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Research snapshots

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The New Zealand Asia Institute (NZAI) undertakes research focusing on engagement with Asia, provides a forum for informed debates, and offers a bridge to Asia-related expertise and research within the University of Auckland.

The New Zealand–China Free Trade Agreement: government narrative versus business realities

Governments liberalising trade have marshalled rhetorical narratives not only to pave the way but, afterwards, to encourage businesses to take up or “enact” the opportunities created. A recent study** asks whether and how the New Zealand government’s pro-enactment narrative after its 2008 China Free Trade Agreement (NZCFTA) – China’s first with a Western nation – matched and influenced, or mismatched, New Zealand businesses’ perceptions and achievable realities.

NZCFTA would eventually eliminate 97% of tariffs and exports shot up by 170% over 2008–2012. However, the rise was partly fuelled by China’s domestic growth and nations without free trade agreements also achieved major export gains. New Zealand firms, accustomed to culturally closer markets like Australia and the US, proved slow enactors. To overcome their inertia and uncertainty, and realise NZCFTA’s potential, from 2010 the government mounted a concerted push.

The researchers broke down the government’s public-facing pro-enactment narrative into key rationales, analysing some 70 official documents that employed persuasive language. They also interviewed managers of 36 businesses that had either already entered China or were considering it, as well as 12 key personnel inside and outside state agencies. Thirty-one businesses were small to medium-sized enterprises, SMEs, by an official European definition (under 250 employees) and eight had fewer than 20 employees.

Four rationales emerged: China’s growth; its sheer size; New Zealand’s being first to accord China various recognitions; and “China as our future”. All four matched businesses’ pre-existing perceptions. Moreover, while this qualitative study cannot prove causation, interviews strongly suggested this nationally-dominant government narrative informed businesses’ actual internationalisation decisions.

The narrative, though, did not match businesses’ achievable realities. Both government and firms should have foreseen this. Especially given that 97% of New Zealand firms employ under 20 people, China’s size and growth should have been irrelevant or positively off-putting without corresponding firm scale or capabilities. The other rationales should barely have survived scrutiny either. Even larger businesses commanded insufficient resources, capabilities and channels. Unable to compete on price, they also lacked connections to Chinese business partners and consumers in more luxury niches. Those achieving initial growth often struggled to sustain it or find a profitable business model. Few appreciated the obstacles or the innovation required, though NZ Trade and Enterprise (NZTE) offered more advice and support to selected businesses to grow in the China market.

Ultimately, most firms’ competitiveness and innovation were not enhanced. NZCFTA was over-enacted, defeating stated aims to promote a favourable trading environment for SMEs and build their trading capacity.

Why had firms thrown caution and due diligence to the winds? The narrative’s rationales artificially centred “peripheral evidence”: uncontested facts or received opinions that nevertheless should have been only incidental or indeed irrelevant. Peripheral evidence propped up a “presumptive tilt” towards the easy, dominant view of an almost boundless, effortless opportunity. Moreover, government lines like “Avoid the negativity” actively discouraged critique. The researchers suggest that government narratives should in fact foster critique, especially since it remains uncertain whether trade liberalisation actually helps the majority of small and medium enterprises.

** The full study results are available in an article authored by Antje Fiedler, Benjamin Fath and D. Hugh Whittaker: “The Dominant Narrative of the New Zealand–China Free Trade Agreement: Peripheral Evidence, Presumptive Tilt and Business Realities”. New Political Economy, published online 27 April 2020.

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