

ExportNZ Trade & Advocacy Update July 2024

Trade News Update

Trump II? – All Eyes on the Upcoming US Election

With the Indian, UK, French and European Parliament elections out of the way, the global focus is squarely on the US November election. At this point, it is too early to tell what impact the news that President Biden has withdrawn from the race will have on trade policies and expectations, but prior to this decision, Trump looked very likely to be the victor in key swing states post the assassination attempt. This has meant an in-depth focus on Trump's trade policies as these now are looking very likely to be introduced. The selection of Senator JD Vance as his running mate also entrenches this view. Vance is not a free trader. He is not closely associated with mainstream Wall Street thinking on matters of trade and economics. He has in the past been outspoken in favour of raising tariffs, government intervention in the economy and a weaker US\$. New Zealand is relatively exposed to the proposed new tariff regime under a Trump Presidency. We have no Free Trade Agreement (FTA) with the United States. WTO rules should, in theory, provide us with some protection, but all signs are that Trump will ignore these (this, of course, further undermines the operation of the rules-based international order). New Zealand is, essentially, in the same basket as the UK, EU and China. While New Zealand is not the target, we could be collateral damage.

Having a 10% tariff applied to our exports to the US would be doubly bad for our exporters if key competitors such as Australia or some of our Latin American competitors did not have tariffs imposed on them because of FTA commitments. But at this stage, it is also unclear whether Trump will respect commitments entered into under bilateral and regional FTAs.

An across-the-board tariff increase into the US will displace some imports which will be sold elsewhere. This too could be problematic in other markets for New Zealand exporters. On the other hand, the New Zealand domestic consumer might benefit from cheaper imports as these third countries seek to find new markets for displaced products.

It is also likely that some major players will seek to retaliate against the US, and agriculture products – dairy, meat, fruit and wine in particular – are very vulnerable to such retaliation. This might be a positive for New Zealand exporters to some markets.

The situation is very complicated and fluid and we are monitoring it very closely.

The US is a major trading partner for New Zealand and is an essential technology and services partner. It was therefore good to see the Prime Minister spending time on the West Coast during his recent visit to the US to spend time with important US business leaders to discuss taking their commercial relations with New Zealand forward.

G7 Trade Ministers' Meeting

New Zealand Trade Minister Hon Todd McClay was invited to the G7 Trade Ministers' Meeting last week in Italy. It is very unusual for New Zealand to be invited to such a meeting and it indicates that the Minister and his team are highly respected in key capitals. Australia, Brazil, Chile, India, Kenya, South Korea, Türkiye and Vietnam were also invited to attend.

There were no major breakthroughs at the meeting but some of the language on some issues was more positive than that from the recent WTO Ministerial meeting (welcoming the maintenance of the moratorium on customs duties on electronic transmissions and reiterating support for this moratorium to be made permanent was a positive example). The meeting regretted that the progress at the Abu Dhabi Ministerial Conference had been less ambitious than had been hoped for.

Interestingly and positively, there was considerable focus on the resilience of the supply chain. Russia's illegal war of aggression against Ukraine and the impact this has had on shipping in the Black Sea, and persistent Houthi attacks on commercial shipping in the Red Sea and Gulf of Aden came in for specific mention. Very positively the role of Italy's largest container port (Gioia Tauro near the meeting venue) became a big feature of the meeting.

The meeting called for continued negotiations to reach a more comprehensive agreement on fisheries subsidies (a key New Zealand goal) and for continuing discussions on having a fully and well-functioning dispute settlement system accessible to all members by the end of 2024. These were very welcome.

China was not named but was clearly the target of language targeting non-market policies and practices, excess capacity, and the need to tackle pervasive, opaque and harmful industrial subsidies and market distortive practices of State-Owned Enterprises. UK, Japan, and Canada are all G7 members and members of CPTPP where SOE behaviour is an important focus when considering membership applications.

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

As we go to print, CPTPP senior officials are meeting in Canada. We will report on outcomes next month. How to improve the accession process, how to update the Agreement and possible new accessions will be the focus of this meeting. Some CPTPP members are expecting a flood of new interest in the agreement should the US become even more protectionist in its trade policy under President Trump – see above.

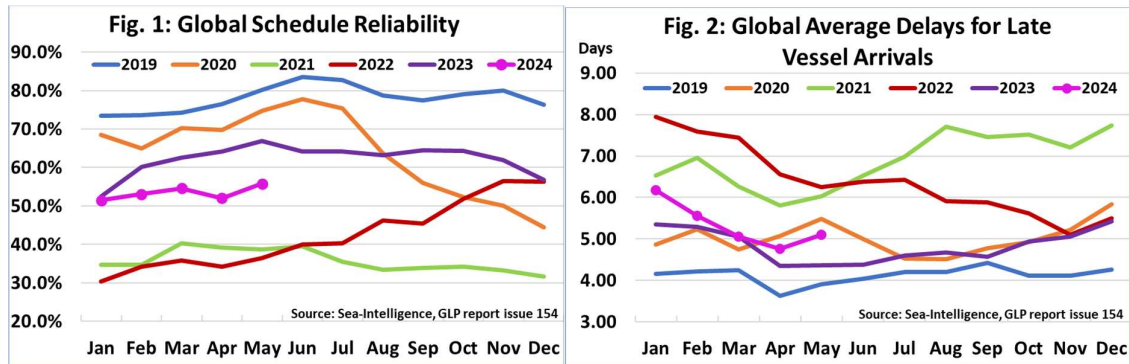
Supply Chain Update

International

According to [the Global Supply Chain Pressure Index](#) pressure on the global supply chain remains under the historical average, although it has again increased slightly – continuing a slow upward trend in pressure on the global supply chain. The Index sits at -0.03 for the month of June, an increase from -0.5 in May and -0.78 in April.

Sea Intelligence's Global Liner Performance report shows that global schedule reliability has improved slightly M/M for May 2024, and sits at 55.8 per cent reliability (from 52.1 per cent in May). Year on year, global reliability -11.0 percentage points below the level in May 2023.

The average delays for late vessel arrivals increased for the first time this year, rising back to an average of 5.10 days, 0.34 days higher than April 2024, and 0.73 days higher than May 2023.



(Sea Intelligence, 1 July 2024)

MFAT Report: Global Shipping Costs Are Rising Once Again – July 2024

New Zealand Ministry of Foreign Affairs & Trade recently [released an update on current supply chain pressures](#). The report signals that if increased shipping costs continue to persist due to the Houthi attacks in the Red Sea, then this could increase pressure on the prices of imported products that businesses and households require. Although overall shipping costs and delays remain below the levels seen during COVID, this compounds the current economic situation currently felt by New Zealand businesses, exporters, and households.

Trade Advocacy Update

Option for Export Exemptions from Composition and/or Labelling Under the Food Act 2014 [OPEN]

The Ministry for Primary Industries is consulting on the proposed options for export exemptions from composition and/or labelling under the Food Act 2014.

All food produced for sale in New Zealand, including those for export, must comply with the applicable composition and labelling requirements for the Australia/New Zealand Food Standards Code and certain New Zealand-specific food standards.

For exported goods, these requirements can differ from those of the importing country, in which case exporters must apply for an exemption from MPI.

This consultation presents a good opportunity for exporters to provide feedback about the issues and constraints the current process has on exporters.

ExportNZ will be submitting our feedback on the proposal, and we strongly encourage food exporters to also submit.

The Consultation period closes on the 26th July, and [more information can be found here](#).

Submission to The Parliamentary Foreign Affairs, Defence, and Trade Select Committee on the Treaty Examination of the Agreement on the Indo-Pacific Economic Framework for Prosperity. [COMPLETED]

ExportNZ and the New Zealand International Business Forum (NZIBF) made a joint submission on the Treaty Examination.

While ExportNZ and NZIBF both support the Agreement on the Indo-Pacific Economic Framework for Prosperity (IPEF), our organisations are disappointed in the lack of market access benefits or meaningful non-tariff barrier reduction that will benefit New Zealand exporters in the American market.

This submission focused on Pillar Two of IPEF – Supply Chains and outlined our support for the initiatives included in the chapter. The global pandemic showed New Zealand and the world how vulnerable our supply chains are. If the mechanisms included in the Agreement can work effectively, they can provide much assurance of supply chain resilience.

You can view the [submission here](#).