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Overcome tensions between “Buy Local” policies and campaigns and the wider CACCI view of liberal trade and investment

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1. Summary

To varying degrees, Chambers of Commerce (Chambers) have advocated for the liberalisation of international trade as well as supported Buy Local policies in their respective countries. This is for good reason, because buying local supports local business directly, while liberal trade allows businesses to access overseas markets freely and fairly.

These two concepts may seem conflicting, but Chambers in the Confederation of Asia-Pacific Chambers of Commerce & Industry (CACCI) network can and should be supportive of both. Business has the right to operate competitively in their own home market and while bring free to reach opportunities in overseas markets.

This paper argues that the underlying concepts of Buy Local and liberalised trade are representative of two different stages of a businesses’ life-cycle. The Buy Local campaigns support small businesses at the beginning, while supporting liberal trade helps local businesses expand and reach overseas markets.

However, there is another juxtaposing issue that should be considered – the responsibility of business to take climate action. Chambers and businesses need to actively respond to consumer concerns about business impacts on our climate and environment. Through the 2019 Chambers Climate Coalition, of which 2,100 Chambers have signed, we have a mandate and commitment to act.

Given the commitments made under the Chamber Climate Coalition, we ought to consider environmental impacts and climate action alongside tensions between Buy Local and liberal trade and investment.

2. Background

Since the founding of the World Trade Organisation (WTO) in 1995, the world of international trade has entered an era of liberalised trade on a scale past generations have never experienced. Studies have shown that the introduction of the WTO has boosted trade between nations while barriers to international trade have decreased¹².

Countries now sign bilateral and multilateral free-trade agreements (FTAs), further liberalising the trade of goods and services across borders. This benefit both businesses and the end-consumer, allowing for greater competition for businesses to compete and grow, accessibility to goods and services that wouldn't be available domestically, and allowing for more competitive pricing to the benefit of consumers.

Alongside the push for increasingly liberal trade, there have always been domestic movements to promote buying locally produced goods and services. The argument for doing so is simple: buying local supports local business growth. Consumption of locally made goods and services preserves domestic jobs, keeps money circulating domestically, and diversifies the economy.

Though this debate may come down to simple preference, there are more complicated issues to consider. For example, there is also the justification that buying local is good for the environment. Consumers and organisations are becoming more aware of how their products are made, where they are made, and how their production and transportation negatively affect the environment.

However, though it is easy to accuse the international transportation of goods as being a main contributor to carbon emissions, this is not always the case. Production methods vary differently between countries, and some producers are more energy efficient and/or use processes that produce less emissions, even after factoring-in transportation across borders.

To varying degrees, government and Chamber networks in Asia-Pacific countries have supported both the liberalisation of trade and Buy Local policies organised by domestic groups.

¹ U.S. Trade Policy: Going it Alone vs. Abiding by the World Trade Organization: <https://econofact.org/u-s-trade-policy-going-it-alone-vs-abiding-by-the-world-trade-organization>

² Goldstein, J.L., Rivers, D., & Tomz, M. (2007), *Institutions in International Relations: understanding the Effects of the GATT and the WTO on World Trade*. International Organization, 61(1), pg. 37-67.

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But how can Chambers be advocates for both positions? Supporting both campaigns may seem to be contradictory. To many, supporting liberal trade means to support large multinational companies flooding the market and driving smaller, local, companies to ruin, while supporting Buy Local means to support isolationism and protectionism of the domestic market.

CACCI also needs to consider the Chambers Climate Coalition launch at the 11th World Chambers Congress in June 2019. Since the launch of the Coalition, 2100 Chambers & affiliate organisations have signed the pledge.³

This policy paper outlines a possible position CACCI may take in order to balance tensions between Buy Local policies and campaigns and the wider CACCI view of liberal trade, as the while considering the World Chambers Congress position on climate action.

3. Benefits vs. Benefits Overview

Buy Local - Localism⁴	Liberal International “Free” Trade⁵
1. Strengthens local business communities and supports smaller businesses	1. Increased consumer and manufacturer access to higher-quality, lower-priced goods
2. Supports local jobs and employment	2. Improves efficiency and innovation
3. Reduce Carbon Emissions from international transportation, i.e. “food miles”	3. Drive competitiveness beneficial to longer-term growth
4. Connects us to our local businesses and producers	4. Reduces production costs meaning higher economic growth
5. More diverse economies and different industries	5. Promotes a rules-based system and fairness in the marketplace
6. Investment directly into our local economy	

³ The Chambers Climate Coalition: <https://www.chambers4climate.iccwbo.org/>

⁴ Top reasons to Buy Local: <http://localism.co/make-a-difference-buy-local/>

⁵ The Benefits of Free Trade: Addressing Key Myths: <https://www.mercatus.org/publications/trade-and-immigration/benefits-free-trade-addressing-key-myths>



There are a number of good reasons to support Buy Local campaigns.

Local purchases keep wealth in the local community, increasing prosperity for the people around in and around the business rather than having it go to an overseas corporation. Buying local supports jobs and preserves diverse and variably-skilled employment opportunities. There are fewer transportation costs (i.e. “food miles”) associated with buying local. It also leads to a more diverse local economy, meaning it is less susceptible to international fluctuations. And supporting Buy Local campaigns brings Chambers closer to the local business community and shows a sense of pride for the communities Chambers should be leading.

The principle goal for Chambers is to be advocates for local business, and one of the best ways to do this is to champion their goods and services to the local consumer.

However, advocating for local business also means being able to open opportunities for them on the international market place. There are several reasons why Chambers should also promote liberal “free” trade in support of local business growth. Free trade drives competitiveness by requiring business to adapt to shifting consumer demands and compete for market share. This competition means improving efficiency and innovation in products and production processes that, in turn, allows for more dynamic economics that continue to create higher-skilled jobs, new opportunities, and more sustainable business practices. Free-trade competition means consumers and manufacturers have access to higher-quality, lower-priced goods. This has eased inflationary prices and has allowed business and consumers to access more variety suited to their needs.

Free trade, especially under the WTO and FTAs, promotes fairness. The WTO and its disputes-settlement system has that all countries, regardless of size or power, must follow the same rules-based system of trade. In the absence of such a system, more developed nations would most likely more easily acquire unfair advantages.

In the past, Chambers have advocated successfully for rules-based liberal “free” trade and must continue to do so on the condition that free trade continues to benefit their business members.

Chamber advocacy for both “buy local” and liberal international trade are fundamental to championing the growth of local business. The two positions below outline how CACCI may advocate for a balanced approach in the near future.



6. Support Buy Local as part of the journey to exporting

Creating Pathways

One of the purposes of a Chamber is to support positive business growth. Part of this should be assisting new businesses in their journey from inception as a MSME (Micro-, Small-, Medium-sized Enterprise) to MNC (Multi-National Company).

Supporting both Buy Local campaigns and free trade should not be seen as a conflict of ideas, but instead the creation of a pathway for business growth. The ambition of every business, regardless of whether they produce goods or services, should be to become an internationally renowned company. Supporting “buy local” campaigns means to support small business growth in the home market, while supporting liberal international trade can mean supporting the path that local business can use to grow across borders.

Chambers need to identify growth pathways that are viable for businesses to utilise and then assist in the transition when they are ready to trade or grow internationally. Creating pathways from the local to international markets and supporting both Buy Local and liberal trade campaigns are a logical way of promoting this type of pathway.

Part of this could be to advocate for both “buy local” and liberal trade policies but would also require Chambers to implement a transition programme from trading in the domestic market to exporting goods and services globally. This could be in the form of export-readiness workshops such as those organised by New Zealand Trade and Enterprise for domestic businesses,⁶ or through mentoring programmes such as those run by Wellington Chamber of Commerce⁷. A basic pathways model could even rely on helping businesses network between themselves and having them help each other by sharing experiences and advice on a personal level.

Competition = Innovation

CACCI should also consider the argument that “competition breeds innovation” when discussing the pathways framework. It is clear to economists and business people alike that

⁶ New Zealand Trade and Enterprise Launches New Export Essentials Resources & Workshops: <https://www.nzte.govt.nz/about/media-releases/new-zealand-trade-and-enterprise-launches-new-export-essentials-resources-and-workshops>

⁷ Business Mentors: <http://www.wecc.org.nz/services-and-resources/business-mentoring>

technological innovation is paramount to economic growth. A study of domestic firms in emerging markets, conducted by Frank Crowley & Declan Jordan in 2017, found that higher levels of competition are linked to a greater likelihood of innovation, before reaching a tipping point⁸.

Chambers can use this argument to justify the balance between advocating for both policies, because there needs to be market competition at all parts of the 'journey'. Hypothetically, encouraging consumers to "buy local" shows Chamber support for small business in the local market while the Chambers' advocacy for liberal trade also means those small businesses still face strong competition in a favourable market. Competition means local business must innovate and create competitive advantages that set them apart from their international counterparts, who often rely on pricing advantages.

Analysing the products listed on Buy Local websites, it is easy to see that quality and sustainability are the competitive advantages that set locally sourced products apart from international goods. The 'Made in America' site highlights products as being "eco-friendly", "quality goods built to last", and goes as far as to call a product the "Ferrari of Foot Care"⁹. The 'Australian Made Campaign Limited' (AMCL) was established by the Australian Chamber of Commerce & Industry (ACCI) and emphasises goods' suitability to the Australian lifestyle, support of local business, and the approved authenticity of AMCL-branded products. However, the AMCL does not use just the 'Australia Made' branding for domestic products. The branding has become a global icon, with nearly half of the accredited businesses exporting their products¹⁰. Australian-made products are seen to be high quality and highly trusted on the international market and the innovations that make the goods suitable for Australian life can suit elsewhere around the globe.

The Buy Local marketing campaigns work well overseas and can be used to easily identify authentic products exported from their home countries. The Australian Made logo, for example, "*makes the 'Australia connection' instantly and clearly, providing recognisable third-party accreditation and delivering confidence to consumers*". Further research into the logo in China found that 69 per cent of Chinese surveyed made the connection to Australia, 70 per

⁸ Crowley, F. & Jordan, D. (2017). *Does more competition increase business-level innovation? Evidence from domestically focused firms in emerging economies*". *Economic of Innovation and New Technology*, 26:5 p. 477-488, DOI: 10.1080/10438599.2016.1233627

⁹ The American List: <https://www.madeinamerica.co/pages/thelist>

¹⁰ Australia's Global Product Symbol: <https://www.australianmade.com.au/for-business/the-benefits-for-exporters/>



cent considered the logo conveyed a 'clean, green' message, and 56 per cent considered the logo to be official¹⁰.

“Buy local” companies must innovate to compete, even in a business environment like the United States of America, Australia, or New Zealand, where local companies are well supported. This is only a good consequence and prepares businesses for the challenges of competing internationally.

7. Buy Sustainable

Another approach is to look at the completely different option that takes into account the current environmental trends in consumer behaviour and the effect business behaviour is having on the changing climate. This is to advocate for “Buying Sustainable”.

Consumers and buyers are becoming more and more inclined to consider 'green' products and services. Also, given the current movement for climate action, waste reduction, and sustainable production, this is certainly something Chambers of Commerce need to take into consideration when advocating a position.

Chambers Climate Coalition

The International Chambers of Commerce have already acted, launching the Chambers Climate Coalition in June 2019¹¹. The coalition already has 2100 Chambers and affiliated organisations and highlights the need for Chambers of Commerce to support bold action to tackle climate change. As many of CACCI's members will be members of this initiative, it must be taken into consideration when outlining a confederation-wide position on international trade.

This position would suggest CACCI support Buy Sustainable movements and initiatives rather than simply Buy Local or liberal trade policies. In theory, Chambers would still support Buy Local and liberal trade policy, but this would be on the condition that the policy is in line with a range of sustainability guidelines for growth production/manufacturing, transportation, and distribution.

¹¹ The Chambers Climate Coalition: <https://www.chambers4climate.iccwbo.org/>



This position creates a balance between supporting Buy Local, liberal trade, and highlights the Chambers' action against climate change. The Chamber Climate Coalition commits to five simple but bold commitments:¹¹

1. To advocate for climate action within our business networks and for well-conceived policies to limit the global average temperature rise to 1.5°C.
2. To support the goal of achieving net-zero emissions globally by 2050.
3. To mainstream climate mitigation and resilience guidance into Chamber services.
4. To work with public and private entities to support effective climate solutions as part of a transformational change that works for people and planet.
5. To reduce the greenhouse footprint from Chamber activities without delay.

A commitment to advocating for sustainable business practices over all else supports the coalition's initiative. It also works to ease the tension around Chambers' position on Buy Local and liberal trade by pivoting to a more modern and consumer-friendly policy of supporting business.

Innovating is the key to creating more sustainable businesses, and Chambers should be advocating and helping businesses to work smarter to reduce carbon emissions and waste. Sustainable business practices can mean building efficiency into production methods, minimising waste, and maximising resources. Sustainable business ties into what it means to have sound business practices. Not only are sustainable practices better for the environment, but the efficiencies can save money and improve businesses' reputations with their consumers¹².

Sustainable Businesses are Competitive Businesses

Using this position, Chamber advocacy for sustainable business may motivate more businesses to invest in change, innovation and modernisation for longer-term solutions.

Unilever CEO Paul Polman has gone on the record numerous times to state that the short-term capitalism lies at the heart of many of today's problems,¹³ and

¹² Simply Sustainable: A Straightforward Guide to Sustainable Business Practices: <https://www.mfe.govt.nz/publications/sustainability/simply-sustainable-straightforward-guide-sustainable-business-practice-0>

¹³ The Remedies of Capitalism: http://www.mckinsey.com/features/capital-ism/paul_polman

“Comes at an enormous cost: unsustainable levels of public and private debt, excessive consumerism, and frankly too many people left behind... People are asking, ‘What are we doing here? The amount of resources we currently use is 1.5 times the world’s capacity. Is that sustainable? A billion people still go hungry. Is that sustainable? The richest 85 people have the same wealth as the bottom 3.5 billion. Is that sustainable?’”¹⁴

What the Unilever CEO is suggesting is that the world’s business community move to a sustainable focused model, and this type of pivot isn’t just to take action against climate change, it is about creating long-term business value.

It is not just about climate action – sustainability could transform the way businesses trade internationally. Instead of being a race to the bottom and competing on low pricing, producers would focus on value adding activities and innovations to current good and services.

Veleva & Ellenbecker state there are six main aspects of sustainable business¹⁵

- Energy and material use (resources)
- Natural environment (sinks)
- Social justice and community development
- Economic performance
- Workers
- Products

Sustainable business is about reducing waste and ‘doing more with less’. Businesses will need to assess production means and examine the transportation of goods to ensure they use the least amount of energy and resources possible. As well as creating a cleaner process, improving sustainability can generate cost savings due to the efficiencies created¹⁶.

Employees are critical to a business’s success and should be treated as such. Sustainable business means sustainable employment and incorporating good employment practices.

¹⁴ Business, Society, and the Future of Capitalism: <https://www.mckinsey.com/business-functions/sustainability/our-insights/business-society-and-the-future-of-capitalism>

¹⁵ Veleva, V. & Ellenbecker, M. (2001), *Indicators of Sustainable Production: Framework & Methodology*. Journal of Cleaner Productions, 9, pg. 519-549. DOI: 10.1016/S0959-6526(01)00010-5

¹⁶ Simply Sustainable: A Straightforward Guide to Sustainable Business Practices: <https://www.mfe.govt.nz/publications/sustainability/simply-sustainable-straightforward-guide-sustainable-business-practice-0>

Better work conditions and employer flexibility can mean improved job satisfaction rates among employees and can be crucial to attracting and retaining talented people.¹⁶

Sudden change can affect the bottom line in the near future with investment and process change. However, it is part of a larger shift away from short-term profitability to longer-term goals.

Chambers should be advocating for sustainable business models, because it is the right thing to do. Advocating for businesses to move to sustainable models may be unpopular with some traditional business-types. However, we have to ask ourselves, with the overwhelming majority of the scientific community urging humanity to take action, can we do nothing and keep to the “business as usual” way of doing things?

What about Food Miles?

The phrase ‘food miles’ was first coined in the 1990s and describes the distance that food travels to reach consumer’s plate. The clear inference is that the further food has to travel then the worse it is for the environment¹⁷. This can translate to the international trade of goods other than food and is one of the main reasons why it is generally assumed that buying local is better of the environment.

Tying this into our position of buying local would be assumed to always be the more sustainable practice when compared to liberal international trade. However, we would argue this is not always the case. Transport emissions are not the only emissions that should be taken into account when deciding a business’s sustainability. Processes of production and supply chain practices also produce emissions and need to be taken into account.

Advising consumers to buy food with the lowest food miles is not suggested as the scope for calculating the sustainability because it is too narrow. An example given by Van Passel, compares Spanish apples (travelling 1500km) to New Zealand apples (travelling 18,700km) in the Belgian market. Going by food miles logic, the Belgian consumer should buy the Spanish apples if they want to support more sustainable practice. However, food miles do not take into account modes of transport: the Spanish apples would be transported by diesel trucks, while

¹⁷ Ballingal, J. & Winchester, N. (2008). *Food Miles: Starving the Poor?* University of Otago Economics Discussion Papers, No. 0812. <https://www.otago.ac.nz/economics/research/otago0771016.pdf>



the New Zealand apples are transported by relatively more environmentally friendly cargo ships¹⁸.

Another example is a report that showed lambs in New Zealand transported 18,000km across the sea have a smaller carbon footprint than locally produced British lambs. The use of renewable hydroelectric power is partly responsible for this, as is feeding livestock on grass. In the UK, animal feed is produced from imported soy. Soy grows in the tropics and its over-cultivation leads to deforestation - a major contributor to climate change¹⁹.

Taking the Discussion Forward

The two examples above show that 'buying local' does not always equal 'buying sustainable'. Innovations in business processes in different countries mean more environmentally sustainable products can be found half a world away, and there is a viable option for supporting sustainable business on a global scale.

They also show there is a way for Chambers to advocate for liberal trade while supporting sustainability and the Chambers' Climate Coalition initiative. Chambers are in a place of influence where they can encourage local business to become more sustainable and celebrate those that do modernise and innovate their processes. As mentioned previously, competition leads to innovation. We can also make the assumption that innovation leads to more sustainable processes, and sustainable processes are better for the environment.

Free trade agreements can be used to motive more environmentally sustainable trade practices. The recently announced *Agreement on Climate Change, Trade, and Sustainability (ACCTS)*²⁰ between New Zealand, Costa Rica, Fiji, Iceland, and Norway is a good example of this initiative. They can be a catalyst for negotiating countries to meaningful commitments to addressing climate change. The ACCTS specially includes the development of guidelines for voluntary eco-labelling programmes and mechanisms to encourage the promotion of environmentally sustainable products.

¹⁸ Van Passel, S. (2010). *Food Miles to Assess Sustainability: A Revision*. Sustainable Development. DOI: 10.1002/sd.485

¹⁹ Saunders, C., Barber, A., & Taylor, G. (2006). *Food Miles – Comparative Energy/Emissions Performance of New Zealand's Agriculture Industry*. Research Report No. 285.

²⁰ Agreement on Climate Change, Trade, Sustainability (ACCTS) Negotiations:

<https://www.mfat.govt.nz/en/trade/free-trade-agreements/climate/agreement-on-climate-change-trade-and-sustainability-accts-negotiations/>

Focusing on Buying Sustainable may not have been what the Chambers have done in the past, but it is where the market is moving toward, given the increasing social consideration for the environment and the impact humans are having on the planet. This advocacy position achieves a compromise between the Buy Local campaigns and CACCI's wider view on liberal trade. The pivot also brings CACCI policy into the 21st century and is more in tune with the direction the market is going. The Chamber Climate Coalition is also considered, and the position could bring more meaningful action to achieve the goals outlined in the agreement.

8. Conclusion

This paper outlines two different ways to approach the initial question of how to “overcome tensions between Buy Local policies and campaigns and the wider CACCI view of liberal trade and investment”.

The current thinking that these two are competing ideas of doing business are out-dated, given that not only the current state of global trade, but also the future of global trade, climate change, and the behaviour of consumers.

Therefore, we need to bring these two ideas together. Business cannot stay ‘traditional’, and Chambers of Commerce cannot simply draw a line between localism and globalism. We must support local business and liberal trade at the same time, and we have proven that they can work together – not only to continue generating business growth, but also competition and a market where companies need to innovate and think to meet future challenges to stay relevant.