

Talk to Federated Farmers training – March 11 2010

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Personal encounters with Asia

I guess most of you are staying in a hotel here in Wellington. Well, you might not know that the hotel room you're staying in is probably owned by Singapore, along with 90% of all hotel rooms in New Zealand.

I guess most of you have a cell phone with you. The brand of your cell phone, like mine, might be Nokia, which is a Finnish brand, but its components are made in China.

I guess most of you own a car. Perhaps it's a Toyota Hilux or a Honda CRV or a Hyundai Santa Fe SUV. All those cars are made in Asia by three of the biggest car manufacturers in the world.

I guess most of you own a computer. Chances are that computer was manufactured in Asia. In fact, your refrigerator, DVD player, television and i-Pod were also manufactured in Asia.

I guess most of you own a tractor. Perhaps it's a TYM tractor, which is owned by South Korea.

Each day, all around us, each one of us is having a personal encounter with Asia, even if we aren't aware of it. And these encounters illustrate more than anything else the importance of Asia to New Zealand.

I guess some of you are sheep and beef farmers. The beef, pork and lamb from your farms are being eaten in Singapore, Malaysia, Japan and elsewhere in Asia. In some of those countries our beef and lamb is a delicacy, both sought after and expensive. Add to that menu New Zealand wine, which is a growing industry in Asia, and you've got a cuisine that's home-grown New Zealand in a region half a world away. Diet and cuisine is one of the most distinctive traits of

any culture and it's not only Asians in Asia that eat it, but Asians in New Zealand as well. Add to that dairy products and food from the New Zealand farm is feeding millions of people, in Asia and here.

Fonterra we know about and their experiences in Asia have proven to be both good and bad. But they're not the only player on the scene. For example, Tangaroa Aquaculture, situated in Sungai Burung in Balik Pulau, Penang, Malaysia is an abalone-breeding facility based on ezo awabi, a Japanese cold-temperature abalone species. Tangaroa Aquaculture was set up by a New Zealander, Llewellyn McGivern, and is believed to be the only one supplying fresh, sashimi-grade abalone in the northern region. He has commented that "people are often surprised when they find out that there's an abalone farm in Malaysia and even more so when they discover that it is located in Penang", but he chose Malaysia as the location because it is economically stable and strategically located. The company has invested significantly in equipment sourced in a number of countries including New Zealand.

The Asia New Zealand Foundation is currently commissioning research on New Zealanders in Asia and the pastime passions of New Zealanders often lie at the heart of the direction the New Zealand diaspora in Asia takes, and this distinguishes the New Zealand diaspora from other diasporas in the region. This can be seen, for example, in the eco-tourism of the Faasai Resort and Spa and the passion for seafood in Tangaroa Aquaculture. A similar passion lies behind an enterprise called Kiwi Fishing Bangkok, which operates in Bung Sam Run and Nichada Thani, focusing on big-game fishing. This company has imported substantial expertise from New Zealand and uses custom rods and reels. It has been credited with establishing the first registered International Game Fish Association weigh station in Thailand.

Seafood features also in an enterprise of a quite different nature. The chain of traditional New Zealand fish and chip shops operating under the name The Fish Shop21 is a franchise operation catering not just for the expat community in Malaysia (and in other parts of Asia) but also the local market in the way that Chinese, Thai and Cambodian takeaway businesses serve the local

population in New Zealand. This chain serves New Zealand's export interests by selling New Zealand fish in preference to local fish. The potential for high-quality franchising throughout the region is regarded as a huge and largely untapped market.

Icebreaker is a pioneering Wellington-based outdoor clothing brand whose pure New Zealand merino fabrics have been worn by some of the world's greatest adventurers. The clothing range is designed in New Zealand while manufacturing is outsourced to Asia and elsewhere. Icebreaker's global success across 24 countries has had a major impact on New Zealand's merino wool industry. In 2006 Icebreaker paid a 30 per cent premium to New Zealand wool growers in purchasing almost one-sixth of the national merino clip.

Skellerup is a well-known New Zealand brand best known for its gumboots, but is also a sophisticated international business selling technically superior rubber and polymer products for a variety of industries. Its Woolston operation recently established a stand-alone R&D department to drive innovation. A manufacturing facility in China keeps it competitive and is helping the company to develop significant new business where it has struggled to compete in the past

Aotearoa Fisheries Ltd. is the largest Maori-owned fisheries company in New Zealand. Trading brands include Sealord (which AFL part-owns with a Japanese company, Nissui), Moana Pacific, Prepared Foods and Chatham Processing. Asia features highly on AFL's radar screen; with the possible exception of Australia, no other region is as important. Japan, Korea, Hong Kong and other parts of Asia are high-yield markets for the company, particularly in rock lobster, abalone and some fin fish. Asia is also a valuable market for mussels and eels. These companies illustrate the larger trend of New Zealand's increasing trade with Asia.

Historically, New Zealand's trade was with Europe, but from the 1970s, this changed. The biggest change in New Zealand's trading patterns in the 1990s and 2000s was the increased significance of China. China's participation in world trade grew after it embarked on economic

liberalisation in 1978. In 1988 China took 4% of New Zealand's exports, and was the source of 1% of imports. In 2007 it was the destination for 5% of exports and the source of 13% of imports. If Taiwan and Hong Kong were included, the figures were even higher (9% of exports, 16% of imports).

The signing of the Free Trade Agreement between New Zealand and China and the large delegation of business-people and politicians attending the Shanghai Expo later this year are two key indicators of the growing importance of China to New Zealand. And New Zealand's not alone in that respect. The US and Australia also have a closer economic relationship with China today than they've ever had. China is emerging as the world's great economic super-power and with it is exercising its political muscle as well.

But China's not the only Asian country important to New Zealand. The other significant new trading partner in recent years was South Korea, which took 4% of New Zealand's exports in 2007, and was the source of 3% of imports.

Asia is home to 10 of our 20 top markets for goods exports, and the region has become increasingly important for our services, especially tourism and education. These economic connections are supported by an expanding network of trade agreements and other forms of economic co-operation.

The Asian region is becoming increasingly concerned with some of the unwanted results of economic success, such as growing resource competition (notably energy and water) and environmental problems. The challenges of dealing with climate change and energy security are becoming priority areas for Asian countries, and New Zealand has a stake in how the region deals with these issues. For example, no multilateral agreement on climate change will proceed successfully without China's assent. These are issues relevant to rural New Zealand as much as they are to international relations.

Several economies in the region (Hong Kong, Japan, Singapore, Taiwan, Brunei and Korea) have annual per capita incomes of over US\$20,000. Even in the less wealthy economies, there are significant emerging middle classes with rising incomes. The region's combined population of 3.5 billion gives it added economic significance to us. China is set to become the world's second biggest consumer market, and India will be rivaling the bigger European markets by 2020. Asia's vast and increasingly wealthy customer base is shaping the region into a centre of innovation and influence upon consumer trends.

Demand for services in Asia is already significant and is set to increase. Dairy products, meat, wool, logs and timber products dominate our goods exports to the region. Tourism currently has the most visible New Zealand "brand" across Asia. Our tourism profile also contributes to education, investment and migration. From relatively recent beginnings, Asia now generates 36 per cent of New Zealand's visitor arrivals from all long-haul markets, and around NZ\$1.5 billion in annual earnings. Asian markets make an even greater contribution during low-season months, accounting for 45 per cent of long-haul visitors. And those visitors don't just go to Rotorua and Queenstown. An increasing number, particularly from Asia's big cities, want to see and experience life in rural New Zealand. They've heard about the millions of sheep in New Zealand and they come expecting to see some.

Alongside tourism, education is another large export industry in Asia. New Zealand has trained students from Asia since the 1950s, and many of those first international students studied agriculture and horticulture. These days Chinese and Indian students dominate and their studies are now in Commerce, but they nonetheless experience life in New Zealand beyond the classroom and, along with their visiting family and friends, also contribute to the tourism industry in New Zealand.

Relevant to the last few days and the debate over whether Wellington should install a large 'Wellywood' sign on the hills of Miramar is the connection between New Zealand's film industry and Asia. *Black Sheep* is a New Zealand film made with New Zealand and Korean funding, the

latter from Daesung Group, which has a business alliance with Park Road Post. Weta Workshop provided the special effects for this film, and Weta's Richard Taylor also conducted workshops and exhibited studio props in Korea at the Pucheon International Fantastic Film Festival. The year 2005 was pivotal for the bilateral film relationship: an audiovisual co-operation arrangement was signed, and a film festival toured five Korean cities, making it the largest cultural diplomacy event ever mounted by New Zealand in Korea. New Zealand is also the set for many Bollywood Films and *The Lord of the Rings* trilogy did more for New Zealand's image overseas than anything else. Notably the scenes in the *Lord of the Rings* were not of Auckland or Wellington but of the Canterbury Plains, the Waikato and Central Otago, homes to many of New Zealand's farmers and farming industries.

And let's not forget Rugby, one of New Zealand's best exports. Witness the Bledisloe Cup played in Japan recently, or the number of New Zealand ex-pats who play and coach Rugby and other sports, like Cricket, in the Asian region. Japan is likely to qualify for the Rugby World Cup here in New Zealand and the Japanese Rugby Team is scheduled to be both staying and playing in provincial New Zealand. That's a brief overview of our trade with Asia, but what about the people of Asia?

What is Asia and who are Asians?

Asia is made up of about 27 countries, depending how you define it and where you draw the boundaries. Some people include Iran and Iraq while others include Russia. Some say America's an Asian power while others say Australia is. Jim Bolger once famously, and controversially, said that New Zealand was an Asian country. Statistics New Zealand defines Asia as being bounded by Afghanistan in the West, Indonesia in the East and Japan in the North, and also includes India. Ask someone in Britain who they define as an 'Asian' and they'll say Pakistani, Bangladeshi or Indian. Ask a New Zealander who they define as an Asian, as we do, and they'll say Chinese or Japanese.

Asia is made up of hundreds of languages, accents, appearances and cuisines. Its climate ranges from snow to searing heat and Asia holds the world's largest democracy and largest English-speaking country (India), the country with the world's largest Muslim population (Indonesia) and the two countries in the world with the largest populations (China and India). Asia is the home to many of the world's major religions – including Islam, Judaism, Christianity and Buddhism.

Asians in New Zealand

Asia's history is longer than that of Europe's and while New Zealand's own history is tied with Great Britain, its geography is very much part of the Asia Pacific region. But Asians have always been part of New Zealand's history. "Dunedin's links with the Chinese are the stuff of history", as its Mayor Peter Chin, himself of Chinese ancestry, once put it. Chinese men arrived in Otago from the 1860s onwards to dig for gold. Many of them left for New South Wales, but others stayed, or went back to China then returned with wives and children. The Settlers Museum, the Chinese Garden, even the cemetery at Anderson's Bay in Dunedin, all exhibit the long history of Chinese in that city. But Asians also settled elsewhere. As market-gardeners they dominated the Kapiti Coast in Wellington, parts of central and eastern Auckland, Hawkes Bay and Gisborne. At the 2006 census, twenty percent each of New Zealand's Chinese and Indian populations were New Zealand-born, signifying the long settlement history of those populations to New Zealand.

We think of Asian migration to New Zealand as a recent phenomenon, and, in respect of its size, it is. Between March 1986 and March 2006, New Zealand's resident population that had been born in countries in Asia increased almost sevenfold, from 32,685 to 248,364. The population that identified with Asian ethnicities (including the New Zealand-born) increased by 550 percent. The largest percentage increases for Asia-born populations between the censuses in 1986 and 2006 were recorded for people from South Korea and Taiwan. Growth in the China (PRC) and India-born populations, while not as large in terms of percentage increases, was by

far the most significant in terms of actual numbers of people in New Zealand. The total Chinese population in New Zealand increased by 456 percent between 1986 and 2006, compared with increases of 562 percent for the Indians and 770 percent for the other Asian ethnic groups. By 2026 there will be almost as many people in the Asian ethnic population (16 percent) as there will in the Maori population. New Zealand's population will continue to become more Asian beyond 2026.

The fastest growing Asian population is Filipinos, who dominate the health and services sectors. If you have parents or other relatives in aged-care homes or who receive home help, there's a high chance that they'll be looked after by a Filipino. Asians are crucial to other parts of New Zealand's labour market as well, from retail and hospitality to highly-skilled jobs in health and IT. If we took Asians out of our workforce large parts of our economy would simply collapse.

But it's important to underline that not all Asians in New Zealand are migrants; indeed, an increasing number are New Zealand-born and/or of mixed ethnicity, where one parent is Asian while the other is Pacific, Maori or European. Proportionately, New Zealand has a higher Asian ethnic population than Australia or Canada and Auckland's population, where one in four Aucklanders is born overseas, places Auckland alongside London and Vancouver as one of the "super-diverse" cities of the world. And while the majority of Asians live in Auckland, there are increasing populations of Asians in every New Zealand city, town and suburb.

Perceptions of Asians

The Asia New Zealand Foundation measures New Zealanders' perceptions of Asians. In the 2009 survey four out of five (81 percent) New Zealanders see the Asian region as important to New Zealand's future. This has increased since 2008 when 75 percent of New Zealanders of those surveyed said they viewed the Asian region as important. Only Australia with 89 percent rates as being more important to New Zealand's future than Asia.

Also compared to 2008, more New Zealanders now think FTAs (up from 74 percent to 78 percent) and imports from Asia (up from 58 percent to 63 percent) will have a positive impact

on New Zealand's future. New Zealanders are generally optimistic about: Asian tourism in New Zealand (91 percent of New Zealanders see a positive future impact); Asia as an export market (90 percent); Economic growth of the Asian region (80 percent); FTAs between New Zealand and Asian countries (78 percent) and Asia as a tourist destination for New Zealanders (74 percent).

Three out of five (62%) New Zealanders have 'a lot' (18%) or 'a fair amount' (44%) of personal involvement with people from Asia and 38% have had 'not much' (25%) and 'hardly anything' (13%) to do with people from Asia. The proportion of New Zealanders who have had 'a lot' or 'a fair amount' of involvement with people from Asia has steadily increased since 1998. The top three primary points of contact with people from Asia (all above 70%) are shopping, shops or services; friends and family; and work and business.

New Zealanders in Auckland and other major cities have warmer perceptions of Asians than New Zealanders outside the main centres, proving that increased contact leads to better perceptions. Seventy seven percent of New Zealanders who have had a lot of contact with people from Asia feel warm towards people from Asia whereas, only 49% of New Zealanders who have had hardly any contact with people from Asia feel warm towards them. New Zealanders more likely than average (62%) to have 'a lot' or 'a fair amount' of contact with people from Asia are:

- aged under 29 years (76%)
- those who identify themselves as Asian (95%)
- those who live in a main city (72%), particularly those who live in Auckland (80%)
- those in a high socio-economic group (70% of those in NZSEI group 1 have 'a lot' or 'a fair amount' of contact with people from Asia).

New Zealanders less likely than average (62%) to have 'a lot' or 'a fair amount' of contact with people from Asian are:

- aged 60 years or over (48%)

- those who live in provincial cities (48%)
- those who live in towns and rural areas (48%)
- those who live in the lower South Island (44%).

Rural New Zealand has less to do with Asians than New Zealand's cities, but – as I've already noted – New Zealand's growing Asian populations will mean that rural New Zealand will have more and more to do with Asians going forward.

Conclusion

Federated Farmers is one of several organizations and companies who have partnered with the Asia New Zealand to promote the awareness of Asia primarily in our schools, but also in our businesses. And we're not just talking about finding Asia on a world map. As I've indicated in my remarks, Asia is important to New Zealand in several important respects. Asia is important to our trade and therefore to our whole economy. Asia's markets are the fastest growing in the world. China was one of the few countries in the world whose economy grew during the recession. To facilitate that trade, markets need to be open and accessible and, importantly, businesses need to be equipped and capable of trading in Asia and with Asians. But New Zealand's relationship with Asia is not just through trade. It also includes New Zealand's growing Asian ethnic populations and raising the awareness of New Zealanders who are not Asian. New Zealand's relationship with Asia is multi-layered, long and complex and important for New Zealand's future.