THE RECIPE FOR A COUNTRY'S ECONOMIC SUCCESS:
1. OPEN UP TRADING DOORS, WIDELY; AND,
2. OPEN UP INVESTMENT DOORS TO FOREIGN INFLUENCES

Ironically, countries that adopt a closed-door trading policy find themselves boxed in by those same closed doors in the fullness of time.

Conversely, countries that open up, widely, their trading doors with other countries end up with fast economic growth and with direct foreign investment, spurring on dynamic economic growth in the fullness of time.

New Zealand, today, has a human population of about 4 million people, a figure which is double its human population of the early 1950s.

So, in a period of about 55 years or so, the human population of this country of about 104,454 square miles, which is about 34 percent smaller than the US State of California, which has a human population of about 35.48 million people (2003 estimate), has only doubled.

The human population of California increased by about 14 percent between 1990 and 2003 so that, in those 13 years, the human population of this US State expanded more than that of New Zealand during the period 1950 to 2005 – more than 4 million people.

California is the sixth largest economy of the world; New Zealand does not even rank in the world's top 100 economies.

New Zealand adopts a highly selective immigration policy so that, for a prospective immigrant to settle in the country, for one reason or another, to meet the immigration criteria is, often, not an easy task.

The criteria are, and has been for a great number of years:

1. What can a prospective immigrant offer to New Zealand?

2. Do we need this prospective immigrant?

It is, now, accepted as economic fact that countries, which welcome trade with other countries and succeed in attracting direct foreign investment and foreign labour, tend to grow at a much faster rate than economies that try to protect their domestic industries by various means, overtly or covertly.

In a conversation with the former Commissioner for New Zealand at the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), prior to New Zealand, establishing a Consulate General in the territory, a European applicant, seeking permission to settle in New Zealand on the basis of family re-unification, was asked what this businessman and his family had to offer to the country.

The reply from this applicant – who was, subsequently, denied permission to settle in New Zealand in spite of the fact that his father had lived there for the previous 40-plus years – was that it appeared to him that the question should have been:

'What can the Government of New Zealand offer to me to settle in New Zealand?'

A country, which opens up its international trade doors and becomes sufficiently inquisitive as to examine, objectively and impartially, new (foreign) ideas on a host of economic and technological topics, opens up itself, inter alia, to permanent technological progress, sometimes obliquely, but the results are, always, the same: The ideas take root and become a permanent part of the country's economic infrastructure.

This is because the way forward proscribes any backward steps.

And this results, down the line, in inserting the key in the formerly locked door to long-term economic growth.

Countries, which build fences around their industries with the aim of offering protectionism, invariably, find themselves prisoners of their own folly.

Getting back to the situation in New Zealand, as an example of the above, that Antipodean economy has always been heavily dependent on trade and, up until the 1970s, its most-important single customer was the **U**nited **K**ingdom (UK).

The production of meat, cheese and butter dominated the country's economy for many decades, but, in 1973, when the UK joined, what it now called the **E**uropean **U**nion (EU), New Zealand's access to its former major trading partner was severely curtailed.

After losing its main trading partner, due to the UK, having joined the EU, New Zealand was forced to face increasing protectionism from most industrialised countries of the world, all of which were ant-New Zealand, to a lesser or greater extent, with its socialised Governmental regime, which subsidises its agricultural industries in order to ensure a level of exports.

Even today, agriculture and fish products account for more than 43 percent of the total exports of the country.

While the country has opened up its doors to many foreign imports of manufactured goods, only about half of these goods enter the country, duty free: The element of protecting home-grown industries, persists.

New Zealand has failed to lure much in the way of direct foreign investment, relative to countries, such as the 25 member countries of the EU.

New Zealand has been a member of the World Trade Organisation since 1994, according to Mr Stephen Wong, a Vice Consul of the New Zealand Consulate General at the HKSAR, but its trade statistics indicate, conclusively, that the country has failed, miserably, to make trade inroads over the years.

According to Statistics New Zealand, the actual values of exports, which included re-exports, for the 2004 year were about $NZ30,712 million.

For the first 10 months of 2005, the actual values of exports, which included re-exports, were about $NZ25,590 million.

Annualising the first 10 months of 2005 suggests that the most that New Zealand can hope to achieve, in terms of trade with other countries, is equal to about $NZ30,708 million for the entire 12 months of 2005.

Economic growth continues to be a flat line.

Although Vice Consul Stephen Wong of the New Zealand Consulate General at the HKSAR denies that his Government is protectionist, at the same time, he admits to a Government of the *'centre left'*.

What cannot be denied is that (a) the country has failed to lure very much direct foreign investment (b) the growth of trade with other countries over the past decade has been abysmally low and (c) the human population of the country has been almost static for the past 3 decades.

There is good reason for the above, no doubt, because, to a great extent, New Zealand is a closed economy of the order to South Africa and Argentina.

It is fact that an economy's openness is one of the key determinants of growth with that economy.

It goes hand-in-hand with human capital and the rate of population growth.

When the growth of the human population of a country is stymied, it means, inter alia, that people are not interested in settling in that country because:

(a) They see no prospects for the future in that country; and/or,

(b) The country's general conditions and infrastructure are not conducive to creativity; and/or,

(c) The aspirations of prospective new residents from other countries cannot be met.

The trade statistics of New Zealand bear out points (a), (b) and (c), without question.

Population growth is linked, directly, to direct foreign investment, a fact that, clearly, the Government of New Zealand has overlooked for the past 55 years, at least.

The opening up of economies is crucial for international growth in the years, leading up to 2020.

The governments of India and the PRC are perfect examples of how once, closed economies have benefitted by the liberalisation of trade and immigration policies.

The PRC, over the period of the past 25 years, has become the world's tailor, the world's largest producer of home electrical products, one of the world's largest manufacturers of mobile telephones, computers, etc, etc, etc.

And, at the ever-increasing rate of industrialisation in the country, it stands to become the world's largest producer of motor vehicles, from motorised, heavy earth-moving equipment, to luxury motor cars, to motor cycles.

This could not have been accomplished with such alacrity had it not been for direct foreign investment from the US, Japan and Europe.

India, on the other hand, has become, during that same period of time, the world's service centre, a position, which is highly unlikely to be challenged in the next quarter of a century.

In both examples, the governments of the PRC and India have welcomed partnerships with foreign entities and individuals and have produced the necessary infrastructure to lure direct foreign investment.

It is fact that, today, the PRC, India and Turkey – Turkey is very keen to be a full member of the EU – are among the leading growth centres of the world.

The recipe for assisting the growth of an economy, therefore, is clear: The government, desirous of pumping up its economy, must be open to foreign influences.

While New Zealand is, very much, a welfare state, ironically, increased trade would, invariably, lead to welfare gains.

This, clearly, has not been appreciated by the successive governments of this country over the past 55 years.

The PRC Government, recently, reduced the tax burden on its population, something that could not have been achieved except by massive increases in exports, which brought in hundreds of billions of dollars into the country's coffers.

As a country's wealth increases, the message is that its entire human population stands to benefit.

Outstanding entrepreneurs emerge, armed with *'radical'* ideas, which transform the economic landscape in time.

This can never be achieved by a government which adopts a policy of trying to protect its domestic industries, to the detriment of the country, as a whole.

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AND A

VERY HAPPY NEW YEAR !

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