

## Estimation of Aotearoa New Zealand's Food and Fibre Sector's Export Specialisation with Key Trading Partners

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### Abstract

The food and fibre industry plays a vital role in Aotearoa New Zealand's economy, accounting for more than 80% of merchandise exports. Major items of the sector include dairy, meat, forestry and horticulture. Key Asian export markets include Singapore, China, Malaysia, Hong Kong, China, Korea and Thailand, with which New Zealand has negotiated Free Trade Agreements (FTAs). FTAs are aimed at enhancing trade flows among the member countries, enabling each member country to specialise in the export of those goods in which they have a comparative advantage, which in turn depends on their resource endowment. The twin objectives of this paper are to examine the changes in New Zealand's overall exports, and the export specialisation of the food and fibre sector to the selected trading partners, in the pre- and post-FTA years. This is achieved by estimating the Trade Intensity Indices for total exports, followed by an estimation of Export Specialisation Indices for the products within the food and fibre sector. A t-test was applied to assess the significant changes in these indices between the pre- and post-FTA years. The results present a mixed picture for both indices, indicating that New Zealand has yet to realise the full benefits of Free Trade Agreements with some countries.

Keywords: Food and fibre industry, Free Trade Agreement, comparative advantage, Trade Intensity Indices, Export Specialisation Indices

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