

ADVANCING WITH AUSTRALIA

NEW ZEALAND INC AUSTRALIA STRATEGY



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FOREWORD FROM PRIME MINISTER KEY



Australia is New Zealand’s closest partner and friend. We want to ensure this important relationship continues to develop and grow, so I am delighted to introduce the NZ Inc Australia Strategy – a vision for strengthening our relationship with Australia.

This is an ideal time to strengthen our relationship with Australia. The 30th anniversary of the Closer Economic Relations (CER) agreement in 2013 and the centenary of the ANZAC relationship in 2015 are significant trans-Tasman milestones.

These milestones present us with a significant opportunity to consider how close our economies can and should be. The first joint study by our Productivity Commissions highlighted the impacts and benefits of further integration.

The many strands of our relationship are closely entwined and spread across all aspects of our lives. Many domestic issues have a strong trans-Tasman dimension. We need the relationship to be strong in every sense – political, economic, scientific and in terms of people and security. If Australia is to take us seriously, we need to make sure we take Australia seriously in return.

The trans-Tasman economy provides a market of over 25 million people, giving businesses and innovation leaders significant opportunities for investment and growth. There is potential for New Zealand companies to extend and diversify their markets in Australia and to use it as a stepping stone to further internationalisation. The Government supports such expansion.

Australia and New Zealand are part of the Asia-Pacific, one of the most dynamic regions of the world. Together we can pursue opportunities in the region, manage common risks and continue to make major achievements internationally.

The NZ Inc Australia Strategy sets out a framework for advancing our relationship with Australia.

Rt Hon John Key
Prime Minister



Clockwise from the top:
Sydney Opera House and Harbour Bridge; Barossa Valley vineyard,
South Australia; Rt Hon John Key and Hon Julia Gillard.



THE NZ INC AUSTRALIA STRATEGY

New Zealand is closer politically, economically and culturally to Australia than to any other nation.

Australia is our closest ally, and our closest partner when pursuing our interests on the regional and world stage.

The NZ Inc Australia Strategy is part of a broader series of plans of action for strengthening New Zealand’s economic, political and security relationships with key international partners. The strategies support the government’s priorities of building a more productive and competitive economy, and delivering better public services. They will play an important role in building exports in the government’s Business Growth Agenda. The Australia Strategy sets out the vision that New Zealand realises the full potential of its unique relationship with Australia, building a stronger future together.

Many New Zealand businesses are already well established in Australia, and NZ Inc agencies have worked to create strong connections through structured trans-Tasman work programmes and cooperation on the international stage. A good example is our development partnership in the Pacific.

Citizens of both countries move freely across the Tasman to seek opportunities and create wealth. Over 500,000 New Zealanders live in Australia and 60,000 Australians live in New Zealand. We help each other out when disaster strikes. The speed and scale of the Australian response to the February 2011 Christchurch earthquake bore testimony to Prime Minister Julia Gillard’s words, “New Zealand alone is family”.

Given the breadth and depth of the relationship, and the close connection between its various facets, we need to view it in its entirety. For example, it is just as important that we consider jointly how to manage our common security interests as it is for us to look at how we can pursue economic opportunities together. The NZ Inc Australia Strategy highlights what actions we can take over the next five years to strengthen our relationship and increase the returns to New Zealand from the special opportunities Australia offers. This programme of action is focused on six goals, covering the political, security, trade, investment, science and innovation, and economic integration aspects of the relationship.

➡ **“Australia continues to be one of our biggest and consistent growth markets. The lessons learnt and supply disciplines required to grow in the Australian market have been invaluable in the expansion of our global aspirations.”**

Allin N Russell, Marketing Director, Sistema Plastics www.sistemaplastics.com

Political

Australia and New Zealand have close political connections, but we can’t afford to take Australia for granted.

We need to demonstrate that New Zealand and Australia are stronger together. To help with this we are

- establishing a new Australia Visitor Programme targeted at future leaders in government, business, academia and the media.

New Zealand ministers will continue a high tempo of meetings with their Australian counterparts, using opportunities to vigorously pursue joint objectives, for example through

- New Zealand’s involvement in the Council of Australian Governments; and
- supporting the Australia and New Zealand Leadership Forum, the premier business/ government nexus.

As the smaller partner, New Zealand needs to show we are committed to strengthening our relationship with Australia. At the state level, we will forge stronger links with leaders by

- appointing an Honorary Consul in Perth, and ensuring we have good NZ Inc connections to support New Zealand’s economic interests in Queensland.

➡ “This new era will be increasingly characterised by the need for collaboration in a brave new world of ‘open systems’; the imperative to establish niche areas of competence, the requirement to spawn new innovative technologies to support SKA (Square Kilometre Array). We look forward to addressing the challenges of the future in partnership with our trusted New Zealand professionals.”

John Humphreys, Chair, Australasian SKA Industry Consortium. The SKA is an 11-nation programme to design, build and operate the world’s largest radio telescope.

Security

To make our countries more secure, we need to work with Australia to develop more effective responses to common security challenges.

Australia is New Zealand’s primary ally and most important security partner. We have a long history of cooperation, rooted in the ANZAC relationship which remains central to the national psyche of both nations. This is reflected today through our close collaboration in many international contexts, not least of all in our own Asia-Pacific region.

While we share many fundamental security priorities, it is important for us to recognise and respect one another’s individual perspectives and outlooks. More importantly, we need to focus on how we can complement each other in our efforts, to help us achieve security outcomes more effectively.

We collaborate across the whole security spectrum, and the government is committed to sustaining and enhancing this aspect of our relationship.

We will deliver a reinvigorated and refocused defence relationship framework and work to step up our cooperation in new areas where contemporary security challenges present themselves.

Trade

Australia is our premier trade partner, taking 23 per cent of our exports and providing 16 per cent of our imports. The value of this trade is around \$17 billion.

Australia accounts for half of all visitors to New Zealand with a \$1.6 billion annual spend.

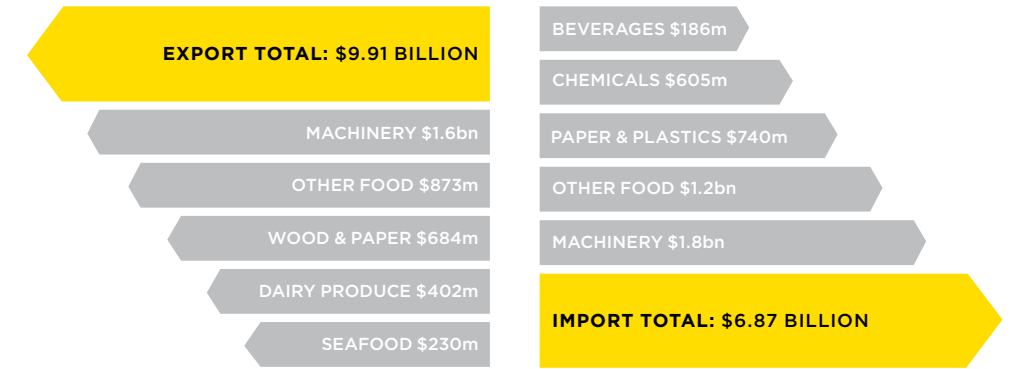
Australia is critical to achieving the government’s economic growth goals, which include lifting our exports and building more internationalised firms. Trade with Australia is worth more than our trade with China. Our exports to Australia are worth more than twice those to the United States.

The resources and mining boom presents a once in a generation opportunity for New Zealand businesses, offering a platform for New Zealand firms to achieve the experience, profitability and scale needed to move on to tackle bigger markets elsewhere in the world. But while trans-Tasman trade and investment have grown, New Zealand firms have not been growing non-oil/ gold exports to Australia at the rate needed to significantly improve New Zealand’s economic wellbeing. The rate over the last decade has in fact been slightly lower than growth in exports to all countries.

New Zealand firms must not view Australia simply as an extension of the New Zealand market.

Australia is a tough, highly competitive market. Even with the help of the Closer Economic Relationship (CER), New Zealand firms have to compete vigorously to be successful. Those that succeed recognise that although Australian market realities are very different, they offer substantial scope for growth.

NEW ZEALAND AND AUSTRALIA TRADE FIGURES



Source: Global Trade Atlas, 2012



Artist’s impression of the SKA dishes. Credit: SKA Organisation/TDP/DRAO/Swinburne Astronomy Productions (top).



The Strategy aims to:

- Double the annual growth rate of non-oil/gold exports to 8 per cent by 2016;
- Develop the scale, capability and confidence of New Zealand firms to enable expansion beyond Australia into high growth markets in Asia and elsewhere; and
- Achieve average annual growth of 2.5 per cent in visitor numbers to 2016, and an increase in the value of those visitors through developing special interest travel.

NZ Inc agencies can help increase the chances of success for firms looking to export and/or build their business in Australia by providing access to high quality advice, market information, networks and trusted intermediaries, and facilitating access to capital. We will:

- establish a Beachhead to provide expert advice and mentoring to New Zealand firms and support improvement in the quality of their management and governance through the Better by Design, Better by Lean and Global Executive Leadership programmes;
- work with New Zealand firms to identify and pursue specific growth opportunities in four target sectors: food and beverage, oil and gas, mining, and health;
- work with KEA and other groups to create business networks for the benefit of New Zealand firms; and
- investigate options for improved NZ Inc connections in Queensland and Western Australia.

➡ “Since 2009, Australia and New Zealand have worked as a team to make the international SKA project a reality. It’s true to say that the whole is significantly greater than the sum of the parts.”

Dr Brian Boyle, SKA Director Australia/New Zealand.

Investment

Australia is our most important source of off-shore investment capital, and is the place where New Zealand firms invest more than any other.

But we need to increase the stock of Australian investment into highly productive New Zealand exporting firms to support the Government’s economic growth objectives.

- We will carry out a three-year promotion programme for targeted Australian investment into high value sectors in New Zealand. These will include manufacturing and services, corporate back office and call centres, food and beverage, functional foods, petroleum and minerals.

Much of New Zealand’s Overseas Direct Investment is in Australia, but the total stock has not grown since 2003.

- We will help them to grow their Australian footprint and better develop new markets by being closer to consumers, as well as to use their Australian connections to integrate into international supply chains. We will do this by providing quality advice about critical success factors, such as greater Australian representation on the boards of New Zealand companies, and facilitating contact with established networks in Australia. We will also work to encourage improved governance and management practices in New Zealand.

Mutual recognition of imputation credits would remove the main barrier to the free flow of capital across the Tasman. Currently, profits returned to shareholders from trans-Tasman investments are subject to two layers of tax, which acts as a disincentive to Australian and New Zealand investors wanting to invest in each other’s country.

- We will continue to work with key stakeholders, including business leaders, to increase trans-Tasman investment and improve the efficiency of capital flows.

Science and innovation

Australia is our second largest science and technology partner, and is critical to our plans for achieving New Zealand’s innovation goals.

In its size and complexity, the Australian market allows New Zealand firms to develop the research and science skills that enable them to compete on the international stage.

While we have been successful in developing our science relationships with Australia, we have not done so well in taking science to a more commercial level.

- We need to link our commercialisation centres with those in Australia.
- We will strengthen those connections by ensuring innovative firms make full use of the Beachhead and networks established through New Zealand Trade and Enterprise.

➡ **“The level of trans-Tasman collaboration between scientists and scholars encompasses every area of intellectual enquiry. I see the potential for more formal and extensive collaborations in research and for more intensive joint activities and investment in innovation.”**

Sir Peter Gluckman, Chief Science Advisor to the Prime Minister of New Zealand

- We will continue to align New Zealand’s innovation policy and regulatory systems with Australia to make it easier for knowledge intensive firms and research organisations to operate in Australia.
- We will pursue the establishment of a strategic dialogue between our science and innovation systems, led by Chief Scientists.
- We will progress large bilateral and multilateral science and innovation projects to encourage greater benefit for New Zealand, for example, the Square Kilometre Array, the Synchrotron the Arrangement on Marine Observation and the Knowledge Based Bio-Economy (KBBE).

Economic integration

New Zealand and Australia are two of the most connected countries in the world. The Single Economic Market (SEM) has increased the opportunities for New Zealand firms to expand their footprint into Australia by, for example, removing regulatory barriers.

The total Australasian market of 25 million people provides the scale and opportunity to specialise not found in the New Zealand market of 4.4 million people.

In his speech to the Australian Parliament in June 2011, the Prime Minister asked, “Can we take our relationship to the next level?” The answer lies in looking closely at our relationship with Australia, and how it fits with the changing geo-political landscape across the region.

The options for future economic integration cover a wide spectrum. They range from agreed programmes of regulatory reform to a customs union or even a full common border. These options have far-reaching consequences for New Zealand’s economic wellbeing and independence of decision-making, and deserve careful consideration.

To begin the process, in January 2012 Prime Ministers Key and Gillard tasked our two Productivity Commissions with undertaking a joint study to identify options for future reforms which might boost productivity, increase competitiveness and drive deeper economic integration. Their report ranges from short term recommendations to more complex areas of policy requiring a longer timeframe.

- The government will consider and respond to the recommendations of the Productivity Commissions.
- The report provides a platform for engaging with New Zealand stakeholders to begin a process for charting the next steps for further economic integration with Australia, in a way which supports our wider Asia-Pacific regional aspirations.



Clockwise from top:
Perth CBD; Melbourne Airport at sunset; metal grinding.



In 2011, the average middle-aged
Australian had a net worth of more than...

➡ \$350,000...

(Australian), making them per capita some
of the wealthiest people in the world.



Clockwise from top left:
Melbourne CBD and Yarra River; Victoria Street Markets in
Melbourne; Mining operations; Uluru in Northern Territory.

DOING BUSINESS IN AUSTRALIA

“Australia’s recent economic success has been underpinned by a booming resources sector, and while it is true that prices have come down from their record highs, there is still plenty of upside.

The once in a generation opportunities provided to New Zealand businesses by the resources and mining boom remain, so long as companies focus on their core capabilities and are willing to put in the effort.

What is important for New Zealand companies is that as these mining and resources projects mature, they are moving from a construction focus to a focus on efficiency and productivity – an area where New Zealand is arguably even better placed to take advantage of the opportunities on offer.

Investment into the sector is still very strong, with some \$A260 billion of capital expenditure committed over the next 2-3 years, while export volumes are expected to triple from their 2001 levels by 2020. With capital expenditure of this magnitude entering the economy, the aphorism made famous by John F. Kennedy, that a rising tide lifts all boats, would certainly seem applicable here.

So if we assume the fundamentals are sound, and the overall Australian economy remains in pretty good shape, what do New Zealand

businesses across all sectors need to do to gain or maintain their share of the action?

As well as being our nearest neighbour, and the only market of scale where we have geographic advantage, Australia remains New Zealand’s premier trade partner. The numbers are compelling – 23 per cent of our exports end up in the Australian market, representing an annual value of around \$10 billion. A quick look at the enormous breadth of the exported goods and services suggests that for almost anything New Zealand has to offer, there is a home in Australia.

New Zealand Trade and Enterprise recognises that there are many New Zealand companies already well-established in Australia. What we aim to do, along with other fellow government agencies, is to use our connections and market knowledge to accelerate market development and growth to ensure returns are optimised.”

Dan Taylor, New Zealand’s Trade Commissioner to Australia

For more information: www.nzte.govt.nz.

➡ **In April 2012, the International Monetary Fund predicted Australia would be the best performer in the world for the next two years.**

“Expanding to New Zealand was our first foray offshore. We hope to make MBC Global truly international and New Zealand was the logical testing ground for expansion. It is close enough to be convenient, yet cost-effective as a first step in our global strategy.”

Tony Barnes, CEO of MBC Global www.mbcglobal.com.au



TOP BUSINESS TIPS – KERRY OSBORNE

Kerry Osborne is Managing Director of Citywide Service Solutions, who provide space, environmental and civil infrastructure services. He has worked at operational and corporate level in Australia for 17 years. Here he summarises a few basic rules for taking a good business model and making it successful across the Tasman.

TIP NUMBER ONE

It will always be hard work and many steps backward before you go forward, but the rewards are there if you are up to taking them!

TIP NUMBER TWO

If you own the idea or opportunity, don't leave it to others to sell. Do it yourself and do it face to face. It's still the best way to do good business in Australia.

TIP NUMBER THREE

Kiwis are good at leading change and aren't afraid of making the hard calls...never lose that skill.

TIP NUMBER FOUR

Network widely and vary those networks across business, sport...and more sport.

TIP NUMBER FIVE

If you end up living in Melbourne, pick an AFL team, in Sydney a NRL team and don't mention to anyone you love the All Blacks for at least 12 months!

TIP NUMBER SIX

You will burn R&D funds quickly with consultants, lawyers and accountants if you don't seek good advice from the outset, for example the New Zealand Victoria Business Group.

TIP NUMBER SEVEN

Never refer to New Zealand as the clean, green country...that privilege belongs to Tasmania. Sell on the basis of quality of goods, clever marketing or a unique proposition.

TIP NUMBER EIGHT

Understand that Australia is many small countries not states and each is fiercely independent and politically different. One size will not fit all.

www.citywide.com.au



The 12 Apostles on the Great Ocean Road.

Useful links

- Ministry of Foreign Affairs and Trade, www.mfat.govt.nz/Foreign-Relations/Australia/index.php
- Ministry of Economic Development, www.med.govt.nz/business/business-law/current-business-law-work/sem
- New Zealand High Commission, www.nzembassy.com/australia
- Australian Department of Foreign Affairs and Trade, www.dfat.gov.au/geo/new_zealand/
- Australian High Commission, New Zeland, www.newzealand.embassy.gov.au/wltn/home

Sources

- McKinsey Global Institute
- Boston Consulting Group
- International Monetary Fund
- World Trade Atlas
- Ministry of Foreign Affairs and Trade
- New Zealand Trade and Enterprise
- Statistics New Zealand

For more information about doing business in Australia 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**

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