

2019

U.S BUSINESSES IN NEW ZEALAND

FOREIGN DIRECT INVESTMENT & TAX POLICIES
GLOBAL PROJECT 2019

AMERICAN CHAMBER OF COMMERCE NZ | The Ohio State University- Fisher
College of Business

Table of Contents

Preface.....	2
Executive Summary.....	3-4
Overview.....	5
Infographic of NZ vs US.....	6
Advantages of doing business in New Zealand.....	7-10
Ease of establishing a business	
Adaptability, stability, reliability	
Test market	
Disadvantages of doing business in New Zealand.....	11-14
Skill shortage	
Compliance and regulatory timeline	
Geographic isolation and market size	
Exchange rate	
Lack of Capital for Cutting Edge Technology.....	15
Introduction of the new R&D tax and the Callaghan Growth Grant.....	16
Callaghan Growth Grant vs. R&D Tax Incentive Analysis.....	17-18
Future issues and challenges.....	19-20
Citations.....	21



PREFACE

Throughout the world, there are many different views that each country has in terms of economic success and financial prosperity. As students from Ohio State University's Global Project Team for 2019, we've been driven to pursue and research different external factors that affect U.S. companies that have or plan to expand in New Zealand. In particular, we focused on investigating the effects that foreign direct investment and new tax policies have on the New Zealand business model.

The concepts discussed will shed light on the current economic solutions modern day companies are finding to key issues. In addition, this report will help demonstrate the positive effects of doing business in New Zealand. We wanted to provide this information for the American Chamber of Commerce to provide insight on the current state of the companies that it represents.

Throughout the report, there will be graphs, analysis, and key data that will help the reader understand the effects of the new Research and Development policies enacted by the New Zealand government. We utilized data of past reports to provide a well-rounded analysis on what attractive qualities New Zealand offers to American owned companies for the long-term.

We would like to sincerely thank Mike Hearn for his assistance in developing this report. Without him, we would not have been able to develop a well-rounded analysis. This report is intended to be used for research purposes only and should not be used for legal or official purposes. We hope this report provides proper insight into American companies and that offers a unique perspective to our readers.

-The Ohio State Team

EXECUTIVE PROFILES



Veronica Arrascue Quiroz

Major: Finance | Minor: Economics

Year: 3rd

Interests: Investment Banking, traveling, and meeting people from diverse backgrounds.

Overtime my time in New Zealand, I loved going to the vineyards in Waiheke Island and jumping off the Kawarau Bridge Bungy.



Annie Lisle

Major: Finance | Minor: Public Policy

Year: 3rd

Interests: Global business, American policy, spending time with both my friends and family.

In New Zealand, I have enjoyed exploring Auckland with the group, such as going to KiteKite Falls, and adapting to the local culture.



Tynan Chabra

Major: Finance

Year: 2nd

Interests: trading, lacrosse, and snowboarding.

My favorite part of New Zealand was going to Waiheke Island and exploring through Queenstown.



Alex Rowley

Major: Finance

Year: 2nd

Interests: Investment Banking, Private Equity, basketball, and reading.

My favorite memory was cruising through Milford Sound and jumping off the Nāvis Bungy.



Sabrina Slama

Major: International Business and Pre-medicine

Year: 3rd

Interests: Golf, spending time with family and friends, and volunteering.

My favorite parts about New Zealand were participating in many adventurous activities such as bungy jumping and white-water rafting.



Noah Teeters

Major: Finance

Year: 3rd

Interests: Investment Banking, Private Equity, sports, exercising, and spending time with family and friends.

My favorite part of New Zealand has been meeting Kiwis and becoming adapted to the culture here.

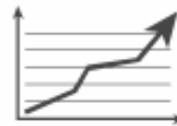
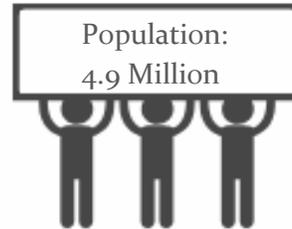
OVERVIEW

In this project designated to us by the American Chamber of Commerce, it was our objective to interview American owned companies and determine positive aspects, issues, and concerns of their operations in New Zealand. We specifically analyzed the new R&D tax policy and the role of foreign direct investment to produce this report.

Recently, the World Bank released a report in which it ranked each country by ease of doing business. For a country to be ranked 1st, it must be transparent in regulations, and allow companies to be established without difficulty. New Zealand was ranked 1st, meaning it creates an atmosphere suitable for doing business. America was ranked 8th. Our team wanted to investigate further the factors that led to these high rankings for both. We analyzed the relationship between New Zealand and American by studying American operating in New Zealand. While evaluating each country's transparency in business ranking, New Zealand and the United States again had similar results. New Zealand was given a 10, meaning they were the most transparent, while the US was given a 7. When meeting with these companies, we were able to gain a sense of this ourselves

To analyze the differences between nations as well as the new R&D tax incentive, we developed a survey of 14 questions that was sent out to American based companies operating within New Zealand. With other companies, we were able to meet in person and ask further questions. These provided an insightful look into business in New Zealand. In total, we were able to reach 70 U.S. companies. Throughout the report, we will be detailing our findings.

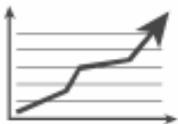
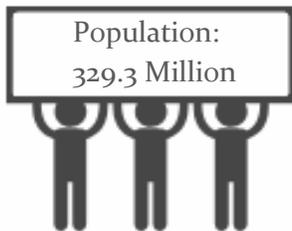
New Zealand and The United States



GDP: 205.85 billion
Imports: 76.1 billion
Exports: 79.8 billion

Major Industries: Agriculture, Forestry, Tourism

According to the Ministry of Foreign Affairs, New Zealand and the United States “share a deep and long-standing friendship based on a common heritage, shared values and interests, and a commitment to promoting a free, democratic, secure and prosperous world”.



GDP: 19.49 trillion
Imports: 2.36 trillion
Exports: 1.55 trillion



Major Industries: Real Estate, State and Local Government, Finance and Insurance, Health and Social Care

ADVANTAGES OF DOING BUSINESS IN NEW ZEALAND

From the survey, our in-person interviews, and research we have identified three key advantages that are most greatly impacting the way in which companies are investing and operating here in New Zealand. One of these benefits is how easy it is to conduct business in New Zealand. This is due to the effectiveness of the New Zealand governments *laissez-faire* policy. Another advantage is New Zealand's stability and reliability as a country. This country has incredible political stability, a growing economy, and little to no corruption. Lastly, another appealing aspect that was brought up several times by business leaders is how New Zealand acts as a great incubator market. It is used as a test market due to its diverse demographics, its geographic isolation, and how culturally similar it is to bigger markets such as the U.S.

Ease of establishing a business

According to the *Doing Business 2019* report by *The World Bank*, New Zealand ranks as number one in the world as easiest to do business followed by Singapore and Denmark. Specifically, each country is scored from 0 to 100, in which New Zealand was given an exceptional 86.59. In addition, 100% of the companies we interviewed emphasized this.

This business confidence index is based on how conducive the regulatory

environment for each country is to doing business. In this case, it is important to note that New Zealand is ruled by a coalition government, which has contributed to its efficient regulation. In fact, an article published by the *New Zealand Companies Office* mentioned, "we want to continue giving Kiwi's the opportunity to create and grow businesses, and being able to register or update company information efficiently and easily on the Companies Office website makes the process much more straightforward for NZ businesses." This reiterates how the government devotes their time to ensure the regulation system remains efficient.

More specifically, New Zealand ranks first in areas such as starting a business, registering property, and getting credit, as is displayed on Figure 1.0.

Additionally, as shown by Figure 1.1, one of the most difficult topics businesses encounter is *resolving insolvency*, as it appears to have the lowest average ranking score of approximately 45 [Figure 1.2]. However, New Zealand ranks above this previous average score mentioned on such business topic with a 71.81 [Figure 1.3]. Once again, this provides

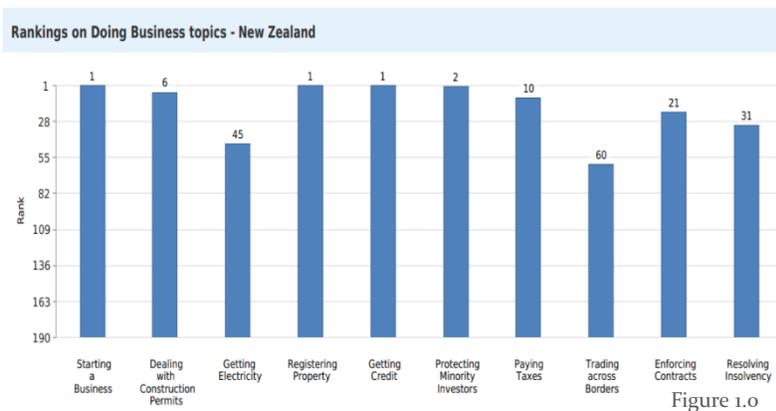


Figure 1.0

evidence on how New Zealand is one of the best countries in the world to conduct or do business.

Figure 1.2

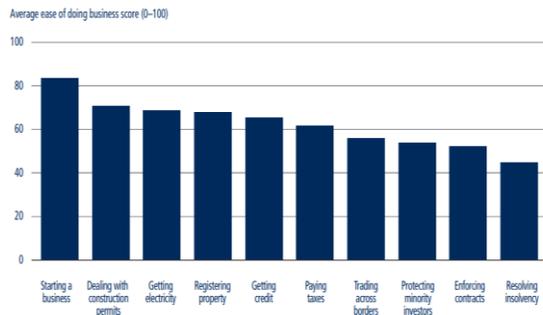


Figure 1.3



Stability and Reliability

Stability

One of the many attractive advantages of doing business in New Zealand is its strong economic and political stability. According to the World Bank Political Stability Index, New Zealand is the second most politically stable country, behind Monaco, due to their diverse and representative Parliament. Political stability and effective governance have translated into the economic sphere. New Zealand has long enjoyed stable economic conditions. The Government predicts an “average growth of over 3% for 2018 and is expected to reach 3.6% in 2019”. Over the last 30 years their economy has gone from being one of the most regulated in the OECD to one of the least regulated, most free-market based economies.

Political stability index (-2.5 weak; 2.5 strong), 2017
(points, Source: The World Bank, TheGlobalEconomy.com)



Figure 1.4

Reliability

Another big reason why New Zealand is appealing for doing business is their reputation of honesty and integrity. In 2018, New Zealand's public sector was ranked the second least corrupt in the world in the Transparency International's Corruption Perception Index. This is due to the well-functioning democratic system. New Zealand takes a tough stance on money laundering with legislation that puts obligations on financial institutions and casinos to detect and deter money laundering and terrorism financing.

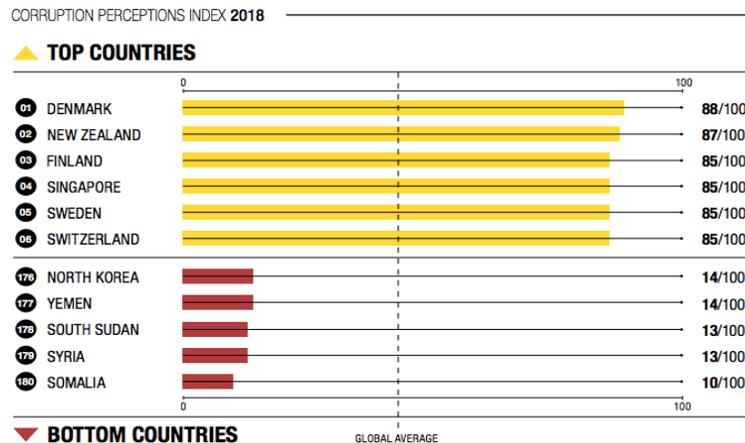


Figure 1.5

NZ as a Test Market

A company does test marketing to gain consumer feedback for a new product on a smaller scale. Through this methodology, executives can scale the level of the product's turnover and design a marketing mix to achieve its maximum potential and company's goals. Additionally, a company's management is able to correct and identify any weaknesses at a lower cost; which results in the minimizing of losses in case of failure.

In contrast, it is crucial to note that test marketing can be a very expensive method to execute and invest on. Therefore, the procedure for examining potential testable markets must be done intelligently. Here, are the reasons why New Zealand is one of the best candidates in the world for test marketing.

1. New Zealand business practices are similar to those in the United States: besides sharing the same language, NZ also classifies businesses similarly to the US: individual proprietorship, partnership, and company. Additionally, companies must file an annual report, keep accounting records, and share their financial statements with their respective shareholders.
2. New Zealand's market: the country's economy is based on tourism and agriculture. Although New Zealand's market size is relatively small, according to the *New Zealand Country Commercial Guide*, "... industries across the board are receptive to new and innovative technologies that reduce costs and increase productivity".

Hence, this contributes to the receptiveness the country has to the acquisition and initiation of new products. Additionally, due to its geographic isolation, the likelihood and speed for competitors to copy potential new products is less than other countries.

3. High Income population: across the world, according to *Doing Business 2019* report by *The World Bank*, New Zealand is categorized as a high-income country. In addition, the current country's Consumer Price Index (CPI)- "a measure of the average change overtime in the prices paid by urban consumers for a market basket of consumer goods and services" (*Bureau Labor of Statistics*)- is at its highest level of 1026, which has been attained by a continuous increment over the year of such index. (*New Zealand Consumer Price Index (CPI), Trade Economics*). Overall, this increment in the CPI means that consumers have to pay more to maintain their current living standards; nonetheless, this benefits the government and businesses.
4. Approximately equal demographics: as it can be seen by Figure 1.6, New Zealand has a relatively balanced distribution between females and males, as well as among their respective ages. For instance, a little more than 3% of the population for each men and women are between 25-29 years.

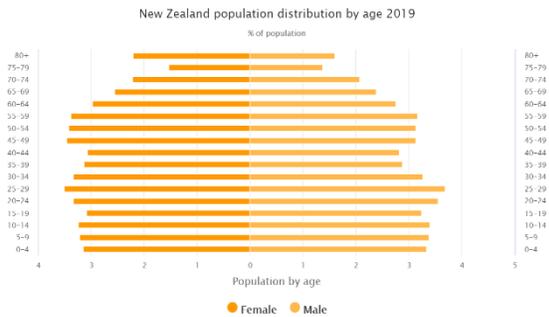


Figure 1.6

In conclusion, New Zealand offers to entrepreneurs and executives a place where the practices and laws are similar to the ones in the U.S, a market that is receptive and adaptable to new products and innovations, a high-income community that is willing to pay for premium products, and an approximately equally-gender community. These are all excellent characteristics for entrepreneurs to launch a start-up, and existing companies hoping to add a new product or division

DISADVANTAGES OF DOING BUSINESS IN NEW ZEALAND

Based on the data from the survey and our in-person interviews, we have identified five challenges which are most greatly impacting the way in which companies are investing and operating here in New Zealand. The issue which most greatly impacts business operations is the shortage of skilled labor, as 41.8% of New Zealand companies are currently facing this obstacle. The next largest issue faced by business is compliance issues which impacted 27.9% of companies surveyed. The next three largest challenges are the exchange rate, access to capital, and geographic isolation as these three impacted 18.6%, 14%, and 11.6% companies surveyed respectively. These issues are ones that companies operating here in New Zealand have faced for many years.

Skill Shortage

According to *CareersNZ*, the governmental organization that helps Kiwis make informed learning and work decisions, “skill shortages happen when employers find it hard to get staff with the right skills for the job.”

Over a third of respondents to the online survey placed difficulty finding skilled staff within their top three issues with doing business in New Zealand.

Skill Shortages may differ in cause and nature:

- Not enough job seekers with the required skills
- Recruitment and retention difficulties
- Enough job seekers with the required skills, but they choose not to work because they are unhappy with pay rates and/or working conditions
- Not enough workers available, skilled and unskilled. This happens when unemployment numbers are low

In New Zealand, the skill shortage is caused by a mixture of all of the above. These factors coupled with declining unemployment mean that the number of skilled laborers available for hire is decreasing. When speaking to large American businesses stationed here, especially those looking to expand, this was one of the biggest issues they mentioned. They spoke of how they were struggling to fill key spots in their company such as experienced managers and skilled technical sales representatives. Even when the right worker is found for these highly skilled positions, they can be hard to recruit and retain because of the high premium placed on these types of workers. The competition can make getting the right staff a costly endeavor. Recently, the New Zealand government has been working hard to combat this problem. Online, they have posted a list of all the jobs that are currently in high demand due to the shortage. This list not only serves to steer the university students of the country towards those fields, but also to attract foreign workers already in those fields. Along with that, the government has made it easier for foreign workers with those skills to get a visa and come to New Zealand to pursue a job in that field.

View from the ground

Despite recent concerns over business confidence and immigration, and an increase in the minimum wage, unemployment has fallen and career-advancing opportunities are available for top talent. With employers continuing to add to their teams, the demand for highly-skilled professionals will rise. However, such talent is already in short supply. Add a high labour market participation rate and employers have a smaller pool of workers to choose from. As our findings show, talent mismatch is already an issue for employers, although this is not leading to salary growth, with increases best described as restrained. Instead, employers are turning to upskilling, career progression and other non-financial benefits to attract and retain top talent.

Adam Shapley, Managing Director, Hays New Zealand

According to Adam Shapley, the managing director of Hays New Zealand, a research organization focusing on the New Zealand labor market, businesses are taking action to combat this problem too. They are focused on increasing the skill of the workers they already have to meet the skill needs of the future. [Figure 2.0]

Figure 2.0

Issues with Government

New Zealand's laissez-faire regulatory environment allows businesses to operate quickly and independently. As a result, many companies within New Zealand have thrived. However, in order to accelerate growth, there are areas in which the government could improve. Some policies, while meant to be helpful, have ended up providing an extra challenge to companies. Aside from the policies themselves, the way in which they are executed can be inefficient and at times slow the progress of firms.

It is incredibly easy for those already here to set up a business in New Zealand. However, for foreigners wishing to invest in the country's assets, it can be more difficult. Although the Overseas Investment Office standards are relatively easy to follow, the process they use to review applications can be slow. The average time to process an application is 100 days due to consideration of a variety of factors such as sensitive land. Also, the costs of application fees, lawyers, and consultants can reach over \$100,000 for some projects. These challenges may discourage foreigners from investing in and setting up operations in New Zealand. This can be seen in part by the slowdown in investment by the agri-business sector in recent years.

Another government agency presenting problems to firms is the Pharmaceutical Management Agency of New Zealand (PHARMAC). PHARMAC decides which medicines and medical devices to approve and publicly fund. PHARMAC evaluates new drugs against each other and existing alternatives to determine which is better. Because they operate on a capped budget, they can only fund certain products. When weighing different criteria, the financial aspects of a solution can be prioritized over others, such as increased health benefits. As a result, PHARMAC sometimes opts for the cheaper product and some healthcare companies have become frustrated with their approach. Along with their policies, PHARMAC's system is known to cause challenges for businesses. Prolonged review processes have resulted in New Zealand obtaining access to some medical products later than other nations. If PHARMAC were to have a more efficient review process, it would be easier for healthcare companies to innovate.

Although New Zealand's government is known for being friendly to business, there are select areas in which problems could be alleviated by changes to government operations. While it may be difficult to implement reforms, these problems need to be evaluated critically. As New Zealand grows and technology progresses, one can hope regulatory processes will be shorter in the future and businesses will be able to continue to prosper.

Geographic Isolation and Market Size

New Zealand's geographic isolation and small population size present both benefits and

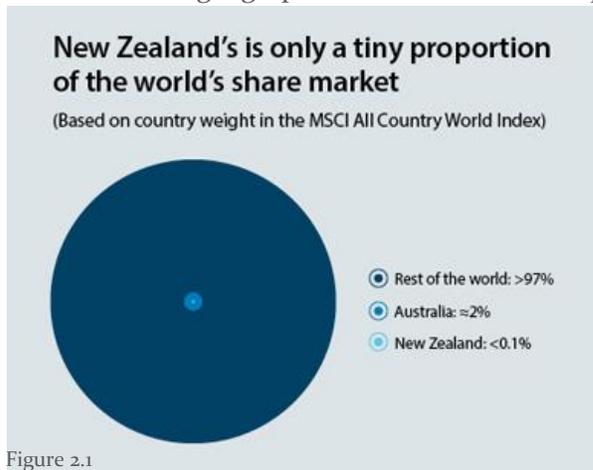


Figure 2.1

drawbacks. Though the current socioeconomic status creates an ideal test market, it presents obstacles as well. So far, New Zealand has taken measures to diversify its market by exporting wine and paper among other products. They also have relied on free trade agreements to promote trade alongside its dominant dairy and poultry exports. However, with a population of only 4.9 million, New Zealand is often overlooked when evaluating the effects of trade actions and agreements. In addition, its

location presents problems in terms of communication, making it more difficult to be included in international discussions. A common problem is the difficulty that comes with communicating across time zones. In addition, many places within New Zealand do not have internet, or have slower speeds, presenting obstacles in the means of communication. For many products, it is more expensive to export them, and imported goods may have an expensive added price. Finally, the long and expensive flights make it difficult to bring people here, which affects the labor market as well

Regarding market size, many companies reported that their yearly revenue is meager in comparison to the rest of the company. However, it is important to note that compared relatively to the size of the population, these earnings are impressive and must be noted as the population continues to grow.

Though there are many obstacles presented in the realm of doing business in New Zealand, the adaptiveness of the Kiwi culture allows for the success of the market. In addition, increased globalization makes it easier to communicate at more flexible hours of the day, and fast paced technology can aid in increased trade as well. In the future, as technology becomes even more accessible, the needs and growth of the New Zealand market will be noticed and taken into consideration in more detail.



Figure 2.2

Exchange Rate

Another issue companies face is the uncertainty surrounding the exchange rate. In interviews, we found that many companies must check the exchange rate at the start of each day to ensure they are not losing additional money during the import or export process. The exchange rate is extremely volatile and is driven by speculators looking to make a profit trading the currency. Thus far in 2019, the New Zealand Dollar has maintained a consistent exchange rate against the dollar but is at a 2% loss against the pound. The Reserve Bank of New Zealand recently announced that they will be cutting the interest rate to 1.5% which represents a new all-time low. While this rate is the second highest interest rate in the Group of Ten, New Zealand has historically held high interest rates which has drawn foreign capital looking for higher yields which in turn leads to a more valuable currency. By cutting the interest rate, foreigners will be much less likely to keep capital in New Zealand banks which will reduce the value of the New Zealand dollar. There is speculation amongst economists around the world that the Reserve Bank will implement another interest rate cut later in the year further devaluing the currency. Another factor which could impact the value of the New Zealand Dollar is another upcoming decision by the Reserve Bank of New Zealand on increasing the amount of money kept in reserve. This policy could lead to a decrease in the amount of capital banks are willing to lend and cause slower growth of the economy. The problem of a volatile currency rate is one that impacts all business in New Zealand who participate in any kind of foreign trade. However, this issue is one that the New Zealand government has less control over due to the nature of speculator trading which impacts the value of the New Zealand dollar on a day to day basis.



Figure 2.3

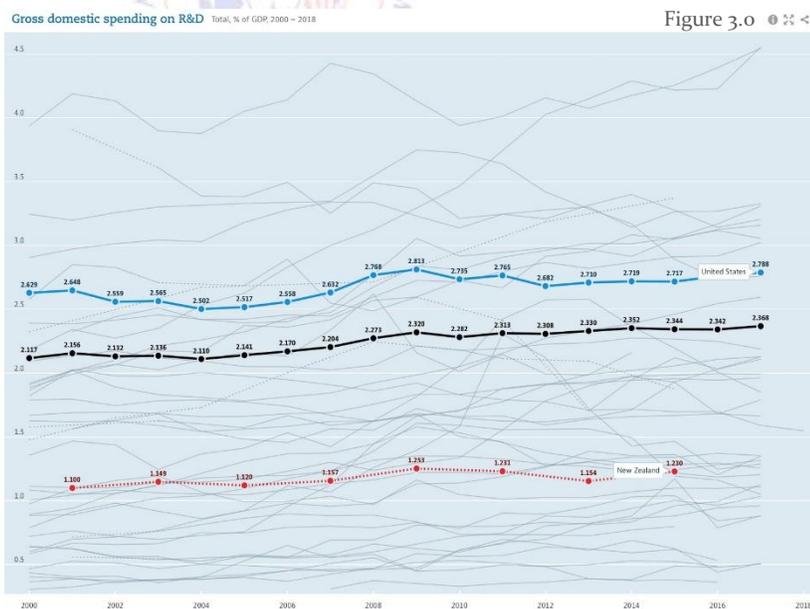
LACK OF CAPITAL FOR CUTTING EDGE TECHNOLOGY

New Zealand's market is known for its reliability which historically has drawn many companies to it. However, this reliability comes with an underlying risk aversion that affects many companies in the market. Those that are affected the most by this are small start-up companies looking to bring new cutting-edge technology to the market.

Numerous executives who started their own companies mentioned they had difficulty finding capital in the New Zealand market. They described their countless meetings with angel investors and venture capitalists who thought their projects were too risky and not worth the investment. Because of the risk aversion ingrained in the market, the protection of these cutting-edge technologies was completely overlooked in New Zealand. This caused almost all of them to turn to places like America or Europe when looking for capital to open their operations in New Zealand.

While the safe investing tactics practiced by many of the venture capitalists in New Zealand do help ensure the stability of the market here, they also come with some drawbacks. Because many businesses are unable to find funding for their ideas here, they are forced to go abroad. If that business does become a success, some of the money is flowing out of New Zealand to those foreign investors rather than staying in the local economy. An even more dire consequence of the risk averse culture is that some cutting-edge technologies are completely stifled. Recently, New Zealand has been a hotbed for innovation; researchers are discovering groundbreaking technologies in areas such as pharmaceuticals and software. However, some of these products are not able to flourish because they cannot find funding in the New Zealand market and are forced to shut down before they are able to find outside capital. Some never even make it out of development.

As it can be seen from the graph [Figure 5.0], New Zealand's spending (as a percentage of GDP) on R&D is lacking behind not only the United States, but also the OECD average. If New Zealand wants to keep up with leaders in innovation, it must put money into developing these new cutting-edge technologies.



INTRODUCTION OF THE NEW R&D TAX AND THE CALLAGHAN GROWTH GRANT

Research and development (R&D) refers to innovative activities undertaken by businesses to produce new products. The process often requires large sums of capital to be conducted. As a result, companies have sought assistance from the government to help fund these ventures. In New Zealand, Callaghan Innovation is the government entity in charge of helping businesses discover new ideas. To assist with funding, Callaghan Growth Grants have been used. Recently, these grants have been replaced with a new tax incentive. Below we explain the two systems and analyze the effects of the transition.

<i>R&D Tax Incentive</i>	<i>Callaghan Growth Grants</i>
<ul style="list-style-type: none"> ▪ Businesses have to go through an application process and meet requirements, such as have their respective expenditures reviewed ▪ Minimum expenditure requirement of \$50,000 ▪ Businesses will be able to receive a tax credit on 15% of their R&D expenditures ▪ The maximum amount of expenditures for the calculation is \$120 million ▪ The maximum credit received is \$18 million ▪ R&D activities performed through a contractor are limited to a tax claim of 80% of the amount paid to the contractor ▪ R&D activities performed outside New Zealand are limited to 10% of a business's total tax credit claim 	<ul style="list-style-type: none"> ▪ Program by the government to fund R&D in New Zealand ▪ The intent of the grants is to assist businesses in funding their R&D and develop their R&D programs ▪ Businesses must apply ▪ In order to be selected, at least 1.5% of revenue must be devoted to R&D ▪ Those selected will have 20% of R&D expenditure funded by government, with a maximum award of \$5 million ▪ Set to expire 31 March 2021

CALLAGHAN GROWTH GRANT vs. R&D TAX INCENTIVE ANALYSIS

Recently, the New Zealand government opted to replace the old system of funding research and development through Callaghan Growth Grants with a new tax incentive. The incentive is designed to motivate companies to increase their R&D expenditure by awarding tax credits. This approach is thought to be more effective at encouraging innovation, but after hearing feedback from business leaders and further examining the effects, doubts have emerged.

When analyzing the possible effects of this transition, it is first important to gain a clear understanding of what the transition will look like. Businesses will not be able to utilize the tax incentive and Callaghan Growth Grants at the same time, so it is important for them to choose which one

will serve them better in the short term. Many businesses have chosen to renew their grants in order to have funding readily available over the next couple of years. This indicates a preference for the Growth Grants over the tax incentive, however this is partially due to uncertainty regarding how the process for receiving a



Figure 4.0

tax credit is carried out. Inevitably, because all Callaghan Growth Grants expire by 31 March 2021, businesses will have to rely on the tax incentive to help fund their R&D expenditures. When that time comes, there will hopefully be a greater understanding of how to utilize the tax incentive amongst executives. This will likely lead to a higher number of companies taking advantage of the tax incentive.

For large companies with established operations, this change in policy will likely have little impact. Relocating an R&D operation from one country to another is a formidable task. Finding personnel, facilities, and equipment necessary to conduct research can be a lengthy process and is often too expensive to be worthwhile. These factors will likely result in companies not significantly expanding their New Zealand R&D operations in the short term. As time goes by and companies see a need to grow their global R&D efforts, it can be expected they will be prepared to commit more money towards innovation in New Zealand. While New Zealand may not be able to persuade companies to relocate R&D

centers, measures like this one could encourage them to expand existing operations. Along with this, New Zealand could be looked at as a possible destination to establish new ones.

As for smaller companies, this tax incentive could have a larger impact, but in a negative way. In order to come up with innovative products, startup companies require R&D operations that are often too expensive to be self-funded. Traditionally, this funding gap has been filled by Callaghan Growth Grants. However, with those expiring in 2021, startups will be forced to rely on the tax incentive for funding. The problem with this is tax credits are only valuable if a company is making a profit. Since most small companies conducting research are not profitable, tax credits are essentially worthless to them. This is another explanation for why many companies sought to renew their Growth Grants. When those expire, another source of funding will be necessary to provide a boost to startups.

With the transition from Callaghan Growth Grants to a tax incentive, New Zealand is betting on large companies to drive innovation. Smaller entrepreneurs will still be able to build their businesses; however, it will be more difficult without funding from the government. Although the tax incentive may bring about more R&D spending, this probably won't happen for another few years.



FUTURE ISSUES AND CHALLENGES

Though New Zealand has established itself on the global market, in the future it faces multiple potential challenges. For example, the aging population will decrease the workforce, therefore the labor supply will struggle to meet demand. By 2025, it is predicted that over 1.1 million people over the age of 65 will be in New Zealand. This is an increase of 715,000 people, or 166% of the current population of this age. In addition, because overseas experiences vastly decrease the labor market from ages 25-35, another working aged population will largely be lost and could potentially present major challenges to the New Zealand market.

Another key issue is establishing an ultra-fast broadband network that can benefit the population both economically and socially. However, this network could possibly disrupt the New Zealand culture. This raises the issue that although adaptation is important, it may come with sacrifices and change. With each issue, there is a separate possibility of both growth with consequences.

In addition, current global instability reminds us of how easily affected trade and exports can be. New Zealand will need to continue to establish itself on the global market in order to fully be considered in future agreements. In the following years, though increased globalization and technological advances will lead to increased accessibility, it may present challenges in turn.

For example, wealth inequality, a global problem, will continue to increase in New Zealand as well. In addition, along with automation comes the demand for adaptability within a market. If the current labor population is unable to adapt to the quick pace of modern technology, this could present obstacles as well. All of these issues met with changing opinions, climate change, and the lack of corporate social responsibility can create worry for the future market conditions.

An important factor in ensuring the continued success and stability of the New Zealand market is embracing the emerging sectors that can produce both revenue and have the ability to eliminate the foreseen problems. For example, practicing corporate social responsibility by switching to a low carbon business model. Ideas such as this can create long-term outcomes to the current issues as well.

Emerging Industries

The challenges New Zealand will face in the future also provide opportunity for new industries and companies to emerge in these markets. The deterioration of the ozone due to an increase of carbon dioxide in the Earth's atmosphere from human activity has created a warmer environment. There are many different impacts of this warming which will and already have influenced the ways in which companies operate. There is a heavy emphasis on the carbon footprint of companies and the impact they leave on the Earth's environment. Consumers have become more conscious of a companies' footprint and many eco-friendly consumers have become loyal to brands which place an emphasis on

sustainability. These sustainable companies are becoming increasingly common and will continue to grow in the years to come. Sustainable companies focus on utilizing renewable products and keeping waste to a minimum in order to reduce their impact on the environment.

The technological revolution is a topic that has been discussed in depth for several years, but technology will continue to be at the forefront of business in the years to come. Consumers are consistently looking for the most efficient solution to their needs and companies that create innovations to satisfy these needs will flourish. In addition, certain areas of tech such as AI and virtual reality are being utilized by companies to make the user experience more personal, interactive, and efficient. The opportunities with these technologies are endless and companies in this space will grow in the future. Another technological innovation that is rapidly expanding is big data. According to a report generated by Deloitte, 60% of enterprises are expected to move their IT systems to the cloud by 2019. The storage and utilization of this data in the cloud is an emerging opportunity for businesses worldwide.

In addition to these worldwide trends, there are certain industries specific to New Zealand which show the potential for growth in the future. The food and beverage industry is one of the fastest growing areas in New Zealand and is considered the “lynchpin of New Zealand’s prosperity”. Due to global issues with obesity and people becoming more health conscious, there is a greater emphasis on fresh, organic products. The industry increased three-fold in the time period of 1990 to 2008 going from NZ\$6.96 billion to NZ\$21.43 billion and further growth is expected into the future. Another emerging sector is the biotechnology industry, which is defined as including scientific, industrial, health, and agricultural applications. The largest categories in New Zealand are innovation foods, drug discovery, large animals, plants, agritechologies, bioremediation, and bioprocessing. food technology and agriculture applications come out on top in New Zealand.

The future growth of the New Zealand economy depends on innovative thinkers creating solutions for the problems of tomorrow. By identifying emerging industries and future challenges, companies can gain an edge in the market. New Zealand is structured well for innovation to flourish and the opportunities here are abundant. The future is impossible to predict but staying at the forefront of innovation positions the New Zealand economy for long term prosperity.

CITATIONS

- “CPI Home.” U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, www.bls.gov/cpi/.
- “Doing Business 2019.” Doing Business, World Bank Group, 2019, doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf.
- “Economic Overview.” Economic Overview | Invest in New Zealand | NZ Now, www.newzealandnow.govt.nz/investing-in-nz/economic-overview.
- e.V., Transparency International. “Corruption Perceptions Index 2018.” www.transparency.org, www.transparency.org/cpi2018.
- KPMG. “FDI 2016-2018.” Home.kpmg, KPMG, Mar. 2019, home.kpmg/content/dam/kpmg/nz/pdf/April/fdi-report%20A4.pdf.
- McCann, Phillip. “Geography, Trade and Growth Problems and Possibilities for the New Zealand Economy (WP 03/03).” The Treasury New Zealand, 1 June 2003, treasury.govt.nz/publications/wp/geography-trade-and-growth-problems-and-possibilities-new-zealand-economy-wp-03-03-html.
- “New Zealand Consumer Price Index (CPI).” *New Zealand Consumer Price Index (CPI) | 2019 | Data | Chart | Calendar*, tradingeconomics.com/new-zealand/consumer-price-index-cpi.
- “New Zealand - Market Overview New Zealand - Market Overview.” *New Zealand - Market Overview*, www.export.gov/article?series=aopto000000PAuYAAW&type=Country_Commercial_kav.
- Oliver, William Hosking, and Jack Vowles. “New Zealand.” Encyclopædia Britannica, Encyclopædia Britannica, Inc., 24 May 2019, www.britannica.com/place/New-Zealand/Economy.
- “The Benefits of Investing Internationally.” Investor Education: Global Investing | ANZ FutureWise, 20 July 2018, futurewise.anz.co.nz/investor-education-global-investing.aspx.
- “Political Stability by Country, around the World.” TheGlobalEconomy.com, www.theglobaleconomy.com/rankings/wb_political_stability/.
- “Reform of the Overseas Investment Act 2005.” Treasury.gov, New Zealand Government, Apr. 2019, treasury.govt.nz/sites/default/files/2019-04/overseas-investment-reform-consultation.pdf.