



Why Should Asia Matter to Christchurch?

By Hon Philip Burdon, Asia New Zealand Foundation Chair

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The first ever Japan New Zealand Partnership Forum in Tokyo last week is a timely initiative because without a ripple of notice, Japan has slipped from being our second largest export market to about third equal with the United States.

The thinking behind the forum which was attended by nearly 100 business and government leaders from both countries including the Prime Minister Helen Clark and Trade Minister Phil Goff is that the relationship needs fresh impetus and new momentum to arrest the slide.

This business-led initiative took place amidst a backdrop of a 50 year milestone marking the signing of the New Zealand Japan agreement on commerce in 1958.

It was in this post war period that New Zealand re-established political, economic and cultural exchanges. Japan became a principal trading partner in the 1960s and events such as the 1964 Tokyo Olympic Games and the Osaka Expo in 1970 helped foster economic, political and goodwill ties.

From that time until now Japan has developed into one of the three most powerful economies and a hugely valued trading partner. But for a country that accounts for almost the same value of exports that we send to the United States, Japan doesn't get the attention it deserves. This is reflected in the steady but gradual decline in the proportion of New Zealand exports bound for Japan which has fallen from 15 percent in 1996 to 10 percent in 2006.

It represents a worrying trend. As New Zealand remains acutely conscious of its trading relationship with the United States, and increasingly aware of our new economic relationship with China, news of Japan has gone quiet.

The fact is Japan is one of New Zealand's 'anchor' trading relationships with exports valued at \$3.57 billion for the 2007 calendar year. Renewal is necessary and the need is there to address any tendency to be complacent about this enduring and crucial partnership.

On the surface the Japan relationship appears strong; New Zealand sold itself strongly at the 2006 World Expo in Aichi; Japanese investors provided \$7.6 billion in foreign investment in 2007; Japanese companies provided employment to over 10,000 New Zealanders; Japan is still a significant tourism market with nearly 118,000 arrivals in the year to February; and Japanese is still the second most popular foreign language taught in our primary and secondary schools.

The reality is the relationship is at best, prosaic and at the worst, taken for granted.

As a supplier of high quality coal, aluminium, agricultural and forestry products, New Zealand is strategically important for Japan as a reliable, secure and sustainable supplier of safe food and important natural resources. Japan is also

an important market for dairy products, fruit and vegetables, meat, wood, seafood, education and tourism.

But there are many other opportunities for New Zealand to expand into high end products from our IT, biotech and creative industries and to create durable partnerships in a range of other sectors including agriculture. These opportunities represent a dynamic potential for our relationship not only in direct trade but in partnership in global markets.

New Zealand has to narrow the gap between opportunities in Asia and the New Zealand business response, as is clearly articulated in the Ministry of Foreign Affairs and Trade White Paper 'Preparing for a Future with Asia'.

Two decades ago, Japan was the only Asian nation ranked among the world's top economies. Now there are others, notably China and India. But Japan is still an economic powerhouse as the second largest economy in real GDP terms.

While many in that business community are hoping the China-New Zealand free trade agreement provides an injection of momentum into this country's economic engagement with the region, it is necessary to recognise that it shouldn't be about China at the expense of Japan.

So where do we find the fulcrum to create the momentum to revitalise our relationship with Japan? I believe the Japan New Zealand Partnership event will be the much needed catalyst.

Importantly, this was not a government initiative, it was a business-led one implemented by the New Zealand International Business Forum. That it is supported by the government certainly adds weight to the re-engagement process.

The forum focused on the key strategic issues facing business in both countries and ways in which the economic and business relationship can be further strengthened. Support was expressed of the Japanese initiative to create a Comprehensive Economic Partnerships in East Asia as well as for closer trade and economic ties between Japan and New Zealand.

The meeting also focused on the critical issues of sustainability and climate change. It is clear that there is high awareness of these issues on the part of consumers, business and governments in both countries. There was much common ground on the capacity of both countries to work with each other in these areas, keeping them to the forefront of future cooperation in business, science and policy development.

The first Japan New Zealand Partnership Forum marks the start of a process to step up the relationship. Encouragingly, there is evident commitment on both sides to maintain the dialogue. While a free trade agreement with Japan remains elusive given the country's strong protectionist policies around agriculture, the common ground for increasing partnerships is there.

Critically, this initiative also represents the renewal of our determination to play an influential role in raising New Zealand's profile among Japan's commercial and political leaders.