

## Business Education Partnership Symposium

Why Asia is important to our economy...

My brief this morning is in 10 minutes, to highlight why Asia is important to our economy – what I have to say is as relevant clearly to the national economy, as it is to that of the Bay of Plenty.

So, to ask why Asia is important to us here is like asking how important existing high-growth exporting businesses such as ZESPRI and Comvita are to us, as well as emerging businesses and sectors such as Tauranga-based global IT business Pingar, and a soon to be developed aquaculture industry in the Eastern Bay of Plenty.

ZESPRI currently generates nearly two billion dollars of economic impact in the Bay of Plenty – this is set to treble in the next ten years with the new, highly productive varieties coming on stream. The growth markets for ZESPRI are in Asia, where currently around a quarter of total exports are destined, but where nearly half the industry's total profitability is generated. This will only grow as markets such as China surge on the back of a rapidly growing middle income class, with many, in particular women focused on products that are green, and healthy. Clearly, Comvita are similarly well positioned for growth in Asia, and we will soon see a business, started from a back-yard in Paengaroa, grow from their sales this year of \$85 million, to a \$100 million business.

Equally exciting with the growth in sales, are the increasing number of Free Trade Agreements that have been completed, or are well on their negotiation journey, which will add tens, if not 100's of millions of dollars in returns back to growers and manufacturers.

I was privileged in July to be part of a large delegation of business and civic leaders that travelled to the Shanghai World Expo, and then on to Tauranga's sister city, Yantai. While there, I was fortunate to travel to other cities to visit relevant industry sectors to our own here, in particular the boat building industry.

My last trip to China, was in 2001 with Carter Holt Harvey, so it was with a level of amazement that I saw the sheer scale of urban growth. People generally appeared happy, and certainly employed. Clothing and cars were sophisticated, although rickshaws still prevailed in the poorer rural areas. The scale of growth and investment in lead infrastructure simply has to be seen to be believed.

It was so encouraging on the trip, to hear of the Opotiki delegation's successfully concluded negotiations with China's largest aquaculture business, based in Yantai - Oriental Oceans, for sales totalling 20,000 tonnes of mussels, at premium prices, over the next few years via a chain of 500 shops across...that are yet to be built. This is an example of the pace of growth.

Importantly, the deal is an example of the importance of strong and established relationships and trust. As a sister city

for 24 years, and Yantai's first, business and civic leaders travelling under the banner of Tauranga, are given a unique level of respect that simply would not be replicated without the level of high-level relationship that has evolved over a significant period of time. Oriental Oceans are set to make their second trip to Opotiki in September, and it is quite possible that they will provide much needed capital for the development of what will be New Zealand's single largest aquaculture development, in partnership with Eastern Bay lwi.

I have focused a lot on China so far, not surprising given my recent experience. Clearly though, India also represents a growing market of interest to New Zealand, and it is worth pointing out, that Priority One has been approached, and we are working with an Indo/New Zealand investment group to again provide capital for the development of a major industrial park in the sub-region.

Business failures in China are well known. There is a view that New Zealand businesses are not well-equipped to for doing business in markets such as China.

As David Mahon, a New Zealander who has been working in China since the 1980's says "They're afraid of China, they're too slow in terms of coming into China, and New Zealand companies seem to do something that is unusual in the developed world – they don't take advice when they enter markets."

To quote the Asia New Zealand Business Education Partnership, “it seems almost universally agreed that China is important to this country’s future, not just in terms of trade but also in dealing with the ripples of Chinese investment capital that will inevitably lap against our shores” – no better example than the recent bid for dairy farms.

As our economic dependence on this Asian giant is projected to grow to become our largest trading partner, how do we ensure we get what is best for New Zealand?

To again quote the Business Education Partnership, “to do that we need to develop this country’s intellectual and educational capacity to understand how things are done in China, and how China engages with the rest of the world.”

Prime Minister John Key summed it up well on his recent trip to Shanghai – “learning the language is an important part of the equation. It is one component of an important theme – to inject a curiosity about China, and Asia by and large, in our young people that begins in school and prepares them for a future in a workplace that will be even more deeply influenced by China’s rise.

Thank you for this opportunity to speak. I celebrate the work of Asia New Zealand, and the Business Education Partnership, and I wish you well today.