

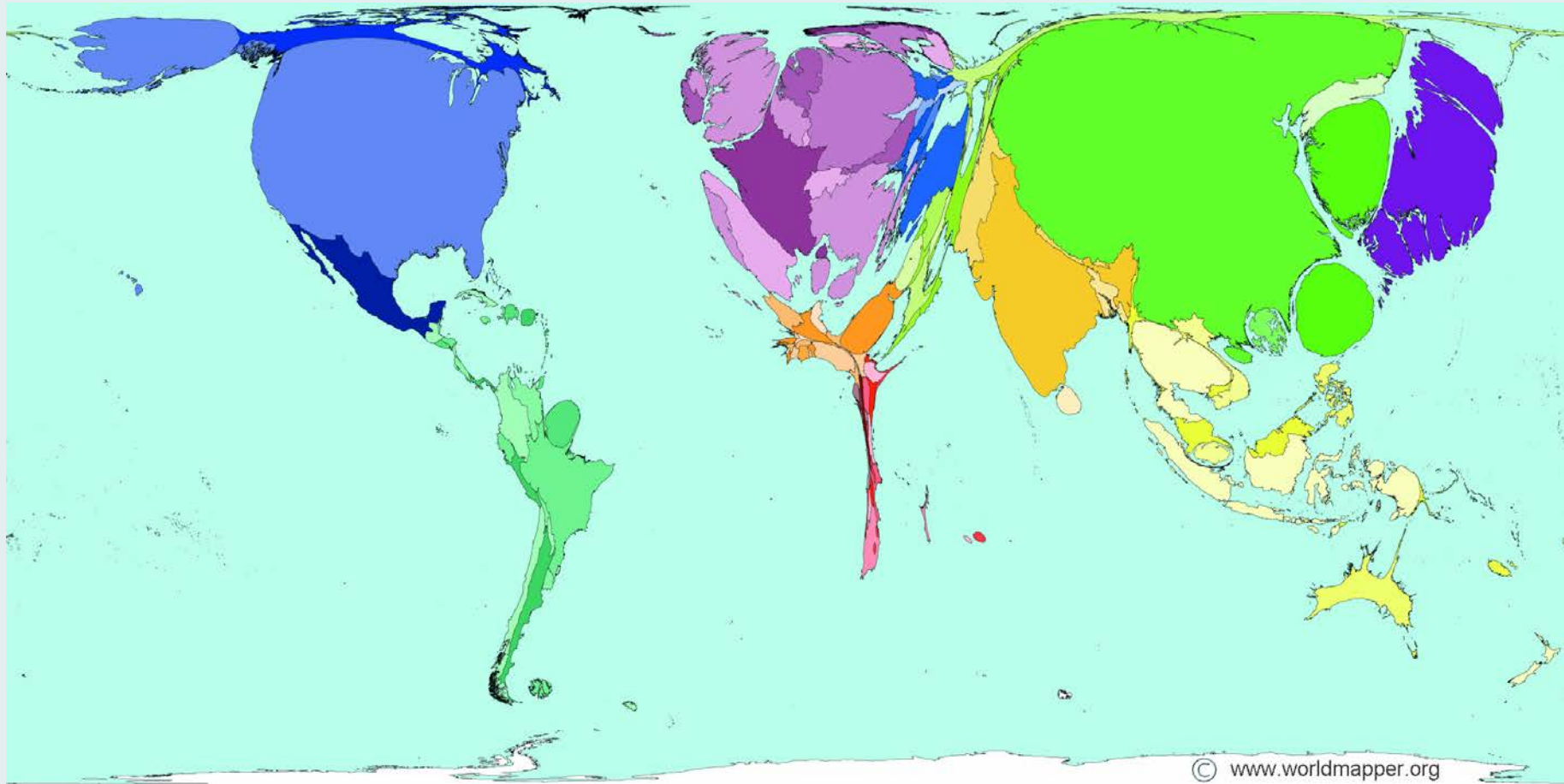
What Can an Independent Britain Learn from New Zealand

Oliver Hartwich and Roger Partridge
The New Zealand Initiative



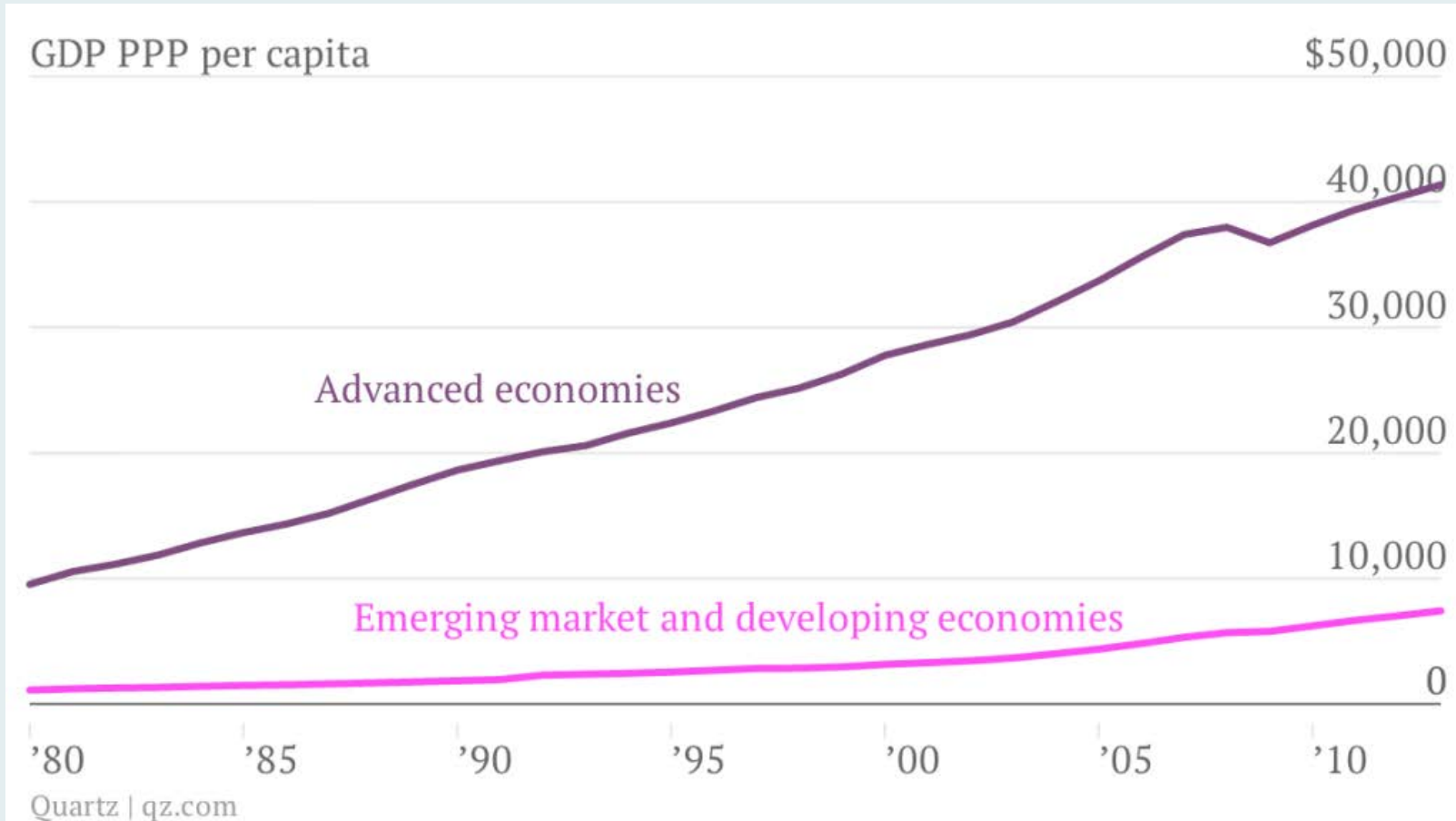
It's an Asian world





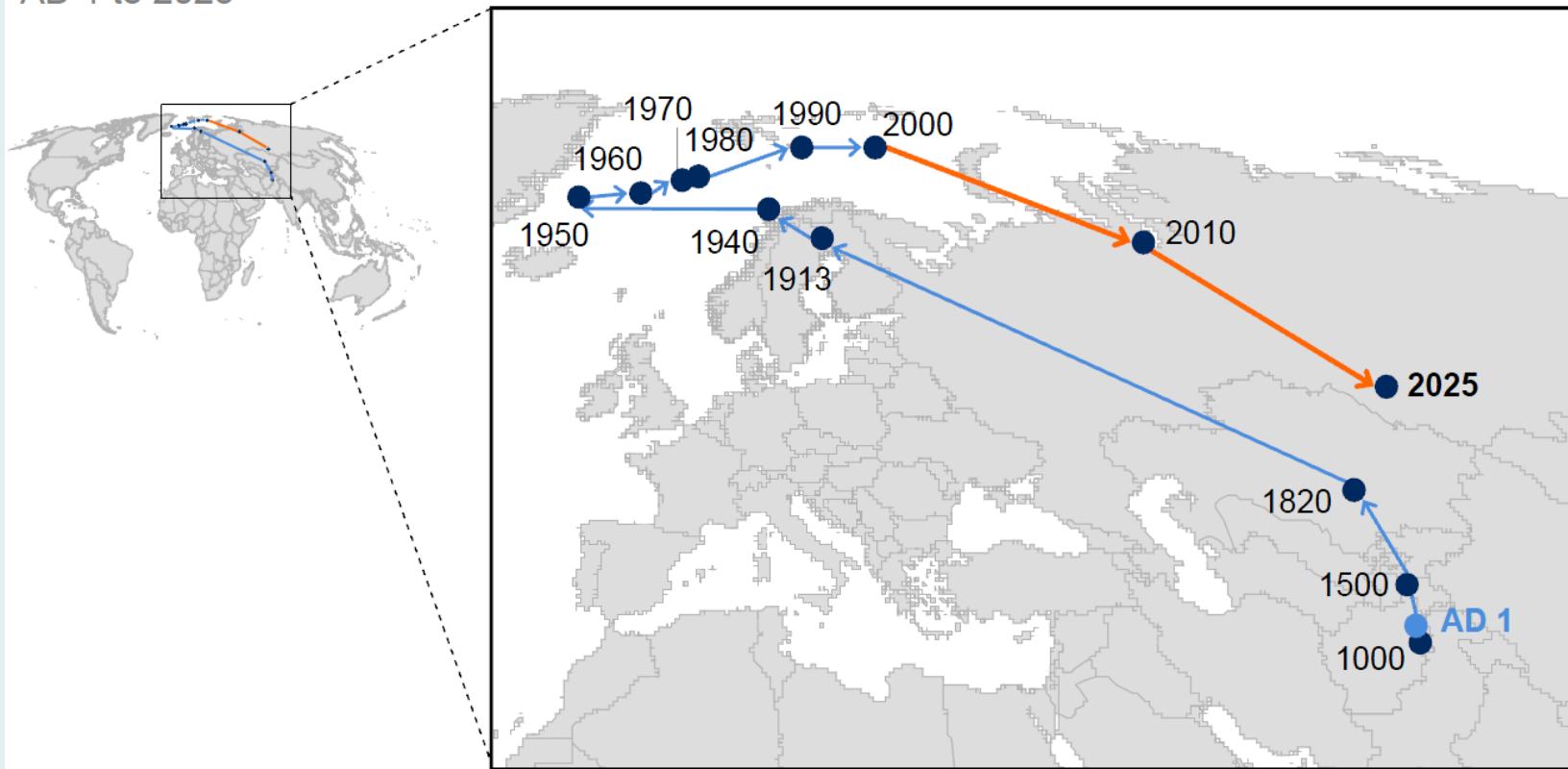
Distribution of global wealth in 2016

Economic gravity is shifting

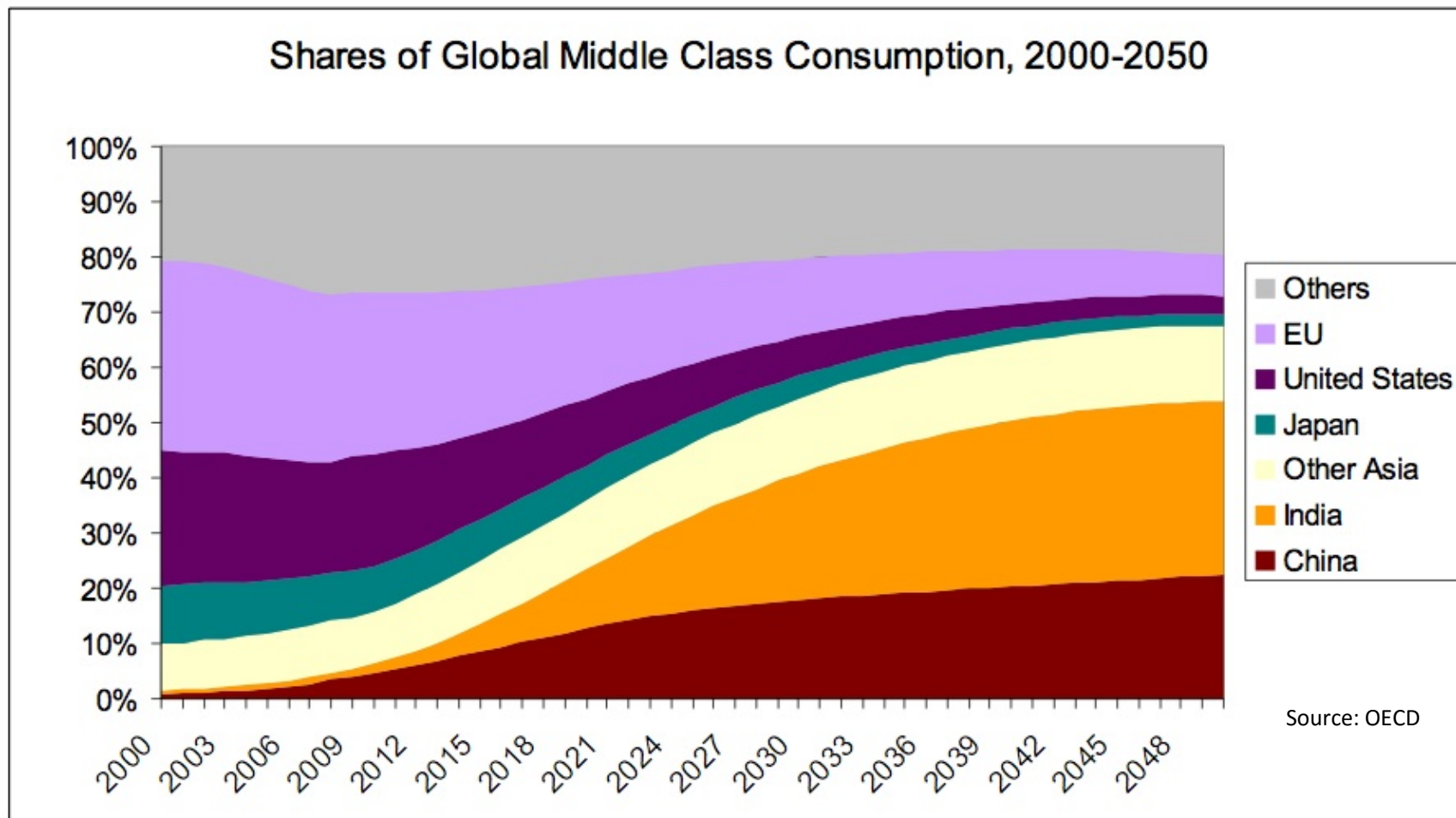


Economic gravity is shifting

Evolution of the earth's economic center of gravity¹
AD 1 to 2025



Economic gravity is shifting



- New Zealand close to the world's most dynamic region
- No more 'tyranny of distance' – it is 'blessing of proximity'
- But being close to the action is not our only advantage



New Zealand's positioning

Rank	Country	Rank	Country
1	New Zealand	6	Australia
2	Norway	7	Netherlands
3	Finland	8	Sweden
4	Switzerland	9	Denmark
5	Canada	10	United Kingdom



Legatum Prosperity Index 2016 (149 countries)

New Zealand's positioning

Rank	Country	Rank	Country
1	Norway	6	Germany
2	Australia	=	Ireland
3	Switzerland	8	United States
4	Denmark	9	New Zealand
5	Netherlands	=	Canada

United Nations Human Development Index 2015
(188 countries)



New Zealand's positioning

Rank	Country	Rank	Country
1	Hong Kong	=	Georgia
2	Singapore	=	Ireland
3	New Zealand	=	Mauritius
4	Switzerland	=	United Arab Emirates
5	Canada	10	Australia

Fraser Institute's Economic Freedom of the World
Index 2016 (159 countries)



New Zealand's positioning

Rank	Country	Rank	Country
1	New Zealand	6	Norway
2	Singapore	7	United Kingdom
3	Denmark	8	United States
4	Hong Kong	9	Sweden
5	South Korea	10	FYR Macedonia

World Bank Doing Business Index (190 countries)



- Favourable geography
- Stable political and economic institutions
- Good growth performance
- Young population
- Low unemployment
- Low public debt
- Free trade policy
- Points-based immigration system

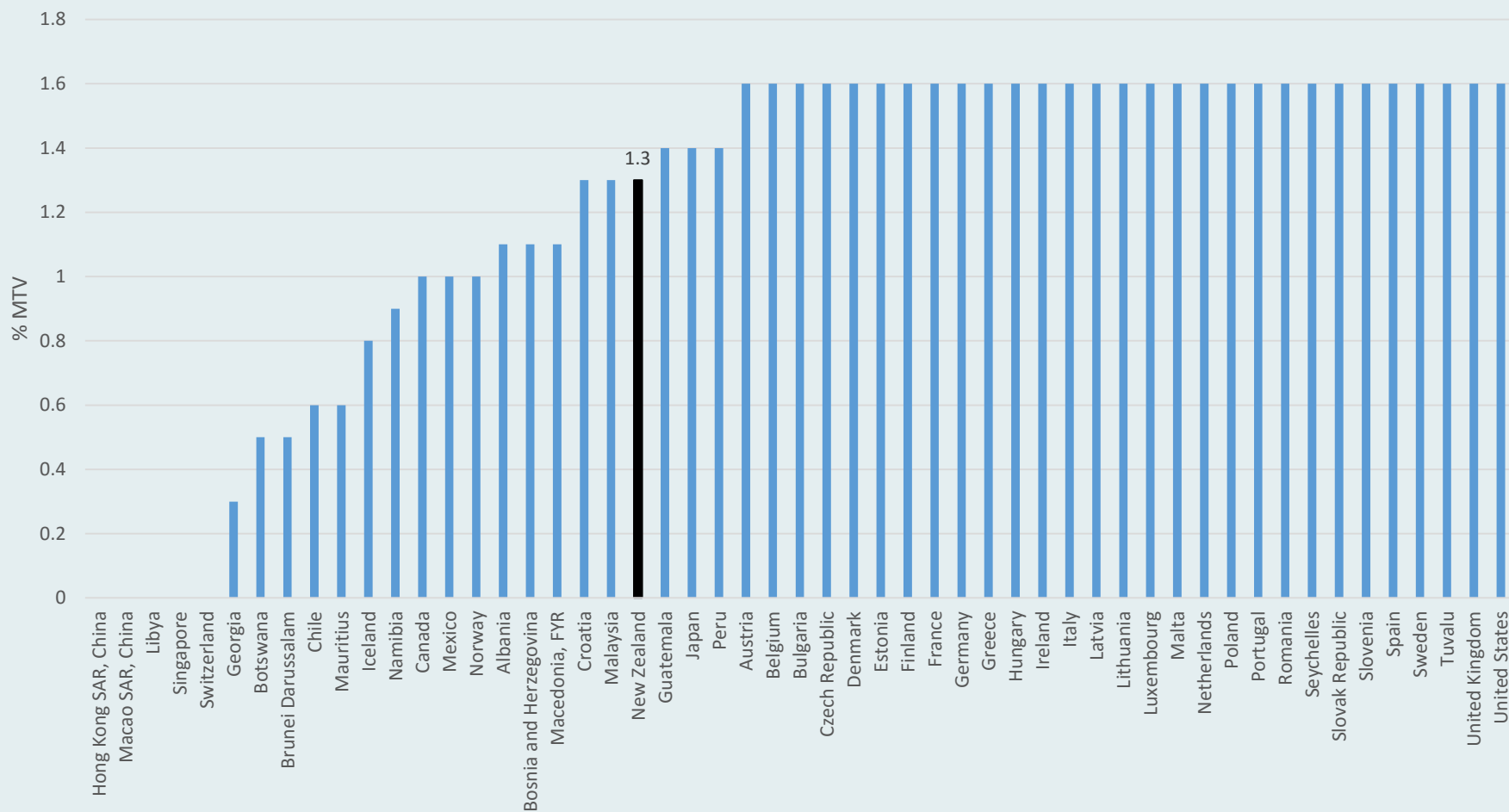
Free trading New Zealand



Free Trade Agreements in force with 16 WTO members

Free trading New Zealand

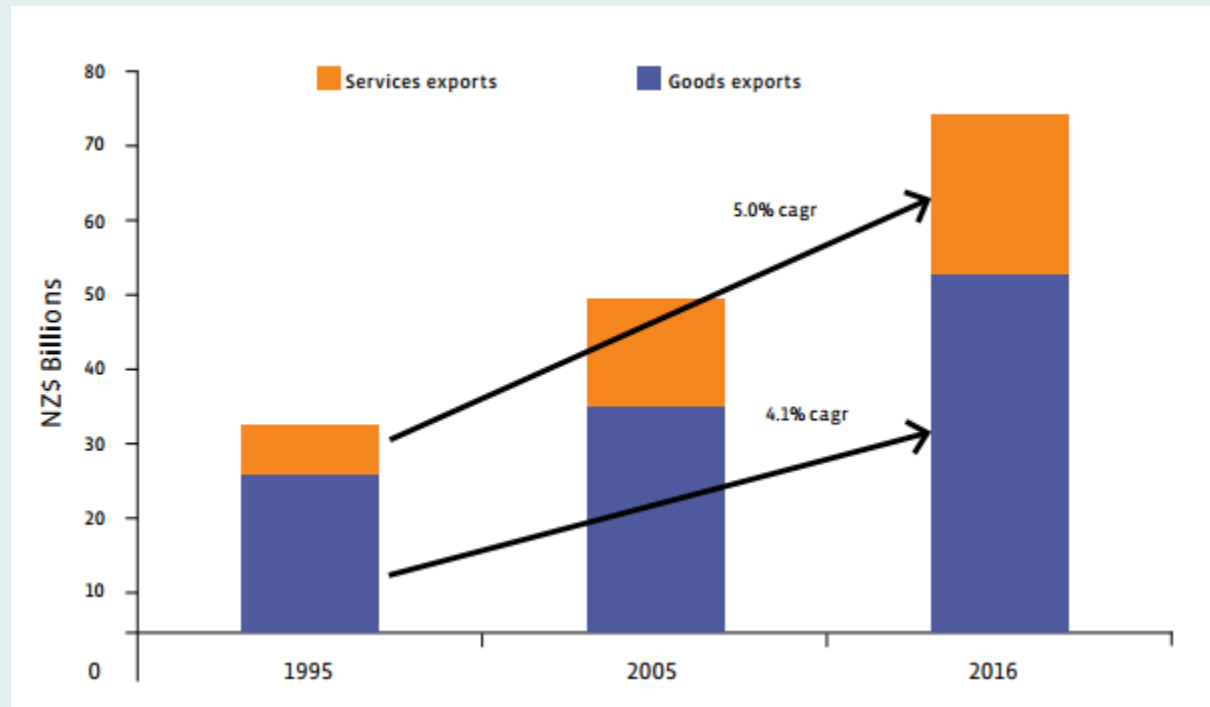
Weighted mean tariff, 2015 or 2014, lowest 53 countries. NZ is 19=



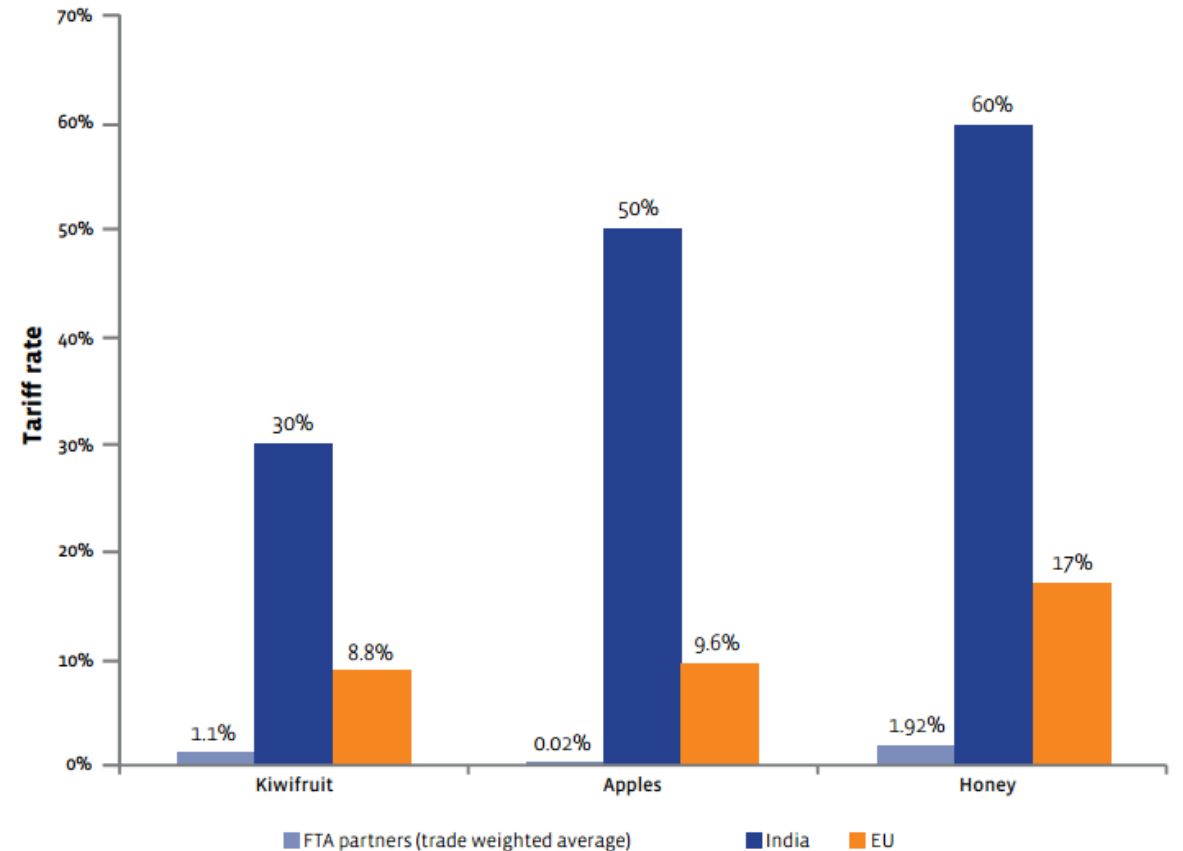
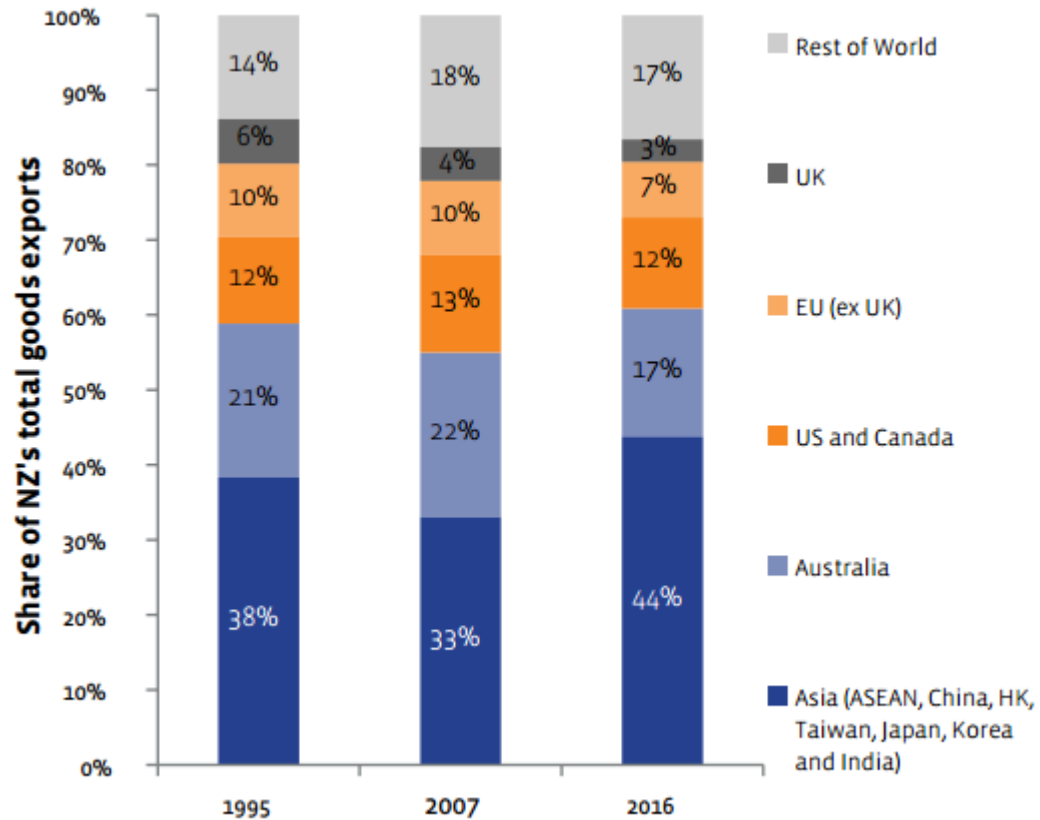
Source: World Bank World Development Indicators: <http://wdi.worldbank.org/table/6.6>

Free trading New Zealand

- Import licensing regime abolished in 1992
- Tariffs reduced across the board and now among the lowest in the world
- Government and opposition equally committed to free trade

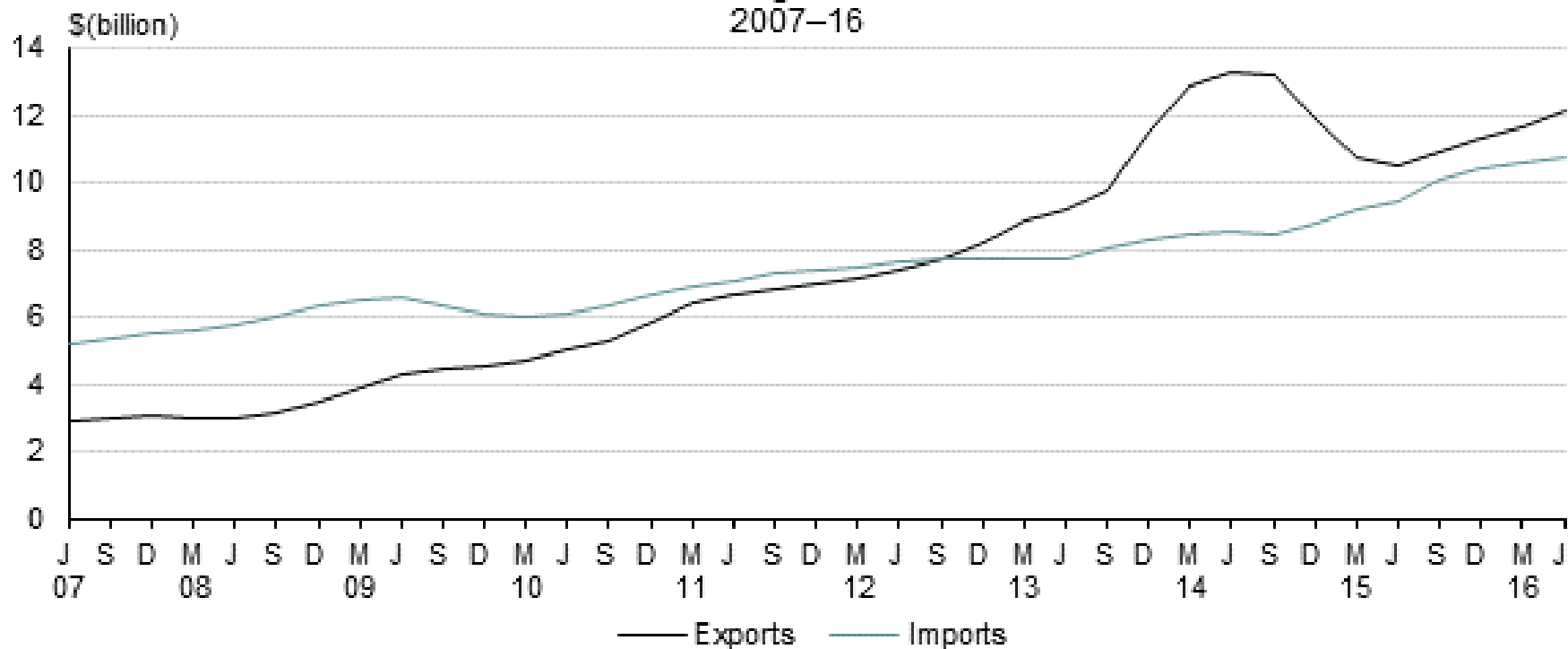


Free trading New Zealand



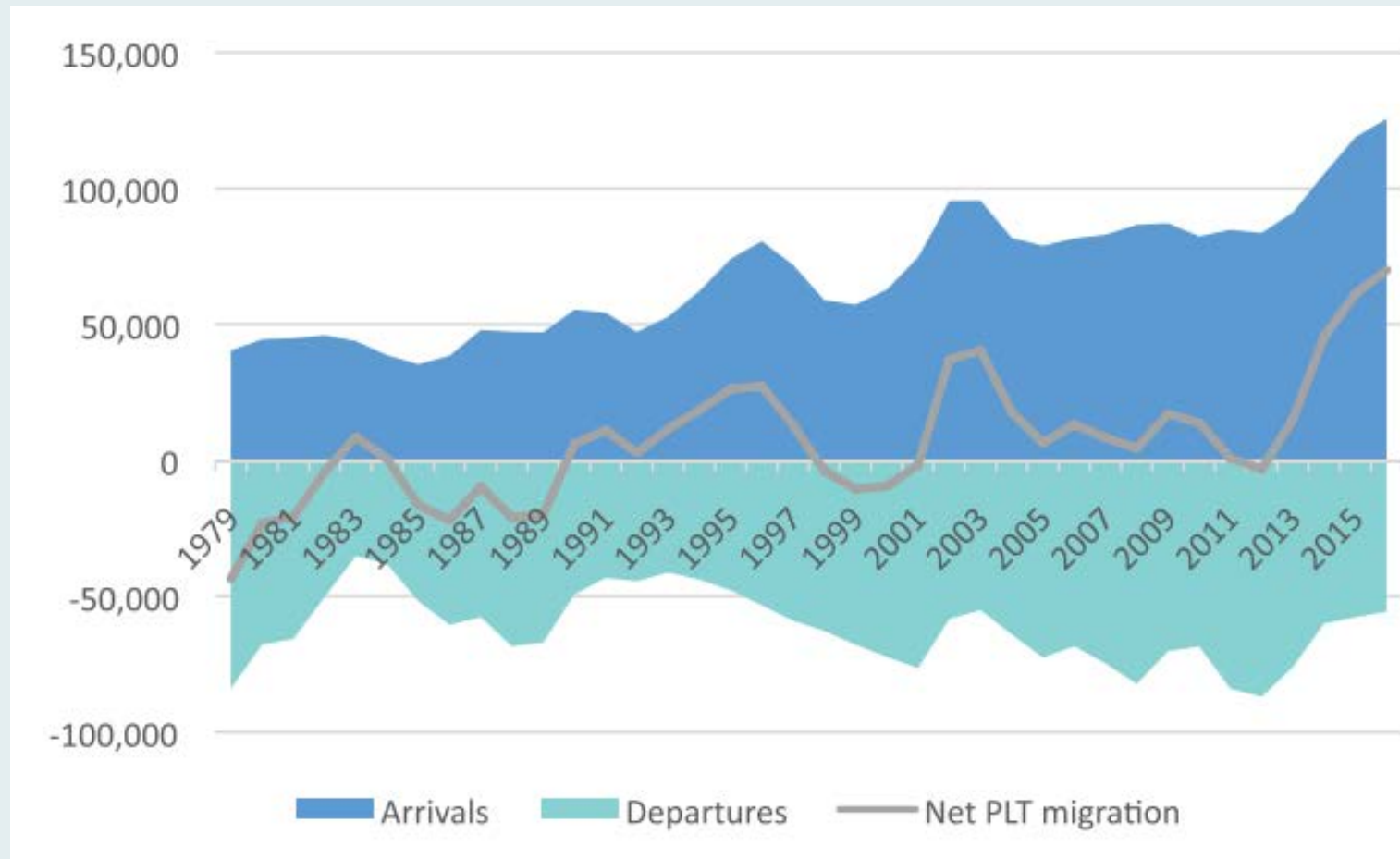
New Zealand's trade in goods and services with China

Rolling annual
2007–16

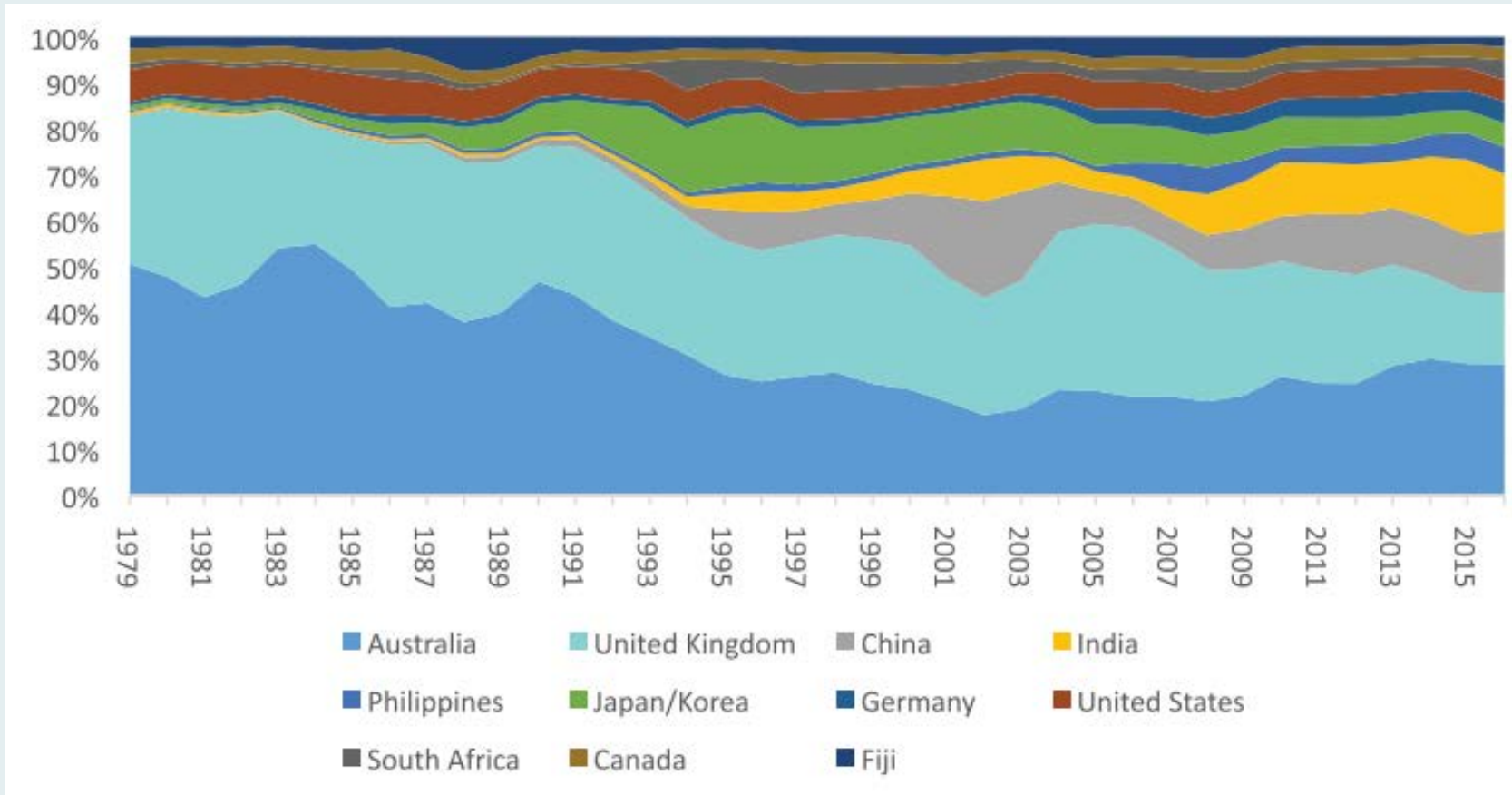


Source: Statistics New Zealand

Attractive New Zealand



Permanent long-term arrivals and departures



Permanent long-term arrivals by country of residence (origin)

Immigration points system (excerpt)

Age	Points
20-29	30
30-39	25
40-44	20
45-49	10
50-55	5

Current Employment or Offer of Employment	Points
Having a job offer in New Zealand	50
Currently working in a skilled job in New Zealand for less than 1 year	50
Currently working in a skilled job in New Zealand for more than 1 year	60

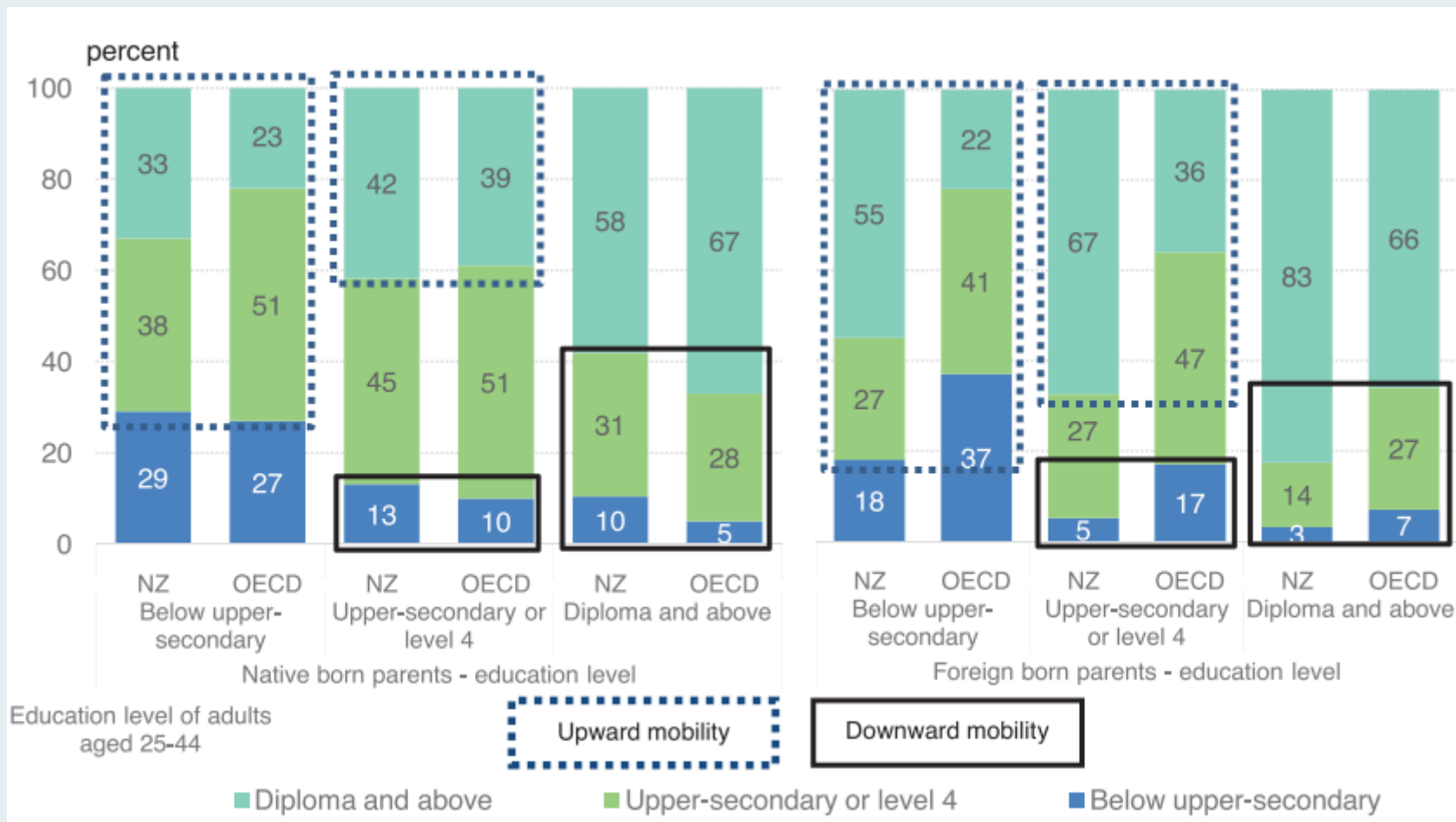
Current Employment or Offer of Employment	Points
In an identified future growth area	10
In an area of absolute skills shortage	10
In a region outside Auckland	30
Partner/spouse has a skilled job or job offer.	20

Work experience in skilled employment

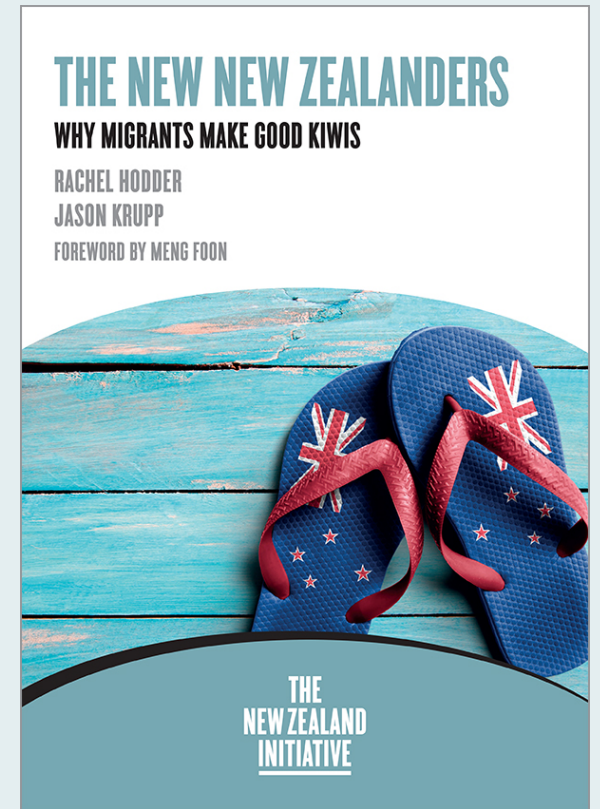
Duration	Points
2 years	10
4 years	15
6 years	20
8 years	25
10 years	30

Qualification	Points
2 years full-time study in New Zealand completing a Bachelor's degree	10
1 year of full-time study in New Zealand completing a post-graduate degree	10
2 years of full-time study in New Zealand completing a post-graduate degree	15
Qualification in an identified future growth area	10
Qualification in an area of absolute skills shortage	10
Partner/spouse holds a level 4-6 qualification	10
Partner/spouse holds a level 7 qualification or higher	20

Integrating newcomers



Intergenerational education mobility of 25- to 44-year-olds (2012 and 2015)



Agricultural subsidies



Vote **TO LEAVE** the European Union

Food in the UK is more expensive than it could be as a direct result of being in the European Union (EU)



The Common Agricultural Policy is designed to raise the price we pay for food to help subsidise inefficient farmers in France, Spain, Portugal and elsewhere. A combination of quotas, taxes, subsidies and other policies all push up the prices that we pay for foods. For instance, New Zealand lamb costs 18% more in the UK than it does in the USA due to European Union policies.

The impact of higher food prices hits poorer people most, as they spend a greater proportion of their income on food. Over the past

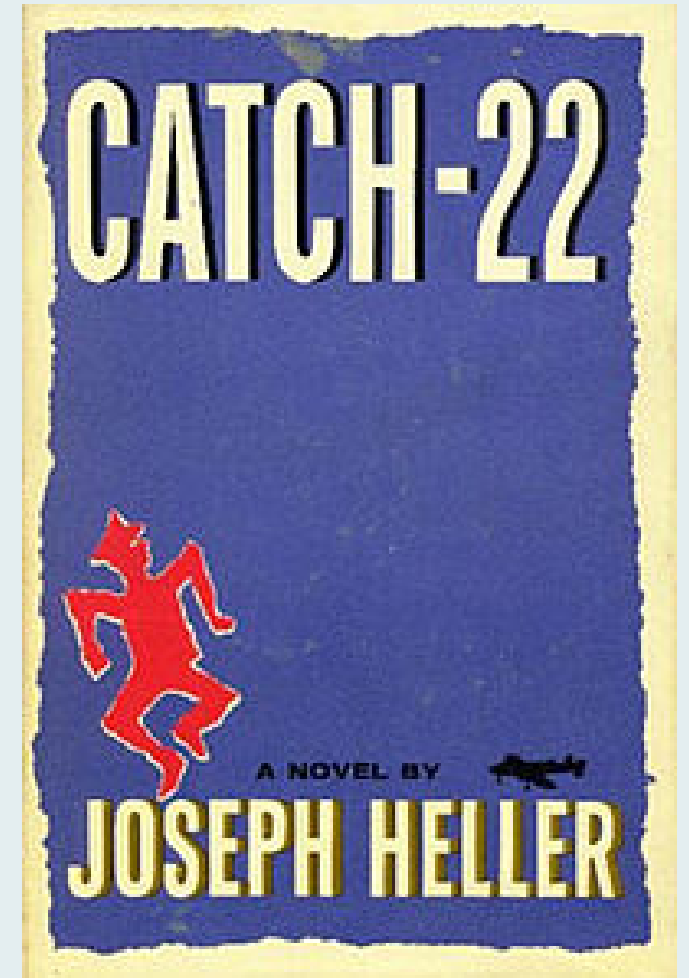
10 years a typical low income family in the UK has spent 2% of their total expenditure supporting the European Union's Common Agricultural Policy.

On average a UK family of 2 adults and 2 children would save £45 per month on their food bill if it were not for the wasteful European Union policies that affect food prices.

All information sourced from "Live Pay and the Cost of Living" by Ryan Bourke, IEA, "Food prices, poverty and the CAP" - Alan Matthews and "Change or Go", Business for Britain.

We would all be better off if we left the European Union, the less well off better than most

“The more alfalfa he did not grow, the more money the government gave him, and he spent every penny he didn’t earn on new land to increase the amount of alfalfa he did not produce.”



The Common Agricultural Policy

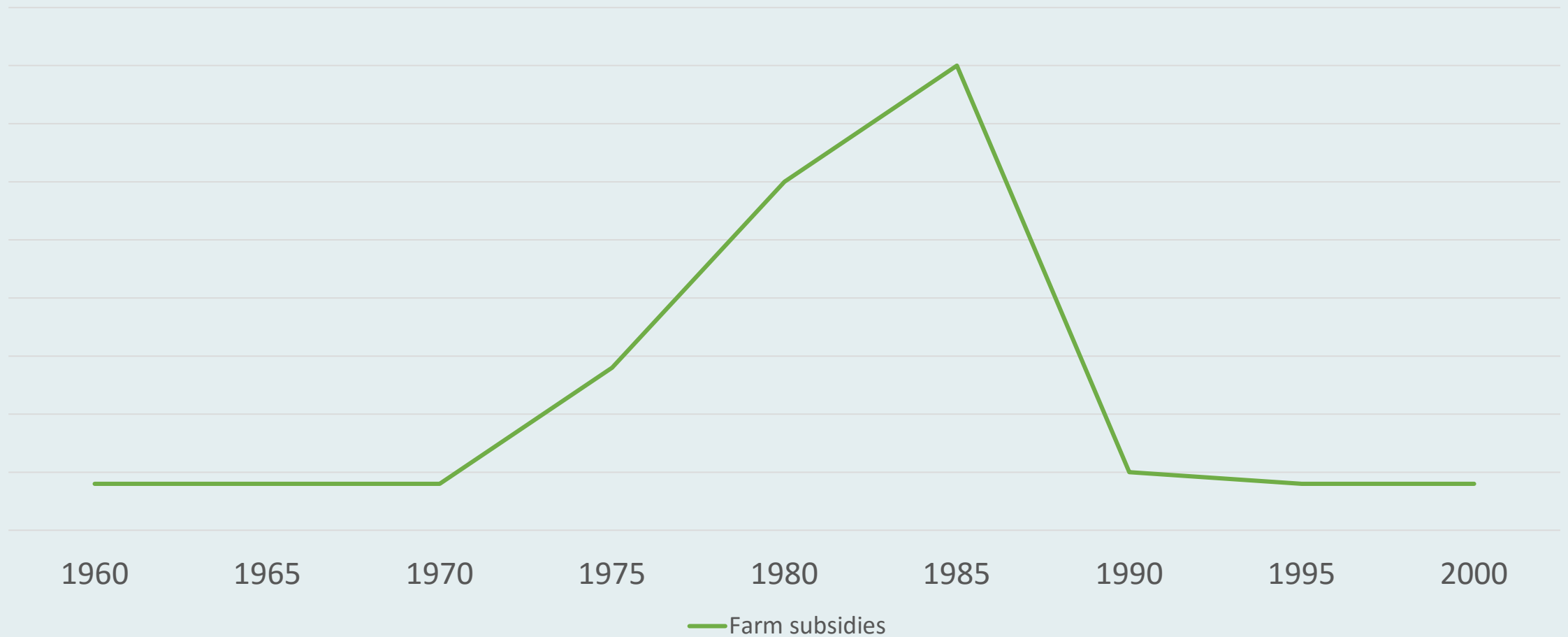


- €59 billion annual budget for Common Agriculture Policy
- Approx. £3 billion annually to British agriculture
- 45% of British farmers' incomes from subsidies in 2014
- 80% of the subsidies to 20% of the farmers

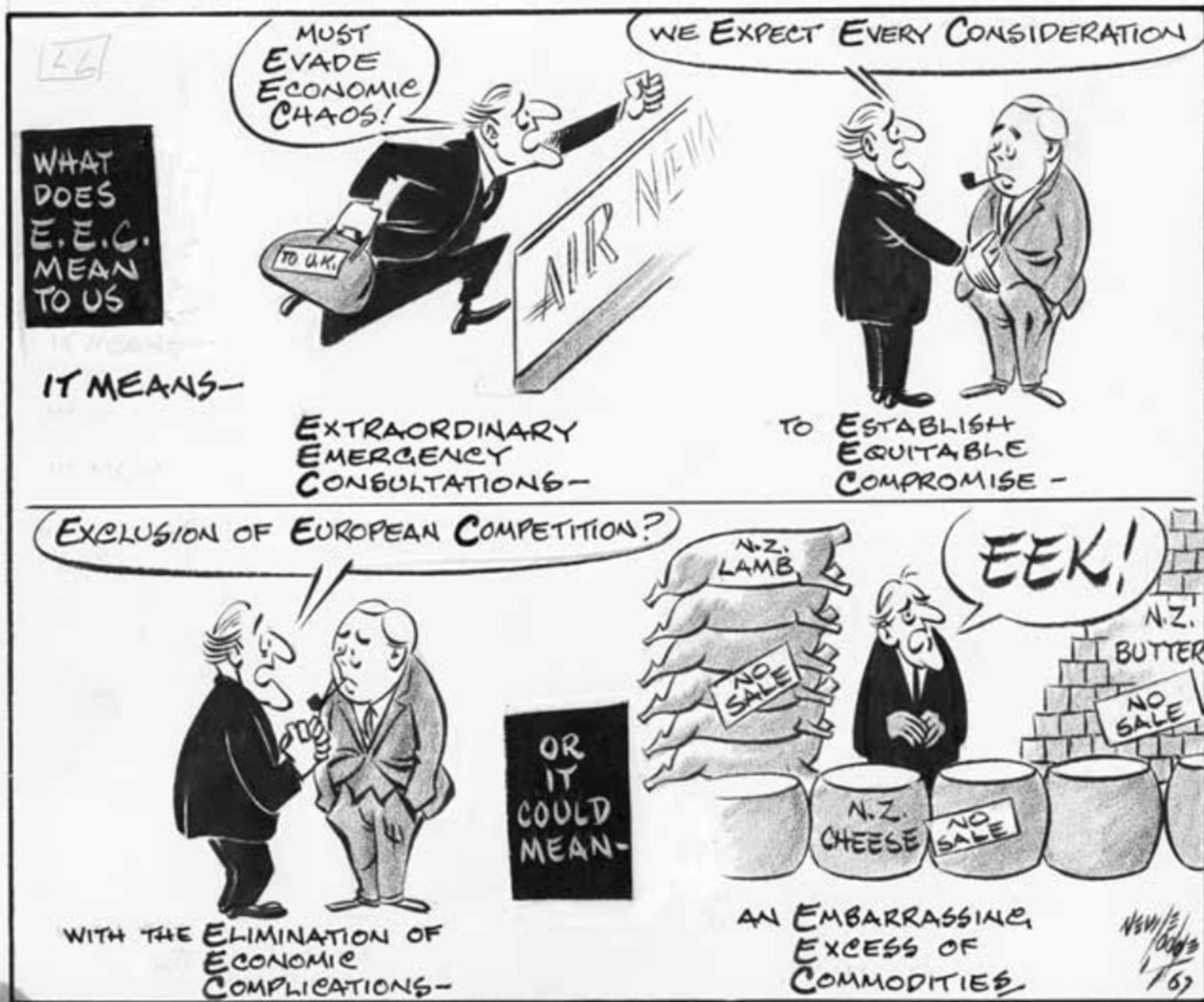




History of agricultural subsidies in New Zealand







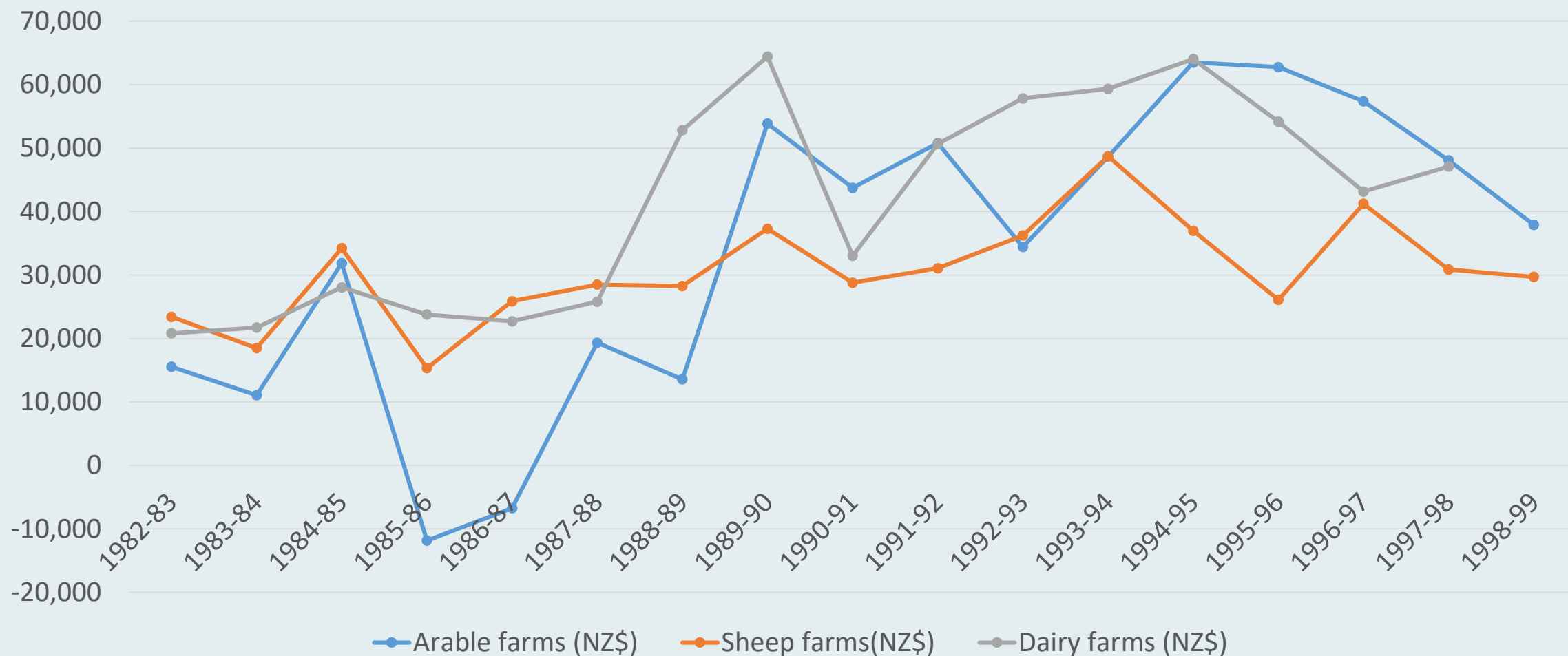


What now?



- Sheep meat and wool prices fell dramatically
- Farm incomes fell dramatically
- Farm prices fell 50%-60%
- But very few farm failures

Trends in farm incomes – aggregate, arable, sheep and dairy farms



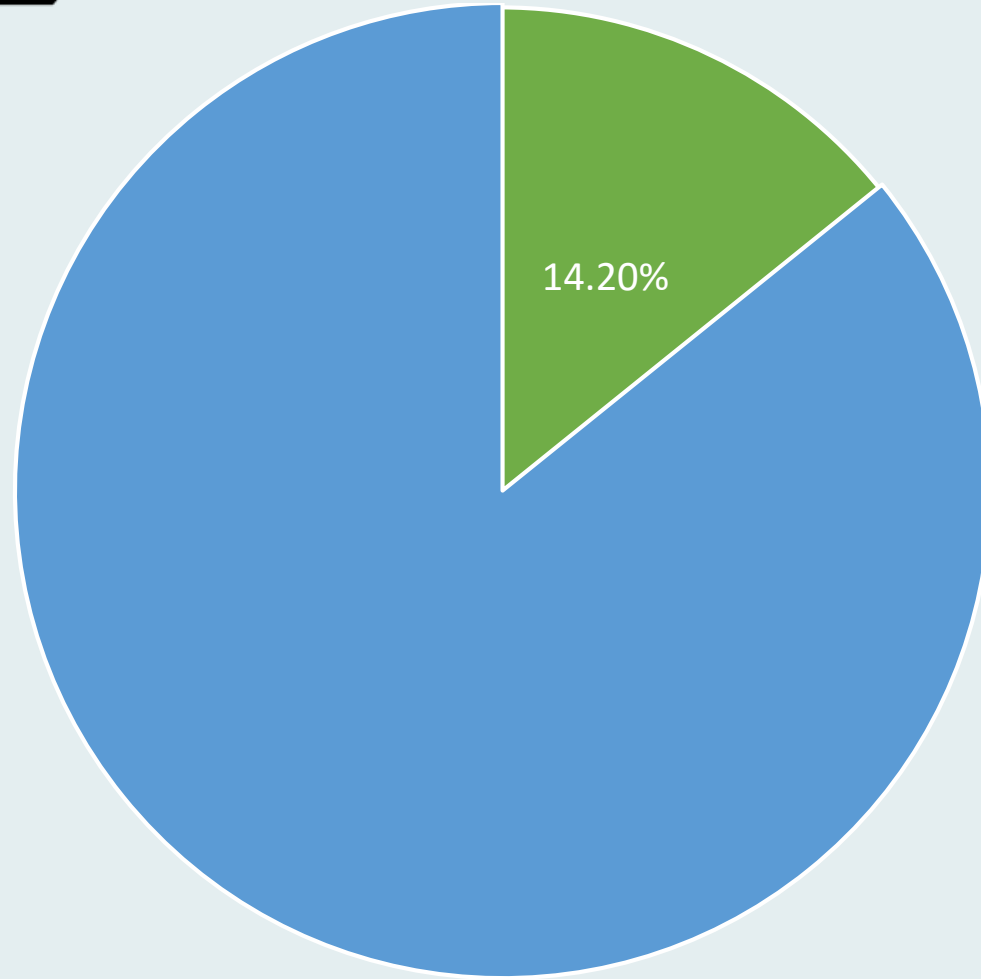
Life after subsidies – 20 years on

“Farmers in many countries are facing radical change. They are confronted with the reduction or elimination of government subsidies. Farmers and their supporters fear for those who work on their land, their families and the communities in which they live.

...

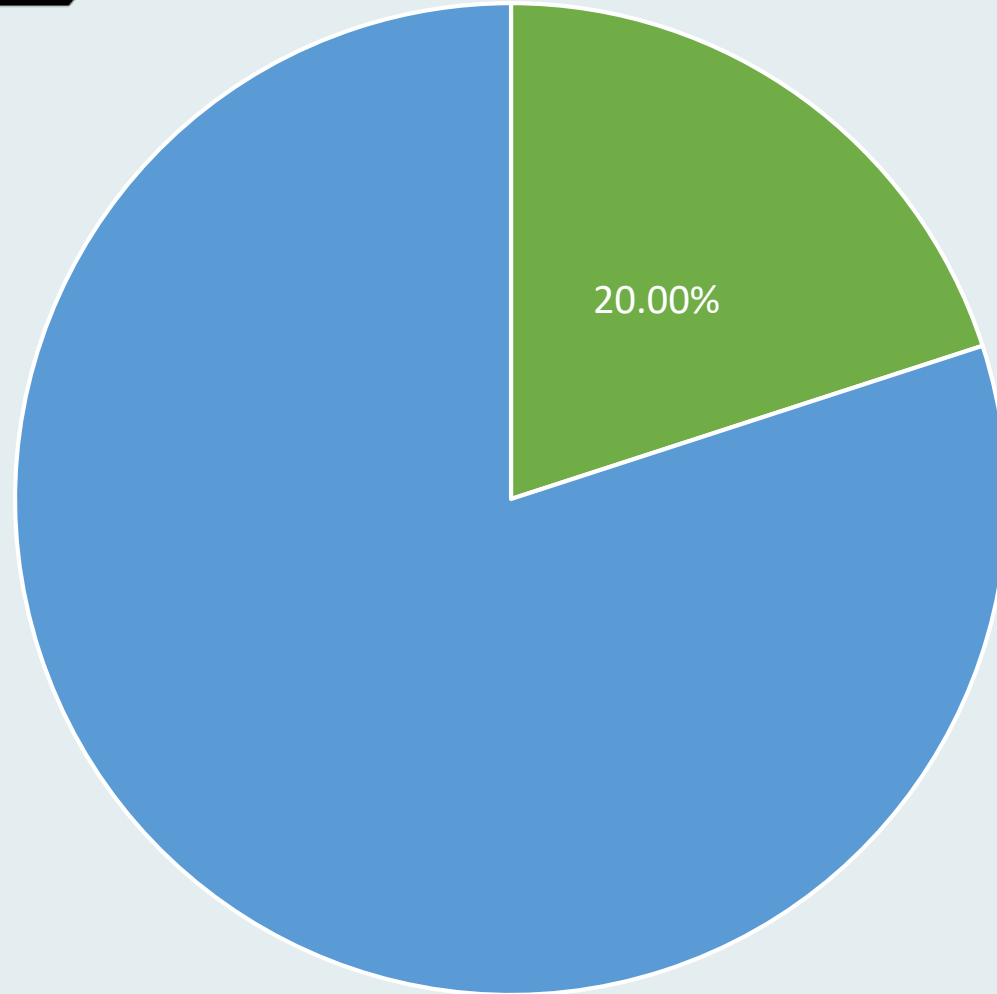
Yet, the truth is otherwise. For family farming, there is a life after subsidies. Indeed, life after subsidies is better than farming that is dependent on government handouts.”

Agriculture as % of NZ's GDP – 1986/1987



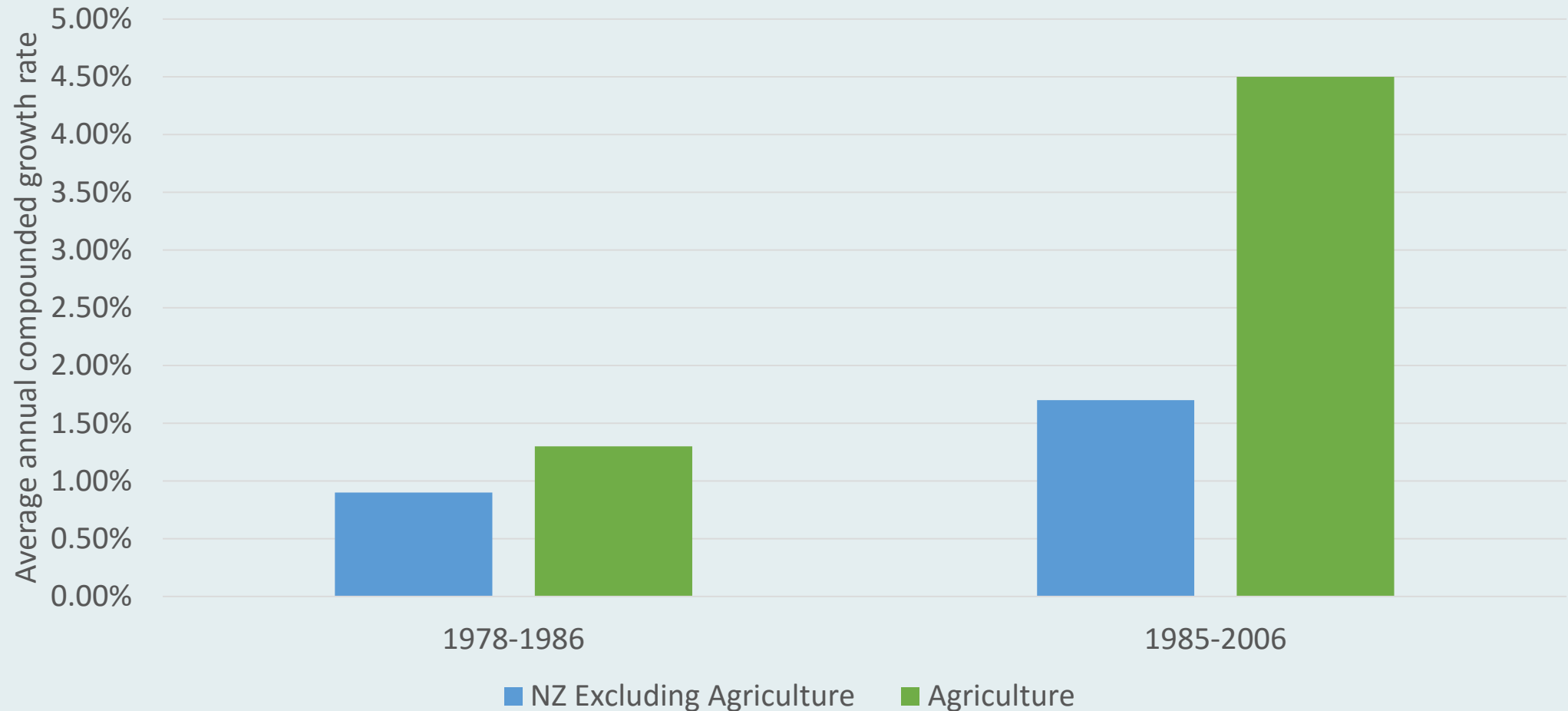
■ Agriculture's share of NZ GDP

Agriculture as % of NZ's GDP – 2005



■ Agriculture's share of NZ GDP

Multifactor Productivity Growth Rates



***Source – Statistics New Zealand 19985-2006**

Productivity gains on the farm

	1990-91	2004-05
Lambing percentage	101.6	123.2 Av.
Lamb weight (kgs)	14.35	17.14
Lambs sold kgs/ewe	9.76	15.80
Wool kg/head	5.28	5.78
Av. steer weight (kgs)	297	318
Milk solids per cow (kg)	260	322

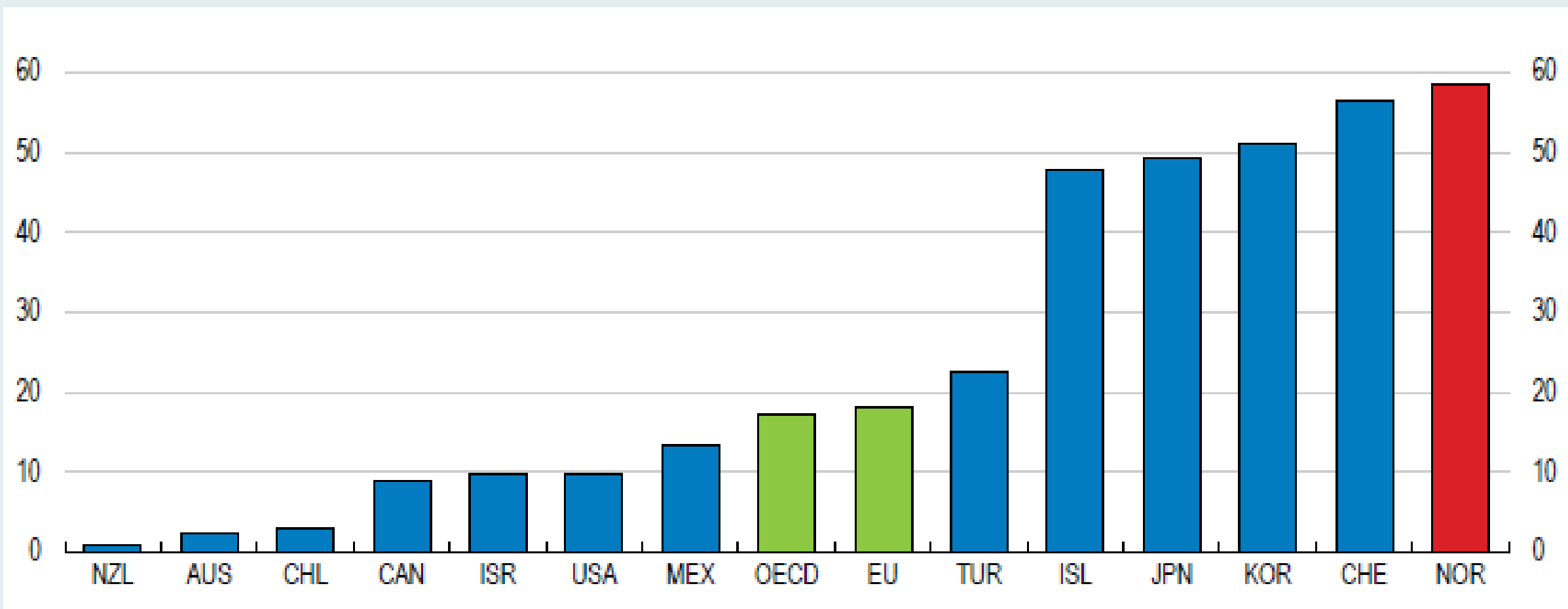
*Source: Meat & Wool New Zealand

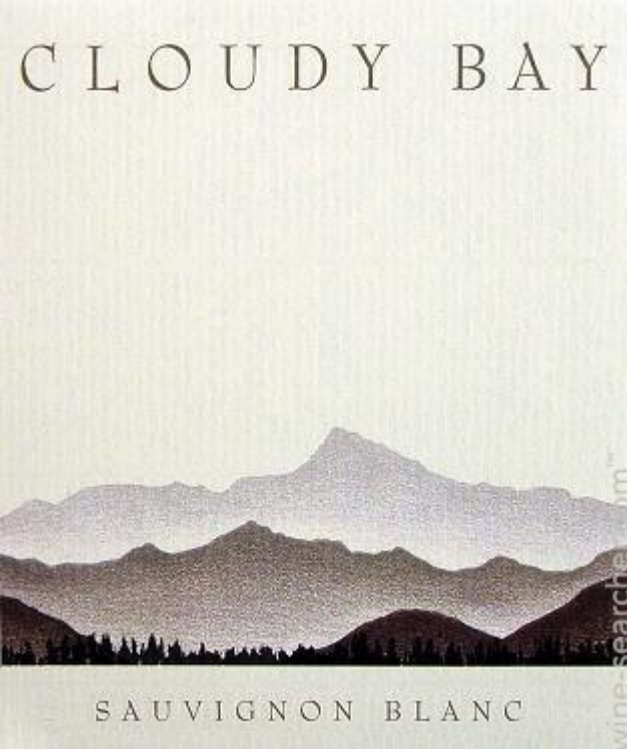
Environmental benefits



- 50% drop in use of fertilisers
- Improvements in water quality
- 50% reduction in pesticides
- Reduction in soil erosion

Producer support estimates as % of gross farm incomes





New Zealand's Federated Farmers

“The long-term damage to agriculture in New Zealand from subsidies was significant. The subsidies restricted innovation, diversification and productivity by corrupting market signals and new ideas. This led to wasteful use of resources, with consequently negative impact upon the environment.

...

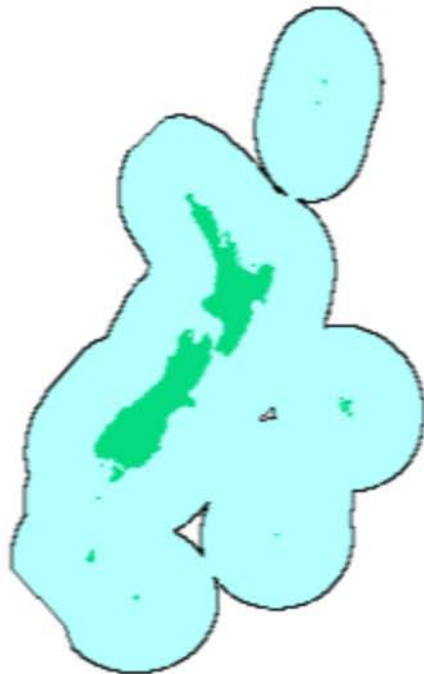
The removal of subsidies in New Zealand has given birth to a vibrant, diversified, and sustainable rural economy. Farmers in New Zealand are proud of their independence and are determined never again to be dependent on government subsidies.”

Fisheries Management





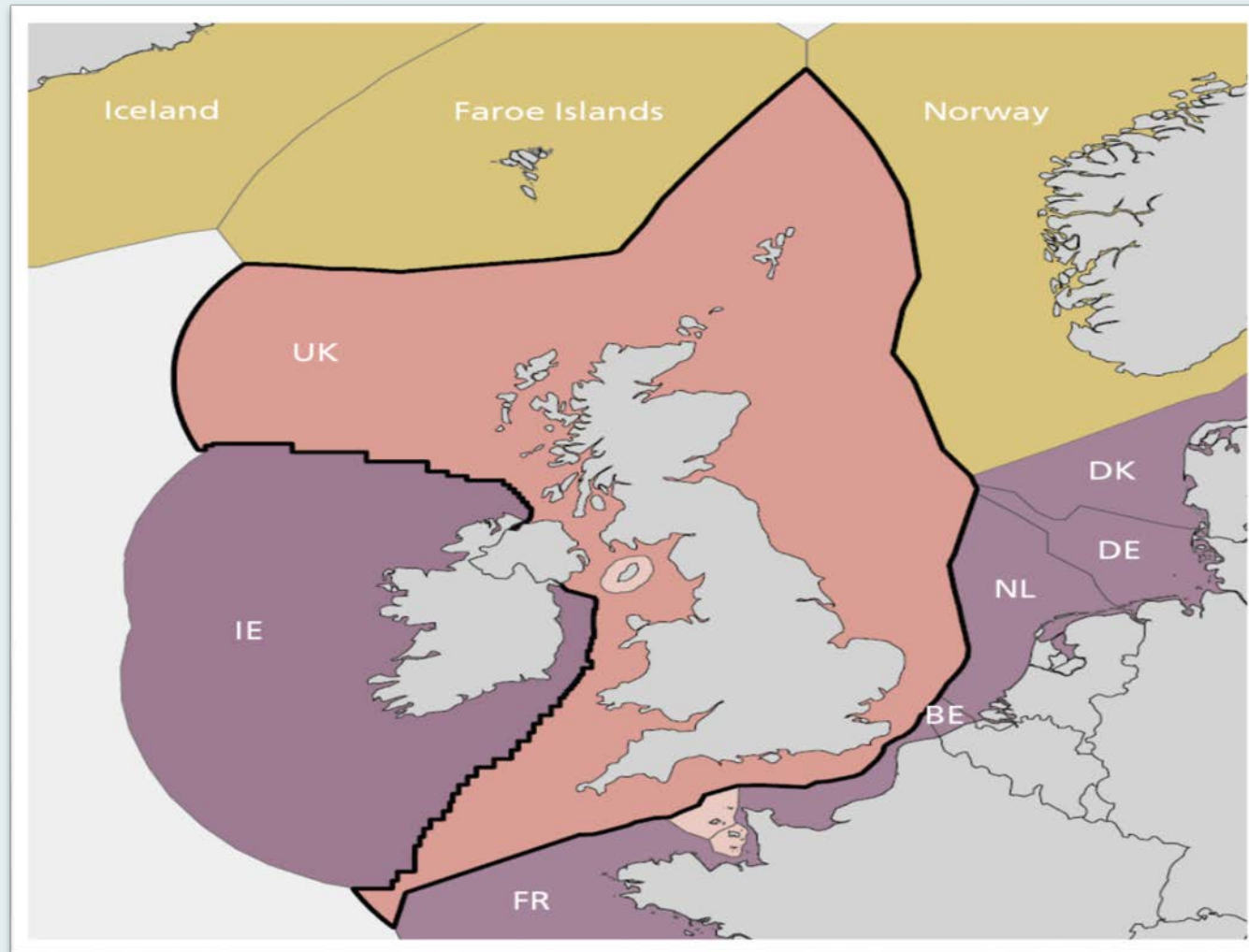
3,781,000 sq km



4,363,000 sq km



7,956,000 sq km





Common Fisheries Policy



- CFP designed to conserve fish in EU waters
- 30% fished beyond safe biological limits
- 80% fished at levels above MSY
- Global average of 25% and 17% for New Zealand

New Zealand's Quota Management System (1)

- Applied to almost all species fished commercially
- Secure, perpetual Individual Transferrable Quota (ITQ)
- ITQ owners guaranteed proportional share of TAC
- Helps create stewardship
- Improves allocative efficiency



New Zealand's Quota Management System (2)

- NO direct subsidies
- Management costs recovered
- Broad prohibition on discards
- But system is no panacea
- Needs supporting regulatory framework



New Zealand's Quota Management System (3)

- Incentive to “race for catch” largely eliminated
- Fisheries in good shape
- Volumes doubled
- 83% of fisheries fished below MSY



Britain's Fisheries Post-Brexit?

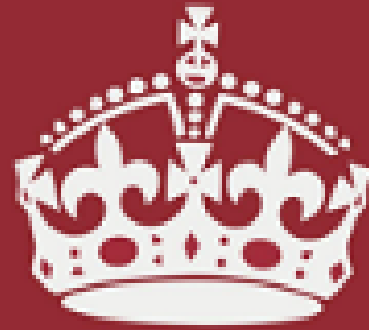


- Command and control or ITQ property-rights based?
- Top down regulation easy to game

Britain's Fisheries Post-Brexit?



- Command and control or ITQ property-rights based?
- Top down regulation easy to game
- New Zealand's experience suggests ITQs work
- Facilitates allocative efficiency



**KEEP CALM
AND**

Be Polite to the Kiwis

