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Economic Division
Ministry of Foreign Affairs & Trade | Manatū Aorere
Wellington
Via Email

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Tēnā koe,

Re: New Zealand Three Year Review of the Comprehensive & Progressive Agreement for Trans-Pacific Partnership

Export New Zealand (ExportNZ) has been a consistent voice for free and liberal trade and has been a long-term advocate for the Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) and also its predecessor the Trans-Pacific Partnership.

While it is too early to judge the success of the CPTPP in growing trade links between New Zealand and the other CPTPP partners, ExportNZ is encouraged by the level of opportunity there is for New Zealand exporters to leverage new markets, especially with partners where the CPTPP is our only trade agreement (namely, Canada, Japan, Mexico, and Peru). The expansion of the CPTPP is also very appealing to New Zealand businesses and ExportNZ welcomes the accession of new partners to the agreement.

Regarding the Inclusive Trade Action Group (ITAG) review of the impact of the CPTPP on inclusiveness and sustainable trade, ExportNZ would agree with the working draft report that the impact on Small-to-Medium Enterprises, Women-led, and Māori-led businesses (all to be referenced to as SMEs in this letter) has been limited over the three-year period.

The data regarding SME exporters (*Figure 6.*) shows very little growth over the past three years. We would attribute this to the effects of Covid-19 border restrictions and the limits put on New Zealand businesspeople travel in and out of New Zealand and other markets. When it comes to building relationships in business and growing opportunities in new markets, much of the work must be done face-to-face and, on

the ground, especially for new businesses. Border restrictions put in place by the New Zealand government and foreign governments meant these transactions could not happen and therefore exporters were limited in their ability to leverage the CPTPP.

In addition, our recent *ExportNZ DHL Barometer Survey 2022* shows that the respondents (a majority of which had less than 20 employees) exported mostly to Australia (81.2%), North America (49.1%), Europe (43.1%), the United Kingdom (33.2%), China and the Pacific Islands (tied at 29%).

ExportNZ's impression of these results is that SME exporters prefer to explore markets where there is already a sense of familiarity and market knowledge. Time and financial investment in new and unfamiliar markets may also inhibit SMEs' ability to leverage new opportunities such as those presented through CPTPP.

ExportNZ is not surprised that smaller exporters are choosing markets where they think it is easier to do business. We support exporters factoring in all risk factors and making sensible market choices. The majority of New Zealand's export earnings are through a group of 200 large goods exporters, these businesses are the ones that will leverage trade agreements the most and will always be the vanguard that tackles new markets.

The *All For Trade & Trade For All* report released by MFAT in February 2022 is a valuable source of information when discussing SMEs in the exporting space. To the point above, *Table 2. – Market Diversification of Exporting Firms* (pg.12) shows the vast majority of New Zealand exporters only export to three markets at most and equal a small percentage of our country's export earnings. In this chapter, the report says,

"Cultural familiarity, particularly English language usage, and institutional similarity may also be a factor in smaller firms' market decisions. Five of New Zealand's six most popular export markets in 2018 have English as an official language and a common working language... There is also a clear pattern of larger New Zealand exporters tending to diversify across several markets while smaller exporters concentrate on just a single market."

While ExportNZ hopes that more exporters utilise the CPTPP and other free trade agreements to explore and grow in new markets, we expect this process to take several years to show any real impact.

ExportNZ supports more activity to improve inclusion in trade, and while the data shows a slow uptake in inclusive trade, we are encouraged that there are now metrics to show what progress is being made in these areas. ExportNZ believes more can be

done in New Zealand to promote a better understanding of international trade opportunities to new groups of potential exporters. This should be done with all of New Zealand's free trade agreements in mind, not just the CPTPP.

Our *ExportNZ DHL Barometer Survey 2022* also asked what support exporters would like from the government regarding their exporting activity. Responses were mixed, but there are several initiatives ExportNZ would support, including support to attend trade shows (24.3%), more free trade agreements with new partners (23.4%), more help with non-tariff barriers (NTBs) (20.4%), and more help from New Zealand Trade & Enterprise (NZTE) in overseas markets (19.5%). For SME exporters we believe attending trade shows is an important step to realising what the opportunities are in different markets, not just as an avenue to develop relationships with distributors, but also for potential exporters to understand the expectation, competition, and market environment for themselves. NTBs are always difficult for SMEs to navigate and sometimes it is simply understanding where SMEs need to go for the correct information and process that is the issue.

ExportNZ is committed to supporting the Ministry of Foreign Affairs & Trade (MFAT) and other government partners in business and exporter outreach and is committed to supporting New Zealand businesses on their exporting journeys.

Yours Sincerely,

Joshua Tan
Senior Policy Advisor
Export New Zealand