



**9 October 2008**

## **Export led recovery – maybe not**

The New Zealand Manufacturers and Exporters Association (NZMEA) say that National's tax package is set to severely impact the real (tradable) economy in New Zealand. Scrapping the R&D tax credit will drive our existing innovators offshore and stymie the development of new opportunities.

NZMEA Chief Executive John Walley says, "As we watch the global meltdown of the financial system, we look to our real economy to take up the slack. At this point in the business cycle we look to our exporters to lead the recovery. Instead of supporting the recovery, this policy kicks the tradeable economy in the teeth. We have received a huge amount of angry comment on this issue, but I guess the political calculation is that exporters don't have many votes so they don't matter."

"Our members are saying that they stand to lose significant investment capital if the R&D credit is removed. Many of them have already started to invest in R&D projects and report that this change will eat into margins and prevent further R&D investment.<sup>1</sup> We have also received feedback from overseas businesses intending to carry out R&D projects in New Zealand that removing the tax credit would see them consider cancelling these plans."

Colin McKenzie from Salcom Technologies said, "Once again it appears that Ministers of the Crown are going to demonstrate their ignorance of how the real economy actually functions in a competitive world, but blithely talk about 'business growth' with, it appears, little concept of how that is going to be achieved, and consequently raise the taxes they need to meet their promises." This reflected the sentiment from those involved in the tradeable economy.

"There has been much talk from National about cutting bureaucracy costs to free up funding, but these cuts have come straight from the pockets of our existing and potential innovative exporters. The tax package simply offers a carrot to voters at the cost of our long-term economic success."

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<sup>1</sup> For our perspective on how to encourage investment see the John Walley and Andrew West co-authored article in National Business Review tomorrow.