

Competing hard in international markets

Kirk Hope and Catherine Beard

International trade is a big unknown following the US Presidential election.

Trade matters to New Zealand because we're a small economy and can't earn our living just by trading domestically, but must trade internationally.

We've always been keen on free trade agreements because that's how you negotiate down tariffs and other impediments to profitable trade.

The proposed Trans Pacific Partnership Agreement would have reduced a lot of tariffs and would have meant a big boost to New Zealand's international trade, especially with the US - but that has become much less likely with the Presidential result.

During the election campaign President Trump made a number of promises to ditch the TPPA and restrict free trade generally, and those promises will be resonating with Kiwi exporters now.

We sell a lot to the US, our third largest export market. Trade with the US earns New Zealand over \$5 billion a year for goods including meat, dairy and wine, and over \$2 billion a year for services.

What will happen to this trade? Right now it's not clear.

Those campaign promises weren't supported by explicit policies, so it's hard to know how far they go.

Maybe they only related to trade with countries that threaten the US manufacturing sector? Perhaps New Zealand exports are perceived as less threatening to US interests and would escape the huge tariffs proposed for the likes of China and Mexico.

Maybe those promises are not even capable of being implemented – perhaps the US Congress would vote down any attempt by the President to implement them. After all, US exporters would be as supportive of free trade as we are, and their representatives in Congress would have the power to rein in policy proposals that would harm US export prospects.

Congress would surely be alarmed at the potential for tariff retaliation by other countries against the US - sparking a trade war or general increase in protectionism would harm the US as much as other countries. Many with long memories will point to protectionism as the underlying cause of the Great Depression that caused such suffering in the US and elsewhere.

But it's also possible that those campaign promises were more show than substance anyway.

Right now we can only wait as President Trump picks his cabinet and makes his intentions clear.

Our international representatives and trade negotiators will be engaging with their US counterparts to seek an understanding of the likely consequences of the transition of power in the US, and will be presenting an active defence of open trade and the Trans Pacific Partnership Agreement.

New Zealand exporters will be hoping that common sense will prevail in the new administration's policy on international trade. But in any event, they will be maintaining all efforts to do what they've always done – keep on competing hard in international markets.

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