



**New Zealand House of Representatives**  
Te Whare Māngai o Aotearoa

**Foreign Affairs, Defence and Trade Committee**

Komiti Whiriwhiri Take Aorere, Take Waonga, Take Tauhoko

54th Parliament

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**Ministry of Business, Innovation and  
Employment and Ministry of Foreign Affairs  
and Trade, Long Term Insights Briefing 2025**

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# Ministry of Business, Innovation and Employment and Ministry of Foreign Affairs and Trade, Long-Term Insights Briefing 2025

## Recommendation

The Foreign Affairs, Defence and Trade Committee has considered the long-term insights briefing from the Ministry of Business, Innovation and Employment and the Ministry of Foreign Affairs and Trade for 2025, titled *New Zealand's productivity in a changing world*, and recommends that the House take note of its report.

## About long-term insights briefings

The Public Service Act 2020 requires government departments to develop and publish long-term insights briefings (LTIBs) at least once every three years. LTIBs are independently developed by an agency in consultation with the public. They are intended to provide impartial information and analysis about medium- and long-term trends, and potential future risks and opportunities that could affect New Zealand.

## About this briefing: *New Zealand's productivity in a changing world*

New Zealand's productivity has lagged behind other advanced economies in recent decades. Both the Ministry of Foreign Affairs and Trade (MFAT) and the Ministry of Business, Innovation and Employment (MBIE) have roles to play in New Zealand's productivity, through their work on economic development and international connections and trade. The ministries used *New Zealand's productivity in a changing world* (the briefing) to explore how to accelerate the growth of high-productivity activities in New Zealand.

The briefing provides an overview of the New Zealand economy's past and current productivity rates and key contributing factors. It considers the implications of global shifts and emerging challenges, and sets out a framework for analysis grounded in contemporary approaches to economic development. Using this framework, it provides comparative case studies from four small, advanced economies, and from four examples of New Zealand policy settings, to provide insights on tools and actions that New Zealand can use to affect its productivity. MFAT and MBIE received feedback on the briefing from MFAT's Te Hurumanu advisory group, the business sector, industry associations, regional entities, other government agencies, and academics. They told us that governments have a role to play in both "horizontal" settings, by providing strong institutions, infrastructure, and macro-economic management, and in targeted "vertical" interventions that enable high-productivity industries and activities.<sup>1</sup>

<sup>1</sup> The briefing cited macroeconomic, labour market, and competition policies as examples of "horizontal" policy settings. It said "vertical" levers where government intervention can add value go beyond subsidies to include coordination, regulatory enablement, innovation support, and research and development (R&D).

The briefing identifies five principles to guide productivity growth, which it notes will need to reflect New Zealand's unique context:

- adopt a coherent, long-term approach
- strengthen strategic assessment, market intelligence, evaluation
- prioritise internationally oriented, knowledge-intensive clusters
- build a productivity ecosystem where innovation, talent, and infrastructure work together
- use internationalisation and trade policy as integral productivity levers.

## **Factors contributing to New Zealand's productivity**

The briefing highlights unique features of the New Zealand economy that influence productivity rates: domination of small firms, geographic isolation and weak international connections, the high proportion of GDP made up of services, the decline of manufacturing, and reliance on exports such as food products, fibre, and wood. It states that "New Zealand is better considered as a network of regional economies, rather than a single uniform one."

New Zealand's economic growth over several decades has been driven by migration and increased hours worked, rather than by improvements in output and productivity. As a result, New Zealand's productivity rates are below the average for the OECD (Organisation for Economic Cooperation and Development).

These characteristics make it more difficult for entrepreneurship, exports, and innovation to develop. The ministries highlighted the strong connection between trade and productivity, informing us that exporting firms demonstrate 89 percent more output per worker than non-exporting firms. For firms employing 250 or more staff, this figure rises to 130 percent.

## **Global trends, transitions, and pressures**

We heard that lifting productivity will require navigating an increasingly volatile international landscape, a transition away from traditional power blocs led by the United States to a "multi-polar world", and a trend towards regionalism and protectionism. Demographic shifts mean that global growth is expected to be led by emerging economies outside New Zealand's current network of free-trade agreements. Currently, New Zealand's strongest international connections are with countries and regions that have aging populations. The briefing also notes that global energy transition and technological advancement both have the potential to unlock productivity gains through innovation, efficiency, and resilience, and that generative AI is estimated to increase productivity by 1.5 percent by 2035.

## **AI and technology development**

We asked for more information about standards and regulations on AI and related technologies. We were interested to understand how New Zealand's approach compares with other countries, as an enabling factor for innovation and sector growth. MBIE told us that the current domestic approach uses existing legislation and regulations to manage risks. Internationally, New Zealand is participating in the development of global standards and has a focus on trans-Tasman alignment. In 2025, Standards New Zealand formally adopted 47 international standards relating to AI, cybersecurity and risk, biometrics, and cloud computing that had already been adopted by Australia.

We also asked about defence technology funding and development, noting the release of the Defence Industry Strategy and its associated technology accelerator.<sup>2</sup> The ministries told us that the growth of the aerospace industry in New Zealand had been a “shot out of the blue” but that they are considering what “vertical levers” could be used to support other promising emerging sectors. Using defence technology as an example, they said that could mean addressing regulatory barriers, and looking at science policy and procurement processes.

## **Case study insights**

Case studies of Denmark, Finland, Ireland, and Singapore found a range of common features. All demonstrate deep economic cooperation and integration with regional markets, and have applied tailored, targeted policies consistently across changes of government. All have diversified their exports towards more complex industries, while New Zealand’s exports remain dominated by primary products. Exports make up a greater average proportion of their respective GDPs (59 percent) than they do for New Zealand (25 percent).

The briefing cited case studies of New Zealand policy settings across the sectors of dairy, space and advanced aviation, and manufacturing, and in New Zealand and Australia’s Single Economic Market (SEM). The studies demonstrated the benefits of targeted support over time, and of the selective application of vertical levers to emerging industries. The briefing proposes that expanding the SEM model could unlock productivity gains, as could widening it to include other partners. Singapore, and the Association of Southeast Asian Nations (ASEAN) more broadly, are identified as potential future partners. Officials told us that the New Zealand-Australia Closer Economic Relations (CER) agreement and SEM may serve as a useful model for others, including ASEAN, of effective economic market integration.

We asked whether consideration had been given to other potential partners beyond Australia, Singapore, and ASEAN. The ministries told us that there were gaps in New Zealand’s current free-trade agreement (FTA) coverage, notably with the United States and the African continent, but that Singapore and ASEAN were the best starting point in terms of the potential for dynamic productivity gain. We heard that existing agreements and extensive regulatory cooperation, including via the ASEAN-Australia-New Zealand FTA, provide a strong existing foundation.

## **Our comments**

We endorse the emphasis in the briefing on the importance of consistent, deliberate, long-term policy thinking, observing that New Zealand has tended to be more fragmented over time. We also wish to highlight the importance of reducing bureaucracy to enable efficiency and improve productivity.

The briefing identifies the development of high-value “adjacent” industries, building on existing strengths, as important opportunities for growth. In this context, we look forward to

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<sup>2</sup> For more information see Ministry of Defence, [Defence Industry Strategy](#), October 2025.

seeing results emerge from the Defence Industry Strategy technology accelerator, and to seeing similar initiatives developed to accelerate growth in other high-potential sectors.

The volatile international environment will remain a challenge for governments and businesses alike, but it will also present new opportunities. We encourage New Zealand businesses to be alert to emerging risks, and to think strategically. MFAT's regular market intelligence reports are a valuable resource for businesses in this regard.

We recognise the rationale for prioritising relationship-strengthening with Singapore and ASEAN, and are also aware of the region's geopolitical dynamics and risks. We would support work to address gaps in New Zealand's current FTA coverage, which would help diversify New Zealand's trade connections.

Connected to this, we also emphasise the importance of New Zealand continuing to support building Pacific capability, including from a geostrategic perspective.

## Appendix

### Committee procedure

The long-term insights briefing was presented to the House on 17 December 2025 and referred to us on 28 January 2026. We met between 29 January and 14 May 2026 to consider it. We heard evidence from the Ministry of Business, Innovation and Employment and the Ministry of Foreign Affairs and Trade on 19 February 2026.

### Committee members

Tim van de Molen (Chairperson)  
Tim Costley  
Hon Peeni Henare (until 15 March 2026)  
Dana Kirkpatrick  
Laura McClure  
Hon Damien O'Connor  
Teanau Tuiono  
Vanushi Walters (from 25 March 2026)

Melissa Lee and Helen White participated in this briefing.

### Related resources

The long-term insights briefing is available on [the Parliament website](#), as is [additional information requested from MBIE](#) and [a recording of our meeting on 19 February 2026](#).