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Metals New Zealand submission to the Trade for All report

email to: tradeforall@mfat.govt.nz

Metals New Zealand thanks the Ministry of Foreign Affairs and Trade for the opportunity to respond to the Trade for All report, released in November 2019.

While Metals New Zealand and our manufacturing members closely monitor imported products, (like those manufactured in New Zealand),we have not, until recently engaged with the Ministry on trade matters and unfortunately overlooked input into or consultation on the Trade for All report.

Introduction and New Zealand context re trade and economic development

Metals New Zealand acknowledges the critical role of trade to the New Zealand economy and notes that for New Zealand, trade is a two way journey – both exporting our goods to the world and importing what is produced from elsewhere.

Much of New Zealand's dialogue on trade, and I suspect the focus on trade negotiations appears to be on New Zealand's need to export to the world. The impact of imports on the local economy and society does not appear to warrant the same focus in the minds of New Zealand's business leaders, officials and government Ministers.

New Zealand has a productivity challenge. Economic growth over the last decade has largely been in commodities, employment growth has been in low value jobs in tourism and primary production and our local manufacturing sector which traditionally provided high value jobs in our regions has declined.

Enabling a Modern New Zealand

The Coalition Government's long term plan for New Zealand[1] (**Our plan for a modern New Zealand we can all be proud of**), has three foci –

[1] https://www.beehive.govt.nz/feature/introduction

1. An economy that is growing and working for all of us
2. improving the wellbeing of New Zealanders and their families; and
3. Making New Zealand proud.

The plan for a modern economy states the Coalition Government will

> "*Grow and share New Zealand's prosperity more fairly…", *and that* "We cannot continue to rely on an economy built on population growth, an overheated housing market and the export of raw commodities."*

It references the "*Trade for All Agenda – backing exporters through modern free trade agreements."*[2]

The second priority is to "*support thriving and sustainable regions"*, with a focus on tourism, one billion trees, infrastructure and boosting value of primary sector exports.

The fourth priority is to "*transition to a clean, green carbon neutral New Zealand."*

To achieve all these economic priorities and the transition *from volume to value* will necessitate not just a vibrant export sector, but an equally vibrant local manufacturing sector, particularly in our regions.

Export focused transformation

Government's Industrial policy as detailed in *From the Knowledge Wave to the Digital Age* [3] acknowledges that our productivity has continued to fall behind our main competitors. Government has responded with a focus on Industry Transformation plans targeting innovative industries across digital, food and beverage, agritech and forestry & wood processing – all of which are export focused sectors.

Considering imports

Much of our export manufacturing builds off and is supported by manufacturing for the local market. So, where is government oversight of imported goods that impact upon the broader manufacturing sector in New Zealand? This is a sector that provides 10% of new Zealand's jobs - over 240,000 high value jobs (earnings 9% higher than average), is a key employer in several regions, generates $23.8b of GDP and is responsible for 31% of business R & D expenditure.

A failure to recognise and address the non-tariff support from governments of some of New Zealand's trading partners undermines local manufacturing and jobs in our regions. It has further consequences for our poor productivity of NZ's construction sector when those same subsidised products are non-conforming.

In 2019 government established the Infrastructure Commission to address the chronic under investment in infrastructure over the last two decades by prioritising and publicising the

[2] https://www.beehive.govt.nz/feature/economy-growing-and-working-all-us
[3] Growing Innovative Industries in New Zealand: From the Knowledge Wave to the Digital Age. MBIE 2019

future programme of work to address New Zealand's Infrastructure needs. The Trade for All Report mentions the role of infrastructure with respect to tourism and the tradeable sector, but is silent on the role of trade in addressing this major investment in New Zealand's economy and the opportunity to build capacity and capability, which is potentially undermined by imports.

Trade for all Terms of Reference

The terms of reference for the Trade for All Advisory Board are vague -

The government has directed officials to develop a progressive and inclusive "trade for all" agenda.

The Ministry's website provides some clarity

> *Trade for All will help ensure that our trade policy delivers for all New Zealanders, and contributes to addressing global and regional issues of concern, such as environmental issues and labour standards. Our goal is a trade policy that works alongside other government policies, to support sustainable and inclusive economic development....*
>
> *Domestically, public concern around globalisation has grown. There are reservations about the balance in trade agreements between market access for exporters and concerns over potential loss of sovereignty and the perception that globalisation is exacerbating environmental problems and increasing inequality. There are questions about who benefits from trade and the long-term sustainability of our economic development.*
>
> *The Trade for All agenda responds to these concerns, seeking to rebuild public consensus around New Zealand's trade policy while successfully navigating the turbulent global environment to advance and protect our trade interests. Central to this process has been a wide ranging public consultation process including dedicated consultation with Māori, as the Crown's treaty partner, and a set of recommendations from an independent Trade for All Advisory Board.*

The eight key principles provide the boundaries of the "*trade for all"* conversation. The content of the report is largely focused on trade from an <u>export</u> perspective with little reference to <u>imports</u> and the impact that subsidised and dumped imports have on the New Zealand economy, our local manufacturers, our built environment and our added environmental waste. This is evidenced in the word "*export*" appearing over 200 times in the report, while "*import*" appears only 11 times.

Findings of the Trade for All report

The Trade for All report's 11 findings are comprehensive. However the lens applied to these findings and the report's content is largely focused on export trade.

1. <u>Trade Policy needs to be fit for the future</u>

New Zealand's productivity ultimately depends on having the right policy settings domestically in order to deliver higher, more sustainable, standards of living and better jobs. Trade policy should support and build on this.

Agree but the policy settings need to be equally focused on imports and opportunities to grow rather than undermine local manufacturing.

2. <u>New Zealand continue to depend upon government to secure access for its exports and to advocate for other policies in New Zealand's interests such as the removal of subsidies through trade agreements</u>

The context is with respect to exports, but it equally applies with respect to imports and we would ask that Trade for All acknowledge and recommend government address the imbalance which arises from a lack of oversight on imported goods.

BRANZ have identified that the annual cost of replacing or repairing non-conforming building products is $230m.[4]

3. <u>New Zealand's current level of access depends primarily on International Rules based system of World Trade Organisation</u>

We acknowledge that New Zealand is recognised as the "honest broker" in striving for free trade and would like to see same focus on free and fair trade with respect to imports and their impact upon local manufacturers .

<u>3c. Use of non tariff barriers by our trading partners</u>

The report acknowledges that the use of NTM by our trading partners is unlikely to decrease, but there is no acknowledgement that this applies to imports in the same way as it applies to exports.

4. <u>Concern from Civil Society about breadth of issues covered</u>

And in particular

<u>4f Fairness with respect to technology, environmental standards or labour standards.</u>

New Zealand manufacturers are rightfully required to meet modern day Health and Safety Standards and the Carbon Zero / ETS legislation place a carbon charge on local manufacturers of high energy / high emission products while imports may originate from plants with dubious H & S standards and incur no such local tariff for their carbon component.

5. <u>Trade policy needs anticipatory governance framework</u>

<u>and</u>

6. <u>Better defined criteria and stronger processes are needed to create trade policy that truly represents a balance of all New Zealanders interests and values</u>

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[4]

Trade for All needs to acknowledge that that the governance framework, criteria and processes needs to include understanding of the impacts of imports on the local manufacturers and the regions in which manufacturers are based.

7. Building number of export capable companies

We believe this goes beyond the role of trade negotiators. It extends to officials in and Ministers responsible for economic development, customs and the transition to a zero carbon economy to ensure that local manufactures are treated fairly and imported products meet the same standards of performance, their suppliers have the same H & S credentials and the products equally share the carbon burden.

8. Moving from Volume to Value

The report acknowledges the challenge is how to create value, but overlooks the role which local manufacturing has in adding value to our commodity product. The report is silent on the unfair trading practices of some of our major trading partners that undermine the ability of local manufacturers to competitively add value and export. For example, the uncharacteristically high prices paid for New Zealand export logs has resulted in numerous local wood processors going out of business. This discourages investment in export oriented added-value manufacturing because of the uncompetitively high costs of local timber .

11. New Zealand needs better infrastructure

While the needs of our tradable sector must be kept in view, so too must New Zealand's ability to build local capacity and capability to deliver future infrastructure, when the cheaper, short term option is to import required skills and products as referred to in points 7 & 8 above.

Recommendations of the Trade for All report

Metals New Zealand agrees that

> *Government should direct MFAT and MfE to lead work for a Whole of Government Framework for Trade and Environment and to particularly involve MBIE along with MPI and Treasury*.

In addition, we would propose that this framework for the future of fair and free trade for New Zealand should equally balance exports with imports.

Given Treasury's development of the Living Standards Framework (LSF), we would suggest that for New Zealand, the LSF is a more appropriate framework than the UN SDG framework. The LSF and the four capitals which underpin it is more meaningful for New Zealand companies.

The proposed framework for trade needs to be a systems approach to include how New Zealand builds capability and capacity to:

- move from volume to value
- build resilience against the challenges of climate change
- continually innovate to enable the transition to low-emissions and circular economy
- enable thriving sustainable regions.

Finally, to encourage investment in and improve the competitiveness of New Zealand's productive sector New Zealand businesses need confidence that future policy settings are predictable, reasonable and fair.

Please acknowledge receipt:
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Metals member organisations

The New Zealand Heavy Engineering Research Association (HERA) was established in 1979 as a non-profit research organisation dedicated to serving the needs of the metals-based industries in New Zealand. Its membership consists of approximately 600 companies representing metals-based fabrication and manufacturing companies, the associated design and consulting industry, related education providers, and the supporting material supply and services industry. HERA is base funded through an industry generated R&D contribution in the form of a levy on heavy steel and welding consumables administered by the Heavy Engineering Research Levy (HERL) Act. HERA's current research is in the areas of steel construction, general heavy engineering industry development and welding fabrication innovation. HERA works with other research providers such as universities, independent research organisations and CRIs to deliver its programmes.

www.hera.org.nz

Steel Construction New Zealand Inc. (SCNZ) aims to advance the interests of New Zealand's diverse steel construction industry by promoting the benefits of steel solutions in building and infrastructure projects. Members include manufacturers of structural steel and steel products, distributors, fabricators, designers, detailers, galvanisers, and paint and building supply companies. SCNZ provides its members with technical advice on the latest in steel design trends and standards, networking opportunities, and a representative voice with key industry and Government decision-makers.

www.scnz.org

Casting Technology New Zealand (CTNZ) aims to be a major contributor to the success and prosperity of the metal casting industry. The organisation is an advocate for maintaining high industry standards and encourages members to participate in quality training programmes. It provides a network for technical and business activities among its membership at national and international levels. At a Government level, CTNZ keeps abreast of legislation relevant to the metal casting industry and, importantly, represents the industry's position on issues affecting the sector.

www.castingtechnologynz.org

The New Zealand Metal Roofing Manufacturers Association Inc. (NZMRM) represents companies that roll-form steel and other metals for roofing and cladding purposes. Commonly known as 'Rollformers', NZMRM has 30 member companies. Members are involved in producing a wide range of profiled product, both painted and unpainted. The Association is active in the development and promotion of industry standards, and in conducting research that promotes the use of metal roofing and cladding.

www.metalroofing.org.nz

Formed in New Zealand and Australia in 1982, the National Association of Steel-Framed Housing (NASH) is an advocate for all forms of low and medium rise steel-framed construction. NASH represents the interests of suppliers, practitioners and customers of steel-framing systems, and provides a representative voice for the sector at Government level.

www.nashnz.org.nz

The New Zealand Stainless Steel Development Association (NZSSDA) was formed in 1998 to promote and develop the stainless steel market in New Zealand. Its members include engineers, architects, fabricators, merchants and end-users with an interest in the supply or application of stainless steels. NZSSDA supports and encourages technical excellence in the industry and provides specialised training courses on stainless steel for the New Zealand market.

www.nzssda.org.nz

New Zealand's major aluminium extrusion companies work collaboratively, (supported by Metals NZ), on areas of common interest which include fair and free trade, non-conforming products, government procurement and sustainability.

The Sustainable Steel Council (SSC) was reconstituted by Metals NZ, HERA, SCNZ, NZMRM, NZSSDA, NASH, New Zealand Steel, Fletcher Steel and Steel and Tube in 2018. Members of the Sustainable Steel Council are committed to a vision where steel is valued as a critical enabler in New Zealand's journey to a low emission economy. The vision is achieved by a financially sound industry taking leadership in delivering to the living standards framework, measured across human, social, natural and financial / infrastructure capitals.