



Foreign Agricultural Service

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New Zealand

Agricultural Situation

New Zealand Government Delays Export Credit Programme

2000

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Report Highlights: New Zealand exporters will be disappointed by the omission of policy regarding a new government assisted export credit program in the annual June Budget. New Zealand's Trade and Agricultural Minister has stated that the scheme is still government policy, but due to complications had to be put off for the time being. Various Government agencies will now review in more detail the financial gaps and risks involved in an export credit program.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Wellington [NZ1], NZ

New Zealand exporters hoping for details of a government-run export credit and guarantee scheme in the annual June Budget, will be disappointed. New Zealand's International Trade and Agriculture Minister says while the export credit program is still government policy, "complications" mean introducing such a scheme has to be put off.

The major concern for an export credit program in New Zealand is limiting the risk and liabilities of Trade New Zealand (The New Zealand Trade Development Board, an independent government agency), which is to administer the scheme. The Minister says policy work and consultation with the export sector has unearthed gaps in commercial coverage that the government might fill. It has not been revealed what these gaps are or how they could be filled, but it is clear they exist at the riskier end of the sector. Various Government ministries, including Foreign Affairs and Trade, Economic Development, Treasury and Trade New Zealand will further review the issues of gaps and risks.

The new Labour-Alliance Government have noted that New Zealand is one of the few developed countries not offering finance and guarantees to exporters, and it has reviewed other countries export credit programs, including Australia's. New Zealand's exporters have, for years, complained that other nations programs tilt the marketing environment against them, with their competitors winning contracts with government-backed extended credit and soft loans that the New Zealand exporter can not match. The previous National government, in power from 1990-1999, opposed an export credits program and was critical of other countries programs, especially if any subsidy was considered to be involved.

The Hong-Kong and Shanghai bank and HIH Casualty and General Insurance recently seized the initiative, setting up a private export credit guarantee scheme called TradeSure. This is aimed at medium to large exporters looking to hedge against risk. To be a TradeSure client, the exporter requires a good trading record, sound credit control procedures, a turnover of more than NZ \$5 million a year and credit insurance.

Officials say the New Zealand government wants to help smaller companies without track records. It also wants Trade New Zealand to consider helping exporters in countries the commercial sector avoids - for instance, those exporting to Indonesia and Russia find it almost impossible to get coverage.

Because of the riskier nature of the program, Trade New Zealand wants to limit its risk. There is also the technical problem of moving the government into areas where the commercial world, and not the taxpayer, carries the load.

The Trade Minister says while the government's plans have missed the year 2000 Budget, exporters shouldn't give up hope, as there will be results after more work is completed. Export credit guarantees will be meant to assist the typically cash-poor New Zealand exporter.

The Government has announced that it plans to provide NZ \$200 million (US \$100 million) over three

years (roughly US \$33 million per year) to support businesses, which would include some funds for export credits. Most export credit funding is expected to be directed to the manufacturing sector for longer-term projects, such as capital equipment. Funding for agriculture can be included but Trade New Zealand's focus over the last few years has been to reduce the percentage of funding going to agriculture. The Government is reportedly committed to increasing Trade New Zealand's overall funding.