

Domestic reform, trade, innovation and growth: The Case of the New Zealand Agriculture Sector

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The New Zealand Challenge: Distance and a Small Economy

	Small Economy	Large Economy
Geographically Close	Austria, Belgium, Czech Republic, Denmark, Finland, Greece, Hungary, Iceland, Ireland, Luxembourg, Netherlands, Norway, , Poland, Portugal, Sweden, Switzerland, Slovak Republic, Turkey	Canada, France, Germany, Italy, Mexico, Spain, United Kingdom, United States
Geographically Distant	New Zealand	Australia, Japan, Korea

Drivers of Innovation in the New Zealand Agriculture Sector

- A mixture of:
 - Domestic economic reform;
 - Dependence on international markets;
and
 - Uptake of new technologies.

Domestic Reforms

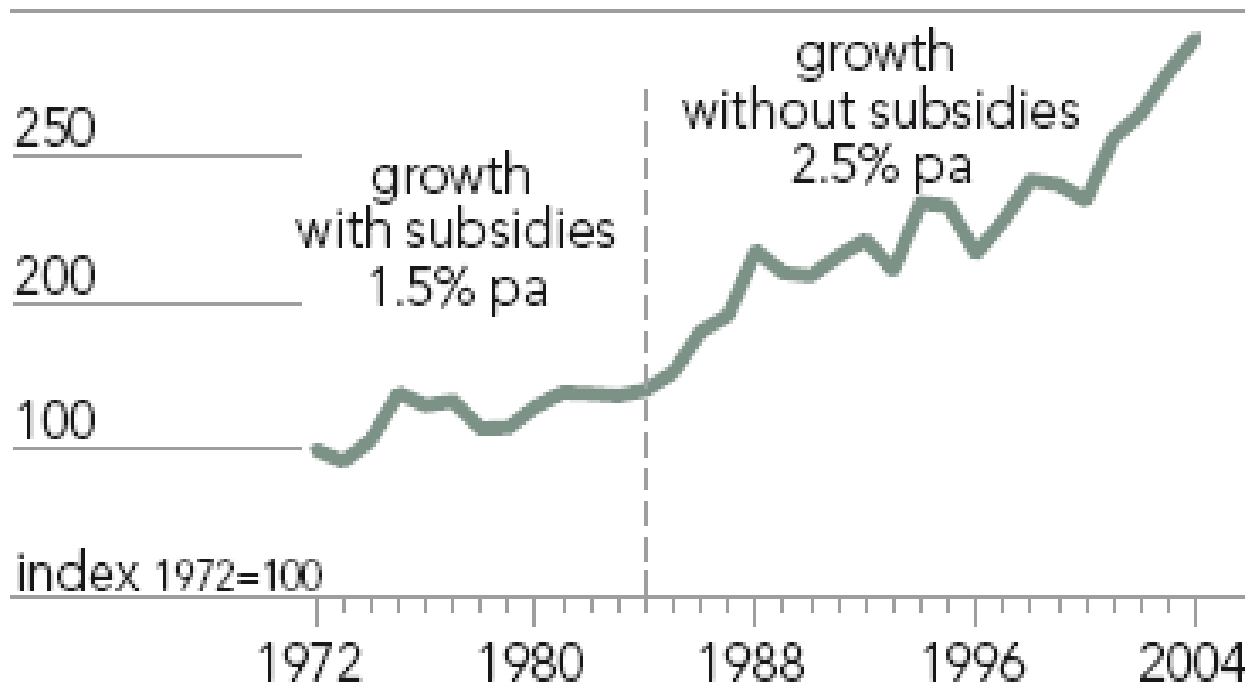
- Key features included:
 - Macro *and* micro-economic reforms;
 - Sequencing; and
 - Unilateral and swift.

Domestic Reforms = New Sub-sectors

	Pre –reform (1983-4)	Post-reform (real) (2004-5)
Exports of kiwifruit (US\$)	42 million	405 million
Exports of all horticultural products (US\$)	140 million	827 million
Wine (US\$)	< 10 million	125 million

Domestic Reforms = Growth

Total factor productivity rose



Domestic Reforms + Innovation = New Opportunities



- *The Gallagher Group:* From electric fences and farm gates to perimeter security systems

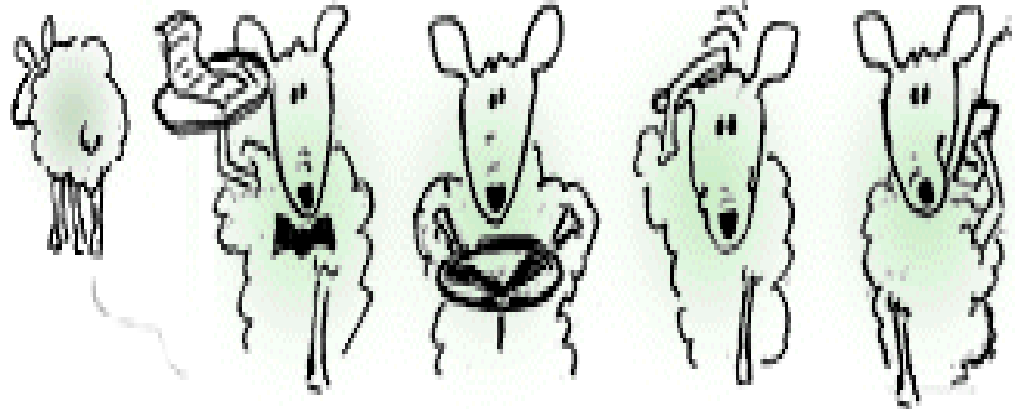


- *Grove Mill Wine*: High-quality, sustainable and carbon-neutral.

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- *AgriTour*: From farming to farm and agri-tour services

Policy Implications

- Transparent timetables;
- Sequencing;
- Unilateral reform has benefits;
- Improve uptake of IT/new technology;
and
- ‘Living’ national innovation strategies.

The Future

- Challenges:
 - High global commodity prices;
 - Intensification of pressures on environmental indicators; and
 - New non-tariff barriers.