

NEW ZEALAND'S ASEAN PARTNERSHIP:

ONE PATHWAY TO TEN NATIONS



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FOREWORD FROM PRIME MINISTER KEY

New Zealand has strong historical ties and a growing trade relationship with Southeast Asia so I am delighted to be able to launch this latest of the NZ Inc Strategies.

The Association of Southeast Asian Nations (ASEAN) is a grouping of ten economically, culturally, and politically diverse Southeast Asian nations in our neighbourhood. As a region, the ASEAN nations have committed to weaving a closer future together through the ASEAN Community.

New Zealand is in a good position to boost our relationship with the region. We have a free trade agreement in place, a strong shared history, and are geographically close. This NZ Inc ASEAN Strategy is an invitation for New Zealand to look at the enormous opportunities there are in the region and for our communities to get to know each other better.

The challenge – and the core of this strategy – is to capture the opportunity the region presents in the ‘Asian century’ and to understand what we can learn from ASEAN members.

We need to build political relationships, deepen our trading relationship, and offer our support and expertise in such areas as agricultural development, education, disaster relief, collective security, and combatting transnational crime. We want to make the region safer and more prosperous not only for the countries of ASEAN, but for New Zealanders as well.

I am pleased to introduce this NZ Inc Strategy as it sets out a framework for moving our relationship with ASEAN to the next level.

Rt Hon John Key
Prime Minister



ASEAN KEY STATISTICS



BRUNEI DARUSSALAM

Population: 0.4 million
GDP per capita: 41,703 (USD)
GDP growth: 1.3 (% annual change)

CAMBODIA

Population: 15 million
GDP per capita: 934 (USD)
GDP growth: 6.5 (% annual change)

INDONESIA

Population: 248 million
GDP per capita: 3,592 (USD)
GDP growth: 6.2 (% annual change)

LAOS

Population: 6 million
GDP per capita: 1,446 (USD)
GDP growth: 8.3 (% annual change)

MALAYSIA

Population: 29 million
GDP per capita: 10,304 (USD)
GDP growth: 5.6 (% annual change)

MYANMAR

Population: 51 million
GDP per capita: 835 (USD)
GDP growth: 6.3 (% annual change)

THE PHILIPPINES

Population: 96 million
GDP per capita: 2,614 (USD)
GDP growth: 6.8 (% annual change)

SINGAPORE

Population: 5 million
GDP per capita: 51,162 (USD)
GDP growth: 1.3 (% annual change)

THAILAND

Population: 64 million
GDP per capita: 5,678 (USD)
GDP growth: 6.4 (% annual change)

VIET NAM

Population: 89 million
GDP per capita: 1,528 (USD)
GDP growth: 5.0 (% annual change)

 = countries with a New Zealand diplomatic post.

Source: IMF World Economic Outlook. April 2013 database of each country's National Statistics Agency. GDP growth for 2012.

INTRODUCING THE ASEAN REGION

Ten nations, 620 million people, and an appetite to do business with New Zealand: ASEAN is one of the world's most dynamic centres of economic growth.

The Association of Southeast Asian Nations (ASEAN) is a grouping of ten economically diverse Southeast Asian nations, ranging from Singapore, with per capita GDP a third higher than New Zealand's to Myanmar, with per capita GDP less than one-fiftieth of ours. It includes Indonesia, the country with the largest Muslim population, at around 250 million, with a growing middle class of more than 40 million.

government, business and the wider community to ensure New Zealand can engage with these nations and be part of the historical opportunity that ASEAN presents us with.

Our shared past with ASEAN

New Zealand has historical links with ASEAN nations that go back to the post-war period when many gained their independence. Since the early 1970's when New Zealand lost its guaranteed favoured access to the UK market, we began growing our trade relations with Southeast Asian states. They have valued the quality and abundant goods and services we produce, such as food, education and engineering know-how. As a result, our exports to ASEAN have risen from 4% to 10% of our total exports. New Zealand now trades more in a week with ASEAN than we did in a year in the early 1970's.

Beyond geography

These nations share a goal to build a closer future together through an ASEAN Community. In just two generations the region has charted a path to sustained economic growth. In the process, it has forged the framework for a collective future in political, cultural and security cooperation and economic integration that New Zealand is increasingly plugged into.

This strategy aims to coordinate efforts across

ASEAN's diversity is reflected in our own community with around 35,000 Filipinos making up the largest group from any ASEAN country. They are joined by established communities from across the ASEAN region. What these communities demonstrate – and what New Zealand makes clear through its support for ASEAN's ambitions – is that New Zealand's future will have an increasingly Southeast Asian face.

➡ “The rapidly-expanding middle classes in Asia present opportunities for New Zealand businesses producing high quality goods and services.” *PM John Key (to the ASEAN NZ Combined Business Council)*



Clockwise from top:
Petronas Twin Towers in Kuala Lumpur; Prime Minister John Key and Indonesian President Susilo Bambang Yudhoyono; Performer at the Southeast Asian night market in Wellington, 2013.



THE NZ INC ASEAN STRATEGY

New Zealand is well-placed to benefit from our relationship with ASEAN. We are geographically close, we have a shared history and there is a willingness on both sides to build stronger ties.

Why do we need a strategy?

New Zealand’s interests are increasingly converging with the evolving future of ASEAN. Without careful thought, however, we could easily fall short of the potential the region offers to lift our economic performance.

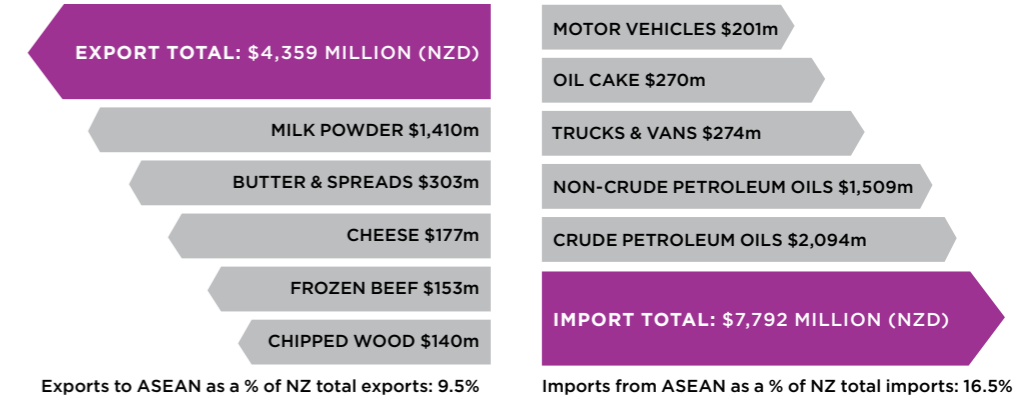
A predominantly young, increasingly urban, affluent and quality-conscious region only half the distance from our traditional customers in Europe should be a ready-made market for New Zealand, and the signs are certainly promising with ASEAN now one of our most important markets. Total bilateral trade with ASEAN countries reached \$11.7 billion in 2012.

We are doing well, but we can do better. Our trading relationship remains dominated by

exports of a narrow range of mainly primary products on one side of the ledger and fuel, vehicles, appliances and animal feed on the other. In both goods and services we are scarcely tapping into the growing sophistication and spending power of societies undergoing fundamental transformation. This demonstrates a need for both sides to develop a stronger appreciation of each other’s preferences and needs.

This ASEAN Strategy is one of a series of market-specific attempts by government and business across New Zealand to lift our game in different parts of the world. It is the first developed to target an entire region – an approach well in tune with ASEAN’s collective identity and converging ambition.

NEW ZEALAND AND ASEAN TRADE FIGURES (2012)



“Under our FTA with ASEAN...”



99%

of our
current
exports...

...will become tariff-free.”



Shwedagon Pagoda in Yangon - Myanmar.

STRATEGY GOALS

The NZ Inc ASEAN Strategy identifies three key strategic goals for furthering our relationship with ASEAN. Each goal sets a benchmark for achievement that we can be measured by.

- 1

Becoming better connected and more influential in ASEAN countries
- 2

Becoming better integrated with the ASEAN Community
- 3

Boosting investment and trade and economic returns from the region.
- determined coordination across government and business

• well-pitched messaging to our domestic communities to highlight the benefit of action on the home front.
- These goals are realistic but will require on-going effort. They will be achieved through:

• concerted political leadership

• careful targeting of efforts in key sectors

• agile engagement with our partners in the region

Our confidence in achieving these goals rests on the simple fact that New Zealand does best in those areas of greatest ASEAN need or appetite. In the past few years, the ASEAN economies have ridden through the global economic slowdown. Fuelled by strong domestic demand and increasing export competitiveness they have continued to grow.

Demographic trends of a swelling youth population and increasing middle class with
- NEW ZEALAND AND ASEAN TRADE FIGURES (PAST 10 YEARS)
- | Year | Exports to ASEAN (NZD millions) | Imports from ASEAN (NZD millions) | Total trade (NZD millions) |
|------|---------------------------------|-----------------------------------|----------------------------|
| 2002 | 2,500 | 1,500 | 4,000 |
| 2003 | 2,500 | 1,500 | 4,000 |
| 2004 | 2,500 | 1,500 | 4,000 |
| 2005 | 2,500 | 2,000 | 4,500 |
| 2006 | 2,500 | 2,500 | 5,000 |
| 2007 | 2,500 | 3,000 | 5,500 |
| 2008 | 2,500 | 4,000 | 6,500 |
| 2009 | 2,500 | 2,000 | 4,500 |
| 2010 | 2,500 | 3,000 | 5,500 |
| 2011 | 2,500 | 4,000 | 6,500 |
| 2012 | 2,500 | 5,000 | 7,500 |

more discretionary income, greater access to choice and an increasing demand for quality play squarely to New Zealand's strengths.

As examples, we produce safe, premium quality food for a region increasingly focused on securing reliable, quality supply; we offer world-class education at a time the increasingly affluent middle class across Asia wants their children learning safely in English language institutions as a passport to rewarding jobs and global citizenship; we can share know-how on tapping underground or offshore energy sources; and we can help build safe cities for urbanising populations.

1 Becoming better connected and more influential in ASEAN countries
...a concerted programme of high-level exchanges...

It is in our interests to be engaged with the region both to help respond to developments

and to be valued for what we can offer. This strategy identifies ways we can underscore that value and enhance our position as a highly regarded, long term partner, including through a concerted programme of high-level exchanges, particularly at political level.

Our recent attempts to broaden our engagement with the region have paid dividends, with Prime Ministerial and trade delegations increasingly moving in both directions. Now we need to look forward and increase our investment.

Our expertise is sought in several areas, including building human capacity, agricultural production and reducing the costs of natural disasters. Our international connections and reputation for fair-mindedness, underpinned by strong and corruption-free legal and commercial systems, make us a reliable and trusted partner both to the region and in wider circles of influence that extend well beyond the ASEAN region.

1. BECOMING BETTER CONNECTED AND MORE INFLUENTIAL: WHAT WE WILL DO	
Strong Government leadership	Upgraded footprint and advocacy
The number of Prime Ministerial, Ministerial, and trade delegations is increasing. The government is committed to playing its part in regional and bilateral activities.	In 2013 New Zealand is setting up a new diplomatic post in Myanmar, which will chair ASEAN and the wider East Asia Summit in 2014. There will also be a separate Ambassador to ASEAN in Jakarta, alongside the existing Ambassadorship to Indonesia, and increased NZTE, Tourism NZ, and Education New Zealand representation in Jakarta.



Dragon dancer at the Southeast Asian night market in Wellington, 2013 (left); Crowded and busy Hanoi, Vietnam (right).



While the opportunities are huge, many obstacles stand in the way of achieving that potential. As with most developing countries, some of those in ASEAN enjoying the most rapid economic growth remain wary of opening their markets to imports of goods and services New Zealand is most efficient at producing, such as agricultural products and professional services. Our FTA with ASEAN provides a platform of mutual trust and cooperation to find our way through remaining obstacles to business.

Domestic political lobbying, combined with popular resistance to change in some countries, can exert a powerful braking force on political decision-makers who write the rules of commerce. The effect can be to stall or even reverse the growth of New Zealand's trade with countries of the region.

The Strategy meets this political reality head-on. Recognising the market conditions New Zealand firms must deal with in each country are set by its political leaders, the Strategy puts at its core an intensified programme of visits to and from the region by influential political leaders. By Easter 2013

more Southeast Asian leaders had visited New Zealand in three months than would normally do so in a full year. New Zealand ministerial visits to Southeast Asia also continue to accelerate.

Secondly, acknowledging that stronger political ties are important for mutual understanding and commitment at the highest levels, these exchanges among leaders are reinforcing the working platform for growing our relationships with the region still further.

When New Zealand and ASEAN mark 40 years of diplomatic relations in 2015, the celebration will be about substance, not just duration. New Zealand is supporting ASEAN's progress on the road to an ASEAN Community in 2015 through the increased focus and spending total of our Official Development Assistance to ASEAN under the four 'Flagship' initiatives. These are agricultural assistance, scholarships, disaster risk management, and identifying young business leaders. This will be a community milestone not only of past integration efforts but also towards future ambition. As one of ASEAN's closest partners, New Zealand has been invited to honorary membership of that club.

2 Becoming better integrated with the ASEAN Community

New Zealand has long experience working alongside ASEAN members...

Regional tensions continue to challenge ASEAN, notably over the South China Sea, through which more than half of all New Zealand's exports pass. This is a timely reminder that our own prosperity is traded across uncertain waters and that we have a direct stake in helping to uphold international rules and keep the peace.

Natural disasters also pose a significant challenge in the region. At the same time New Zealand is not immune to transnational crime, including drugs, people-smuggling, money-laundering and terrorism found in the region. We cannot manage these threats alone; co-operation with ASEAN members as an outer perimeter of surveillance and interdiction is imperative.

New Zealand has long experience working alongside ASEAN members, some since immediately after they gained their independence and for decades afterwards by hosting rising talent through Colombo Plan scholarships. In this same spirit, we have made clear our commitment to supporting their collective aspirations, whether as an ASEAN Community by 2015, or in ASEAN-centred regional institutions such as the East Asia Summit, the ASEAN Regional Forum, through defence cooperation, and the Regional Comprehensive Economic Partnership.

It is therefore important that we continue to contribute effectively and visibly to regional

solutions in the security, political and economic spheres.

3 Boosting trade and investment

...this Strategy calls for greater energy and creative cooperation between government and business...

The Strategy lays down the challenge that by the end of 2017 New Zealand will:

- increase its exports to ASEAN by 40 per cent
- double education value from ASEAN
- double two-way investment.
- grow annual visitor expenditure from the region by two-thirds, from \$289m to \$470m

New Zealand already has a growing trading relationship with ASEAN but these linkages will not secure the NZ Inc Strategy's 2017 goals by themselves. Much more needs to be done to strengthen existing links, to build others and to put them to practical use. The growth of people to people links – the lifeblood of trade, tourism, education and mutual understanding – has been stifled by poor air connections, ad hoc cooperation at the sectoral level and the higher priority placed on building awareness of New Zealand's value proposition in other markets.

To accelerate New Zealand on the path to realising its potential with ASEAN, this Strategy commits greater energy and creative cooperation between government and business to help remedy these shortcomings. That is the core of 'NZ Inc.'

➡ Around 60% of ASEAN's population is under 35 years old. *ASEAN Secretariat*



2. BECOMING BETTER INTEGRATED: WHAT WE WILL DO

This strategy aims to improve air linkages, expand scholarships, exchanges and secondments, and make New Zealand a preferred supplier of high-quality education services.

Development partnerships

New Zealand commits more than \$50m in development assistance to ASEAN each year.

ASEAN countries have been clear they value our expertise in agriculture, renewable energy and disaster risk management, as well as English language training. Our aid in agriculture and geothermal energy, in particular, can also provide a catalyst for long term commercial partnerships in these sectors.



3. BOOSTING TRADE AND INVESTMENT: WHAT WE WILL DO

Making the most of AANZFTA

New Zealand companies have said ensuring market access is their highest priority for government support. The government will work with New Zealand businesses to help them take advantage of the opportunities under the FTA. We will also continue to work with ASEAN countries to increase trade liberalisation and remove ongoing barriers to market access, both through existing structures and new negotiation.

Air links

The upgrading of air links is a key priority. The government is working to update air

services agreements to enable more direct flights and to encourage regional airlines to make use of them. Tourism New Zealand is also working to increase the number of tourists from the region to New Zealand.

Supporting business

We will support business by opening doors and increasing our profile, as we aim to increase our exports, double education value and double two way investment.

We will also work on developing detailed and coordinated plans for tourism, education and trade promotion and marketing in key ASEAN markets.



SECURITY COOPERATION

As part of our long-standing defence ties, New Zealand will work with ASEAN countries' security agencies to combat transnational crime as a foundation for

secure and sustainable growth in trade. This will include cooperative work on a broad agenda of security issues including disaster relief and maritime security.

The International Monetary
Fund has predicted a...

→ 5 to 6% annual
growth...

...for the period of 2013 to 2017
in ASEAN.

“In the next 20 years, nearly half of the world’s air traffic growth will be driven by travel to, from, or within the Asia Pacific region” *New Zealand Trade & Enterprise*



A call to action – the role of business

Many firms were consulted in developing this Strategy, and business now has an important role to play in its implementation. Government is reinforcing the springboard. Under the free trade agreement we and Australia have with ASEAN (AANZFTA), 99% of our current exports to our most important ASEAN markets will reduce to zero tariffs over time, providing a strong basis for growth. But the ‘first-mover’ advantage AANZFTA gives us against rivals will diminish as ASEAN negotiates other FTAs. This provides a sense of urgency that we need to turn into enduring linkages.

Coordination both within the New Zealand corporate sector and with counterpart organisations in ASEAN countries will be paramount. To date this coordination has been weak. One result has been a poor understanding among potential exporters and the wider community of the opportunities and

challenges in the region; and in the markets themselves about what we have to offer. Where that is the case, New Zealand is not so much unwelcome as considered invisible. Increasingly New Zealand’s commercial commitment to the region will be reflected in the willingness of key firms to forge in-country partnerships that help to grow domestic demand and capacity, and in taking a stake in those value chains through investment, which the Strategy aims to double by the end of 2015.

Summary

Achieving the Strategy’s goals will require a change of thinking among many New Zealand businesses. The challenge begins with raising awareness across the community of ASEAN’s importance both in our midst and as a threshold to New Zealand’s future prosperity. This Strategy pushes the boat out into a sea of opportunity – and invites New Zealanders on board.



A Filipino jeepney

Sources

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- Photo on page 4 courtesy of NZ National Party
- Photos on page 4 and 11 courtesy of J Hall, Wellington City Council



For more information about doing business in ASEAN visit **www.nzte.govt.nz**

For travel tips visit **www.safetravel.govt.nz**

For more information on NZ Inc Strategies visit **www.mfat.govt.nz**

For more information about export education and ASEAN
visit **www.educationnz.govt.nz**

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