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New Zealand as an English Farm for the Chinese?

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Introduction

On April 7, 2008, New Zealand became the first OECD country to sign a free trade agreement (FTA) with the People's Republic of China, the culmination of negotiations between the two countries that spanned fifteen rounds over three years. (New Zealand-China . . .) This agreement is very important to New Zealand, because China is its fourth largest trading partner and accounts for the largest single trade imbalance, which stands at a negative NZ $3.63 billion for 2007. Furthermore, the FTA will strengthen New Zealand's trade ties with Asia and will help the nation proceed with future free trade agreements with other Asian nations. Yet, the overall significance of this deal on the world stage is much larger, since in recent years China has aggressively tried to sign free trade agreements with major trading partners such as the U.S. The New Zealand agreement allows the world to see what will happen to an OECD country when the Chinese have full access. The effect of this agreement on New Zealand will be to redirect its export markets from the U.S. and EU to China and its neighbors, which have growing economies and increasing affluence. In today's global environment, this transformation will help New Zealand refocus on its production strengths of dairy and forestry products, and allow it to become a farm for the Chinese and the rest of Asia. This transformation would not be new for New Zealand, but would rather repeat its role as "an English farm in the Pacific" (Robertson and Singleton, p. 327) in the early twentieth century.

In this essay I open with a discussion of the free trade agreement and the controversy aroused by its signing in New Zealand. Following this I briefly discuss trends in New Zealand's trade over the last 80 years, from its being a member of the English Commonwealth to the importance of the Australia-New Zealand Closer Economic Relations Trade Agreement

(CER or ANZCERTA). The focus of the essay then turns to lessons from other FTAs and the growth opportunities for the New Zealand economy following the FTA with China. I then argue that evidence suggests that New Zealand will become a large exporter of food and raw materials for the Chinese. The last section of the essay proposes actions that New Zealand can take to expand its gains from this agreement as well as how to work toward a positive net trade balance with the Chinese.

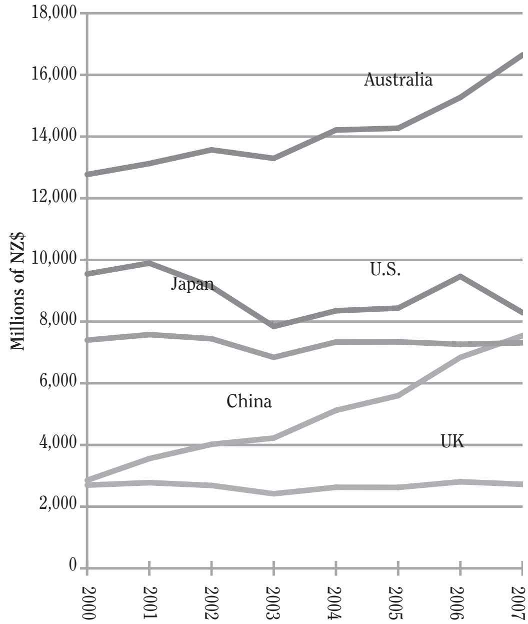
Current Trade between China and New Zealand and the Free Trade Agreement

The overall trade volume between the People's Republic of China and New Zealand has been growing rapidly over the last seven years. New Zealand exports to China grew at an annual average rate of growth of 11.2 percent since 2000, while the volume of imports grew at 16.4 percent. During this period New Zealand's overall exports grew at a yearly average rate of 3.2 percent and imports grew at 4.5 percent. (New Zealand-China . . .) This trade growth with China is immense when compared to the growth of several other major trading partners of New Zealand as seen in Figure 1. In this figure, the trends show slight trade decreases for the U.S., Japan, and the UK, while Australia and China show a growing volume of trade with New Zealand. From 2000–2008, Australia increased its total trade with New Zealand by 30 percent; however, China's trade with New Zealand grew by 164 percent. The volume of trade with China is particularly impressive considering the fact that it was able to grow even while exchange rates fluctuated from ¥ 4.33–6.17/NZ$ from 2003–2008. (Oanda Corporation . . .)

For 2007, New Zealand's overall trade with China amounted to NZ $7.544 billion, which accounted for 5.52 percent of New Zealand's exports and 13.34 percent of its imports. (New Zealand-China . . .) This made China New Zealand's second-largest importer, behind Australia, and New Zealand's fourth largest export market. The trade with China is typical of New Zealand's trade with most other countries, with New Zealand exporting agricultural and raw materials and importing finished goods. Overall, the top exports were milk powder, wool, chemical wood pulp, and logs, while the top imports were computers, telephone equipment, and television receivers.

Figure 1

Total Trade with NZ



Source: Statistics New Zealand.

The New Zealand-China FTA will come into force over a number of years, typical of most FTAs. Once the FTA is fully implemented, 96 percent of New Zealand's exports to China will be tariff-free, which will amount to an annual savings of $115.5 million. (New Zealand-China . . .) Table 1 shows the timeline for the elimination of the tariffs on both imports and exports. One interesting issue in the timeline is that tariffs on imports to New Zealand from China will be lifted entirely by January 1, 2016, on all goods, while New Zealand's exports to China will not be tariff-free for another three years and will include only 96 percent of goods. This imbalance illustrates that China will still be protecting some of its industries in this agreement. For example, in the agreement dairy products become tariff-free in 2019; yet, there are still provisions in the agreement for quantity safeguards as well as the option to extend the implementation date of this part of the FTA until 2024. (New Zealand-China . . .)

Even though dairy exports from New Zealand are to be phased in later in the agree-

Table 1

Timeline for Tariff Reduction for Goods Traded between NZ & China

	New Zealand Exports to China		Chinese Exports to New Zealand	
Date for Tariff Elimination	% of Total NZ Exports to China	Key Products	% of Total Chinese Exports to NZ	Key Products
Oct. 1, 2008	35.30%	Certain types of fiberboard, fish meal, scrap copper and aluminum, coking coal, and iron slag	38.60%	37% of trade is already duty-free
Jan. 1, 2009	6.00%	Around 75% of current wool exports (with the balance becoming duty-free over 8 years)		
Jan. 1, 2012/2013	31.20%	Infant milk formula, yogurt, frozen fish, methanol, animal fats & oils, and wine	35.30%	Steel, plastics, furniture, tires, pens
Jan. 1, 2014			4.20%	Textiles, some clothing and footwear, and carpets
Jan. 1, 2016	4.60%	Oranges, milking machines, and sheep and beef meat	21.50%	Clothing and footwear
Jan. 1, 2017	2.50%	Butter, cheese, and liquid milk		
Jan. 1, 2019	15.20%	Whole and skim milk powders		

Source: New Zealand-China Free Trade Agreement.

ment, big exports for the Chinese, such as clothing and textiles, are not tariff-free until 2014 and 2016. Textiles are among China's top exports, and the nation already exports over 30 percent of knit clothing and over 27 percent of non-knit clothing exported worldwide. (International Trade Centre) This timeline for clothing indicates that, even though New Zealand wanted the recognition of being the first OECD country to have an FTA with China and was willing to make certain concessions, China too was willing to push back the gains from the agreement to get it approved by both countries.

Controversies Surrounding the China-New Zealand Free Trade Agreement

In New Zealand there is already skepticism towards the FTA, with firms such as Fonterra, the world's leading exporter of dairy products, applauding the agreement while others such as Fisher & Paykel, an appliance firm, are afraid of competing with cheaper items produced in China. This is due in part to the fact that the Chinese have been able to cement their position as one of the worldwide leaders in labor intensive manufacturing. (Zhang et al., p. 6) Other industries such as tourism are also threatened as the agreement allows for over 200 Chinese tour guides to enter the country. The fear about these tour guides is that they "will dramatically exacerbate the problem of 'backstreet' operations that gouge Asian visitors and is responsible for the decline in Korean and Japanese tourists." (Smith)

However, the skepticism surrounding the agreement is only held by a limited number of special interest groups, and is typical following the signing of any free trade agreement. A poll taken a week prior to the signing of the agreement in 2008 found 44.7 percent of respondents supporting the agreement and 32.4 percent against. (NZPA) Furthermore, following the signing of the agreement, New Zealand set up a website to educate the public

Table 2

New Zealand's Main Export Markets, 1938–1970 (Percentage of Exports)

	UK	US	Australia	Japan	EEC (Six)	Total
1938	84.2	2.5	3.8	1.0	3.9	95.4
1946	70.1	9.6	3.6	-	6.3	89.6
1950	66.5	10.1	2.6	0.5	12.2	91.9
1955	65.6	5.9	2.5	0.8	16.2	91.0
1960	53.1	12.8	4.4	3.0	16.7	90.0
1965	50.9	12.3	4.7	4.3	16.2	88.4
1970	35.5	15.3	8.0	9.7	11.0	79.5

Source: Singleton and Robertson.

about the FTA. Within 48 hours of its launch, the website had over 31,000 hits as individuals flocked to learn more about the agreement and the gains it would bring to the New Zealand economy.

Trade between the UK and New Zealand Prior to Joining the EEC

While the FTA with China is considered to be a breakthrough agreement, New Zealand has not always focused on trading with the entire world, but rather mostly with its mother country, Great Britain. Much of this trade was due to the strong agricultural industry that arose in New Zealand because of its rich lands. The trade flourished, with Britain importing wool, dairy produce, and meat, which helped the growth of the New Zealand economy. (Robertson and Singleton, p. 328) Another factor was New Zealand being a member of the commonwealth and receiving preferential trade terms. Table 2 shows just how important the UK was for New Zealand's exports. From 1938 through 1970, the percentage of New Zealand's exports going to the UK declined from 84.2 percent to 35.5 percent; yet even at its lowest level in 1970, total New Zealand exports to the UK roughly equaled those to the U.S., Japan, and the EEC combined. Today, by contrast, the highest portion of New Zealand's exports going to one country is 20.94 percent (Statistics New Zealand) and that is to its closest neighbor, Australia.

The overreliance that New Zealand put on exporting its goods to the UK placed the country in a unique and vulnerable situation. The reasons are that it would lose preferential trade terms when the motherland joined the European Economic Community (EEC) as well as its ability to maximize production of dairy and agricultural goods without worrying about major price fluctuations. New Zealand needed to expand trade with Australia and its Asian neighbors quickly to make up for its lost trade with the UK To meet this challenge, New Zealand expanded its meat trade with Japan and the U.S. and hosted an Export Development Conference to further market the country's products. (McAloon, p. 13) These actions resulted in the UK's share of New Zealand's exports dropping in the late 1960s from more than 50 percent to 35.5 percent and in trade with the U.S., Australia, and Japan growing during this time period, as seen in Table 2.

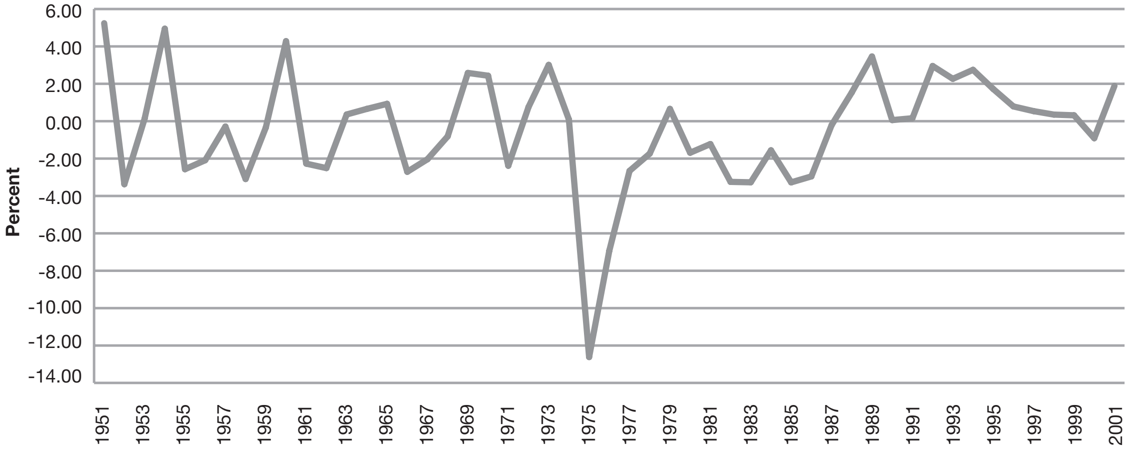
The UK eventually joined the EEC in 1973. This had a major effect on New Zealand even after its work to diversify its markets. As seen in Figure 2, the balance of trade for New Zealand went from a positive 3 percent in 1973 to a negative 12.6 percent in 1975, showing the massive drop in exports following the UK's joining the EEC and New Zealand losing its preferential trade treatment. However, New Zealand managed to increase trade with its other partners in the late 1970s, which helped increase its balance of trade account in the ensuing years.

Development of the Closer Economic Relations (CER) Agreement

Although the UK joined the EEC in 1973, a decade passed before New Zealand negotiated an FTA with Australia. The CER agreement passed in 1983 wasn't new, however; its founda-

Figure 2

Balance of Trade in Goods and Services as a Percentage of New Zealand's GDP



Source: Statistics: New Zealand.

tions for free trade were created in 1965 in the New Zealand-Australia Free Trade Agreement (NZAFTA). The original intent of this agreement was protection for the pulp and paper industry in its main export market, though after much negotiation the eventual agreement was much broader in its goals. (Singleton and Robertson, pp. 200–203) Eventually signed in 1965, the agreement covered most Australian exports and over 85 percent of New Zealand exports, and it helped stimulate trade for many industries. (Singleton and Robertson, pp. 200–203) Following NZAFTA's passage its impact grew, and by 1982 it had helped decrease the average New Zealand import tariff to 20 percent and the Australian average to 10 percent on those goods traded between the two countries. (Menon and Dixon, p. 4) Altogether, a total of 80 percent of trade between Australia and New Zealand had no tariffs or quantitative restrictions by 1981. (Sampson, p. 202) Although NZAFTA helped lower tariff rates, it did not create a free trade area as extensive as the CER agreement.

At the conclusion of NZAFTA in 1982, Australia and New Zealand met to negotiate a more comprehensive trade agreement with the goal of the removal of all trade restrictions on goods and of the realization of a free trade area. (Petersen and Gounder) What emerged was the CER agreement, the first comprehensive free trade agreement between the two nations. By 1990 the agreement achieved the total elimination of tariffs and quantitative restrictions on all goods and services, other than several services listed in the annexes of the Services Protocol.[1] (New Zealand Ministry . . .)

The agreement has had positive effects on both New Zealand and Australia in the areas of trade growth, foreign direct investment, tourism, and labor. Since the inception of the CER agreement, trade between the two nations has grown at an annual rate of 9 percent, with exports from New Zealand to Australia growing from 13 percent of New Zealand's total exports to 20 percent, while doubling in real (inflation adjusted) terms. (New Zealand Ministry . . .) Furthermore, trade between the two nations has grown faster than each nations' total trade from 1983–2008. Currently, New Zealand's largest source of Foreign Direct Investment (FDI) and tourists is Australia.

Today, the two countries trade many goods including, but not limited to, petroleum, wine, refrigerators, and computers. The CER agreement has rules for what is considered tariff- and quota-free. It requires that the last stage of manufacture of a good must occur in one of the two countries and that at least 50 percent of the

[1]A total of eight services were designated not to be tariff-free in the Services Protocol, two for New Zealand (airway services and costal shipping) and six for Australia (air services, broadcasting and television, third party insurance, postal services, and costal shipping).

cost of the product should be added in the originating area. Most services traded between Australia and New Zealand are tariff-free. (Sampson, p. 209) Furthermore, citizens of either country can reside in the other for as long as they wish, with no further documentation other than a passport required.

Overall the CER agreement has been a resounding success with trade flourishing between the two countries, and in 2008 the CER agreement celebrated its 25th anniversary. The agreement has been reviewed by the World Trade Organization (WTO) and described as successfully meeting its goal of free trade for all goods and extending free trade for most services. (Sampson, p. 202) Others have gone further and stated that the agreement may be the cleanest FTA ever written and is significant for its lack of any bureaucracy that is so typical of such FTAs. (Lloyd, p. 186)

With the success of the CER agreement in mind, the New Zealand and Australian governments met in 2004 and created the SEM (Single Economic Market) initiative. The goal of the SEM is to build on the CER agreement and create a system in which a company can function legally as a company in either country and one that will eliminate the barriers to trade that exist behind borders. (New Zealand Ministry . . .) This is a far-reaching initiative which could result in the creation of an economic union similar to the EU in the South Pacific, but one that is even more comprehensive. Just like the EU, this initiative is moving slowly and will take many years to be implemented. Nevertheless, actions such as these further enhance New Zealand's commitment to focus on its trade with Asia and show that FTAs between nations can be quite beneficial for all involved.

Lessons Drawn from Other FTAs

NAFTA (North American Free Trade Agreement)

NAFTA is a free trade agreement implemented in 1994 between Canada, the U.S., and Mexico. It serves as an excellent comparison model since it includes both an industrialized country and a lower-wage country, along with a country with an expanding manufacturing base. Furthermore, since its passage the agreement has been hotly debated between free trade advocates and protectionists, who point to different statistics to condemn or praise this groundbreaking FTA.

Following the implementation of NAFTA, many automakers in the U.S. rushed to open factories in Mexico to take advantage of hourly wages around $3.50, compared to union wages ranging from $14 to $26 in the U.S. This factory expansion was not due just to the lower wages, but, more importantly, to the fact that shipping time to the U.S. from Mexico rather than from Asia would take days rather than weeks. (Engardio et al., p. 57) This is an important point to note because as many global firms have moved their production offshore, there is a long timelag for delivery due to the great shipping distances. The effect of this situation on many U.S. firms, those for which delivery time rather than labor costs plays an important role, is that they are able to keep their short delivery time while decreasing labor costs if operations are moved to Mexico. For this reason, some have argued that NAFTA has helped accelerate the decline in the number of manufacturing jobs in the United States.

However, this argument is not necessarily correct. The drop in U.S. manufacturing jobs is not a current phenomenon, but rather has occurred over the last half century due to productivity gains. (Baily and Lawrence, pp. 220–21) These productivity gains have occurred as many manufacturers replaced workers on the assembly line with more automation and robots, which allowed for increased production. In fact, the Office of the U.S. Trade Representative contends that under NAFTA total U.S. manufacturing output rose 58 percent from 1993–2006, as compared to 42 percent from 1980–1993. (Office of the United States Trade Representative) In essence, under NAFTA U.S. manufacturing firms were able to reduce their expenses and expand their production at the cost of moving some jobs across the border. However, most of the decline in manufacturing jobs was due to productivity growth; and the acceleration of jobs losses cannot simply be blamed on the NAFTA agreement.

This issue concerning manufacturing output and NAFTA is relevant to the New Zealand-China FTA because New Zealand is over 1,200 miles away from its closest neighbor, Australia. With such a distance, companies such as machine shops that produce manufactured goods that are required in a short period of time must remain in the country. Furthermore, manufactured products are not a major export for New Zealand, but happen to be its largest import. The FTA with China will therefore allow New Zealand to take advantage of lower prices offered by the Chinese and actually help the country to become more economically efficient, while allowing the small manufacturers to continue their operations.

In contrast to the small growth in manufacturing the U.S. experienced after NAFTA, the U.S. agricultural industry experienced a boom. Exports of agricultural products from the U.S. to Mexico and Canada grew by 156 percent from 1992–2007, while overall agricultural exports worldwide grew by only 65 percent. (United States Department of Agriculture . . .) The growth in agricultural exports has not only been an effect of NAFTA, but has also been found to occur following other FTAs, such as the EU-15, the Southern Common Market (MERCOSUR), and the Asia-Pacific Economic Cooperation (APEC). (Jayasinghe and Sarker, p. 62) Even more pronounced trade gains in certain other products such as red meat were experienced following NAFTA's implementation. After the agreement, red meat trade increased in dollar terms from U.S. $185 million to U.S. $3.3 billion from 1985–2000. (Jayasinghe and Sarker, p. 72) While agricultural goods are not a high-value item in the U.S., accounting for only 0.8 percent of GDP in 2008, the industry does account for a correspondingly higher porportion of total U.S. employment, 1.41 percent in 2008. (Dimitri, Effland, and Conklin) This is interesting, due to the fact that as the U.S. agricultural industry has become more mechanized, there is a belief that very few people work in it. In fact, in 2007 the agricultural export industry generated 537,000 jobs in the *nonfarm* sector and, for every $1 earned, stimulated another $1.40 in business activity. (Edmondson)

The growth of agricultural trade under NAFTA sheds light on the substantial trade growth that New Zealand could experience under the FTA with China. Agriculture comprises a much larger percentage of GDP in New Zealand, close to 6 percent, compared to the U.S. If New Zealand were able to experience even half of the 156 percent growth in agricultural exports that the U.S. did under NAFTA, it would be a major boon to the New Zealand economy due to agriculture's larger share of GDP. This would help employ more individuals in the country as well as stimulate spending.

ASEAN-China Free Trade Agreement (ACFTA)

A second FTA from which lessons might be learned is the Association of Southeast Asian Nations (ASEAN)-China FTA because it focuses on free trade with China. This FTA was signed in November 2004, with all of its provisions to come into effect by 2010; yet members of the association, which include Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos, and Vietnam, have already experienced increased trade with China. The FTA has allowed this free trade area to encompass 1.7 billion people, over a quarter of the world's population. Immediately after its passage, the agreement created the third largest free trade area after the EU and NAFTA, and accounted for trade of U.S. $1.23 trillion. (Cordenillo) The surprising result of this agreement is how quickly trade grew after its inception.

Within this trade area, China's unit labor cost is 22 percent less than that of its closest competitor and 72 percent less than the next closest. (Tongzon, p. 200) For this reason, the Chinese have an advantage in manufacturing that the other member countries cannot match. However, by focusing on its advantage and building up a manufacturing base, a smaller percentage of the working population in China is now producing food and raw materials. This has meant that China must import more agricultural products and agricultural raw materials to fill the gap. (Tongzon, pp. 203–204) Consequently, this presents an opportunity for the ASEAN members. After the removal of tariffs on fruits and vegtables, exports from ASEAN members to China increased 39 percent during the first six months of the agreement. (Zhang et al., p. 23) Even more surprising is that the ASEAN Secretariat, a group charged with coordinating and implementing all activities done on behalf of the ASEAN members, estimates that overall exports to China will increase by 48 percent. (Cordenillo)

Beyond just producing agricultural products for China, the ASEAN countries can also tap into the massive growth potential in China by investing heavily in the country. (Tongzon, p. 206) History has shown that electronics and machinery exports from China have been in the low-value category. (Tongzon, p. 197) This is favorable for ASEAN members because they can build production facilities in China to take advantage of lower-cost labor, but still realize the overall profits from production. Beyond just investing in China, the ASEAN members can increase their share of China's Foreign Direct Investment (FDI) from the current 20 percent they receive. (Zhang et al., p. 24)

While the overall agricultrual industry will grow as a result of the agreement, some products will see increased competition from the free-trade area. The Studies Unit in the ASEAN Secretaritat has published a report written by Raul Cordenillo, which details the benefits of the ASEAN-China FTA and uses Thailand as a case to analyze. Following the passage of the FTA, Thailand's imports of Chinese apples grew 117 percent, pears by 346 percent, and grapes by 4,300 percent. Thailand's exports of longan increased by 986 percent, durian by 21,850 percent, and mangosteen by 1,900.[2] (Cordenillo) The lesson that the report and the specific examples show is that an FTA increases both imports and exports and leads to increased competition following an agreement. This competition, in turn, will lead producers to specialize in the production of those goods in which they hold a comparative advantage. The process also allows for production that is not only competitive in the local free trade area, but also in the global market. For this reason, an FTA is beneficial because, while it may harm or even destroy some industries in a country, it will also facilitate the growth of those industries that are most beneficial to the economic growth of the nation.

The ACFTA shows that throughout Asia each nation has different comparative advantages; and for such an agreement to work, certain industries must innovate to be successful due to increased competition. In New Zealand this will mean that the wool clothing industry will compete with cheaper Chinese textiles, while China will eagerly take shipments of New Zealand wood and dairy products since the demand is quite high for these items. However, in the macro view, both countries can benefit by expanding trade.

What NZ Can Do to Exploit the FTA with China

New Zealanders' approval rating of the FTA with China has been increasing, and for good reason. The agreement will help the nation grow into a major trading partner with Asia and help cement New Zealand's role as a food and fiber provider to the greater Asian community. However, there are ways to further increase the benefits for New Zealanders from signing this agreement.

Exporting agricultural products is very important for New Zealand, but the extent of its reliance on exports is remarkable in that over 90 percent of farm production is exported. (Vitalis, p. 24) In fact, in 2006 New Zealand accounted for over 19 percent of the world's milk exports and 17 percent of the world's butter exports, with dairy products contributing over NZ $4 billion to the country's GDP. (International Trade Centre) In comparison, the Chinese dairy industry is just in its infancy as milk and other dairy products, which historically have not been a major part of Asian diets, are becoming a more important part of the diet for people in China and across the rest of Asia. The potential growth in this market is immense, as it is projected that dairy demand in China alone will rise by 50 percent — from 18 million tons in 2003 to over 27 million tons by 2050. (Fuller et al., pp. 206–207) Additionally, much of this growth will be concentrated among the lower economic groups which do not generally have easy access to refrigeration, thus requiring them to purchase powdered milk. This offers a huge opportunity for such firms as Fonterra and other New Zealand dairy producers. Because of their distance from foreign countries, they are highly efficient at producing and shipping powdered milk.

Beyond just exporting dairy to China, New Zealanders have an even greater agricultural

[2]Longan, durian, and mangosteen are all fruits found in Asia.

asset, which is their farming knowledge. The country is known for being one of the most efficient places in the world for pastoral farming, better known as grazing. Already New Zealand firms have begun applying this expertise in other countries. In Uruguay, which has a climate similar to New Zealand's, NZ Farming Systems has begun implementing farming methods much like those used in New Zealand. While this firm is still in its development phase, it has already reached a market capitalization of NZ $425 million as of June 2008, indicating that New Zealand agricultural firms can be successful in foreign countries. (NZ Farming Systems) Other firms such as Farmworks specialize in GPS mapping of farms as well as software that can help paddock, stock, and feed forecaster-budgeting that improves pastoral farms. (Farmworks)

With no tariffs, easier market access, and a growing affluence in China, New Zealand farms can export their knowledge and move aggressively to sell and implement their expertise to the millions of acres of already-used farmland in China which will in turn generate millions of dollars of revenue for New Zealand businesses. In recent years, China has had some difficulty dealing with rapidly rising food prices and has moved to ensure long-term food security for its 1.3 billion people. (Bezlova) Furthermore, within the domestic Chinese dairy industry there exists much inefficiency, which has slowed the growth of its production. (Fuller et al., p. 213) By offering the opportunity to increase the yield of already-producing farmland, New Zealand firms have the opportunity to substantially grow in a country that needs their expertise.

The other major export that New Zealand can sell to China is wood. As of 2006, China imported over 21.3 percent of wood pulp and 5.6 percent of general wood[3] imported worldwide. (International Trade Centre) In the wood pulp area specifically, China has a large negative trade balance of over U.S. $7 billion. This is a huge opportunity for New Zealand, because these two categories of wood are already major exports to China, decreasing New Zealand's trade imbalance by U.S. $1.6 billion. (International Trade Centre) Furthermore, increasing production of wood in New Zealand has an added benefit in the coming years as carbon emissions cap-and-trade systems come into place. While increasing the production of dairy cows will increase carbon pollution, having larger tree farms will earn carbon credits for firms and also help increase profit margins for these firms.

Yet another sector that New Zealand could exploit in the FTA with China is tourism. For many countries around the world, including New Zealand, tourism has become a major segment of GDP. One of the provisions of the FTA with China is easier access to visas for Chinese nationals, as well as a "working holiday" scheme for the young. In this scheme, Chinese nationals between the ages of 18 to 30 may apply for a temporary 12-month visa which allows them to work in New Zealand. New Zealand already projects that over the six years following the FTA there will be an annual 8.7 percent rise in the number of Chinese visitors, amounting to an overall 80 percent increase in tourism over the six year period. ("Topline . . .) Such growth will help increase tourism's share in New Zealand's GDP, which is already close to 10 percent.

Conclusion

New Zealand, an island nation in the South Pacific, accounts for less than 0.07 percent of the world's population. However, it contributes an impressive 0.18 percent of total world exports even with its closest neighbor more than 1,200 miles away. (International Trade Centre) Over the last century New Zealand has been known for its comparative advantage in making dairy products such as milk, butter, and cheese as well as for raising sheep and growing trees. Since the 1980s, the New Zealand economy has grown greatly as it has expanded its export business and has grown a small manufacturing industry. Much of this growth has occurred because it has transitioned from "an English farm in the Pacific" (Robertson and Singleton, p. 327) to the forefront of world trade as the first OECD country to sign an FTA with China. (New Zealand Ministry . . .) New Zealand's major trading partners have also changed over the last century, from the United Kingdom to Australia. To further expand its

[3]General wood consists of wood and articles of wood, such as plywood and fiberboard, as well as wood charcoal.

export economy, New Zealand has recently begun to focus on the bustling Asian market. The FTA will redirect New Zealand's exports from the U.S. and the EU to China and China's neighbors, which have growing economies and increasing affluence. In today's global environment, this transformation will also help New Zealand refocus on its production strengths of dairy and forestry products, and allow it to now become an English farm for the Chinese and the rest of Asia.

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