and a spur for renewed aspiration since pre pandemic. Aotearoa New Zealand has the expertise to execute and operate the opportunity.

A wider government led consultation (Aligned with Southern Link) , including IWI ,ports, local and international businesses, academic institutions, local authorities, mayoral combined authorities and Local Enterprise Partnerships .We want these coalitions to be shared stake holders in develop ambitious, deliverable Southern Link Te Aoutanga Aotearoa proposals; setting out why a Southern Link TAA Trade Hub is right for their region, how they will utilise the measures, and how they will deliver and run a successful Southern Link Te Aoutanga Aotearoa.

The business proposition is compelling, risk and cost is mitigated. The Southern Link Te Aoutanga Aotearoa could be developed and commercialised in 2023/2024 with success.

The Southern Link TAA Custom legislation requirement can be implemented within 2023 enabling the opportunity to test the stated needs with minimal risk to Aotearoa New Zealand prior to official recommendations.

We are **not alone** in the world as countries are scrambling and grappling for **Economic Resilience** through **Secure Supply Chains**. However, we are **alone** in tackling our own "**Economic Resilience**" No country is going to support our **endeavour's** unless we position our own **endeavours** as value, for ourselves and for international trade.

The same goes with Sea and Air carriers, the blood line of our supply chain. They also need to see the value of Aotearoa New Zealand.

Shared strategic value³⁷, only works if they are within a two-way value relationship.

Final Observation

My final observation is borrowed from “Roger Grey Auckland Ports Chief Executive’ comments relating to the recent weather events in the upper North Island.³⁸

“We need people to be taking on the bigger picture decisions and we need to consider how the pieces of the puzzle fit together.

If we don’t have this vision, the ripple effects of ever-increasing and intensifying climate-related supply chain disruptions will spread through our economy. They will lead to price increases and disruptions, and shortages of goods will become the norm.

And let’s be clear, alongside a bold vision we are going to need national determination and diligent planning that translates into action to make necessary, fundamental changes for the long term”.

Does the Southern Link Aotanga Aotearoa present a bold vision that enables **economic resilience**?

(Within equal Māori partnership) in the face of growing climate change in Aotearoa New Zealand?

We believe so.

Risk

We must remain mindful, that now the Australia borders have opened since the pandemic. A number of Australian States and Territories are pushing their government to pursue and establish a form of Special Economic (Free Port SEZ/FTZ) Zone capability particularly focused for China and Asia within Australia. Once a special economic capability (particularly in terms of eCommerce) is established somewhere within Australia, we believe there will not be a case for a second one (Southern Link TAA) within Australia or New Zealand.³⁹

³⁷ <https://www.mbie.govt.nz/business-and-employment/economic-development/our-long-term-insights-briefing-on-the-future-of-business-for-aotearoa-new-zealand/the-future-of-business-for-aotearoa-new-zealand/2-trend-one-purpose-led-business/>

³⁸ Storms ahead for supply chains – NZ needs a resilient, nation-wide plan | Stuff.co.nz

³⁹ file:///E:/https___aphref.aph.gov.au_house_committee_jscna_subsub0147%20attach%20i.pdf

Kiatuhi Author: Dene Green



Dene is the Managing Director of ASENDIA New Zealand and brings over 28 years' logistics experience to the Southern Link, including senior executive roles at TNT Express and Toll Group as well as work across Europe, Asia, the Middle East and his native Oceania.

Before joining Asendia, Dene worked at New Zealand Post for 8 years, overseeing success in both strategy and partnerships and international and global logistics. Dene holds a Post Doctorate in Global Business from the University of Oxford and an MBA. Dene's PhD dissertation was based on Trust and Transparency Cross border eCommerce New Zealand to China "Farm Gate to Plate".

Dene has led several commercial and Government supported eCommerce initiatives. ⁴⁰

Dene's an advocate for the use of blockchain within the global supply chain. His passion for all things blockchain has seen him become one of the industry's leading voices on the subject, with regular speaking slots at international conferences and events.

Dene is the principle lead (with an independent Māori view) for the Southern Link Te Aotanga Aotearoa (TAA).

*Dene is **Ngati Hine** of decent.*

⁴⁰ <https://www.securindustry.com/food-and-beverage/alibaba-goes-live-with-blockchain-food-tracking-system/s104/a7519/#.YwGKk3ZBw2w>
<https://www.beehive.govt.nz/release/hui-m%C4%81ori-collective-launch-china-e-commerce-platform>
<https://nzchinacouncil.org.nz/2019/06/the-southern-link-an-idea-on-the-move/>



**Ko te pae tawhiti, whaia kia
tata**

**Ko te pae tata, whakamaua kia
tina**

**Seek out distant horizons, and
cherish those you attain**