

ExportNZ Trade & Advocacy Update August 2024

Trade & Export News Update

United States of America – November Elections

We wrote last month about the global focus on the forthcoming US elections. Since then, we have seen the impact of President Biden's withdrawal from the race on polling. Clearly, Vice President Kamala Harris is more competitive than President Biden and the change at the top of the ticket may well have disconcerted Trump. As of today, Harris is just ahead in the popular vote but the situation in key swing states is less straightforward. As Hilary Clinton demonstrated in 2016, winning the popular vote does not necessarily mean winning a majority of the electoral college votes....

We have therefore been paying attention to Vice President Harris' views on trade policy. We conclude that, while a Harris victory might avoid some of the worst aspects of the proposed Trump agenda (e.g. the proposed blanket 10 per cent tariff on goods entering the USA), the Vice President's voting record on trade is rather discouraging. Harris voted against US, Mexico, Canada and the Trans-Pacific Partnership. She is also part of an administration that has advocated for zero liberalisation over the past three and a half years, taken no cases to the WTO on behalf of US industry and which has retreated from earlier US positions on digital trade. Harris has said that she will "remain tough" on trade with China.

Given the focus on winning the battleground states in the run-up to the election, it is likely that the candidates will continue to advocate protectionist policies on motor vehicles, steel and aluminium, and on agriculture. This suggests four more years of problematic policy and a lack of US leadership in international trade, whoever wins the election.

If there is a ray of sunshine it is Governor Tim Walz. He is an old China hand (he lived there teaching English in the early 1990s) and has visited several times since. He is also on record questioning why New Zealand was excluded from FTA negotiations at the time that the US was negotiating with Australia.

India-NZ Relations

The Government's focus on India has continued with Minister McClay visiting India for a second time in less than a month. It is McClay's third visit since the election. Deputy PM Peters has also visited and there is talk of a Prime Ministerial visit before the end of the year. India's President visited New Zealand last week. No one is expecting to recommence FTA negotiations in the short term, but the noticeable deepening and warming of relations is a necessary pre-condition for this.

United Arab Emirates

Minister McClay is talking optimistically about a conclusion to the FTA negotiations between New Zealand and the United Arab Emirates before the end of the year. Given that talks only began formally in May this year, this is very rapid progress. Minister McClay called into the UAE in between his attendance at the G7 Trade Ministers' meeting and a visit to India to talk to his counterpart. There are a couple of differences of approach between New Zealand and the UAE that require Ministerial guidance.

While the UAE has generally low tariffs, there are some still applied to some New Zealand product. Removing the tariffs on dairy products would be particularly welcome.

Gulf Cooperation Council

Negotiations with the Gulf Cooperation Council (of which the UAE is a member) along with Bahrain, Saudi Arabia, Oman, Qatar and Kuwait are not progressing as quickly as the negotiation with the UAE.

Comprehensive & Progressive Trans-Pacific Partnership (CPTPP)

We undertook to report this month on the CPTPP Senior Officials' Meeting that was about to commence at the time of our last report. Unfortunately, little progress appears to have been achieved at this meeting.

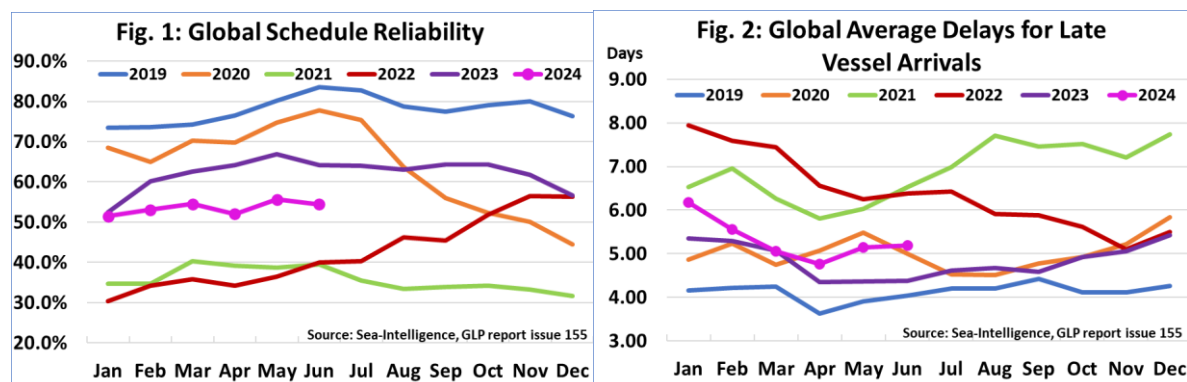
Supply Chain Update

International

According to [the Global Supply Chain Pressure Index](#) pressure on the global supply chain remains under the historical average – albeit it ever so slightly. The Index rose a little and sits at -0.09 for the month of July, an increase from -0.33 in June and -0.55 in May.

Sea Intelligence's Global Liner Performance report shows that global schedule reliability remains within the 50-55% range. Average reliability decreased slightly M/M for June 2024 and sits at 54.4 per cent reliability (from 55.6 per cent in May). Year on year, global reliability -9.8 percentage points below the level in June 2023.

The average delays for late vessel arrivals increased again, rising slightly to an average of 5.19 days, 0.04 days higher than May 2024, and 0.82 days higher than June 2023.



(Sea Intelligence, 30 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.

Electricity Price Surges

Wholesale electricity prices have eased from their 8 August high, in part due to industry-led arrangements between Methanex to free up contracted gas to the electricity system and demand response at New Zealand's Aluminium Smelter at Tiwai plant. Both are illustrative examples of the power of industry coming to the table and providing valuable flexibility.

While prices have eased, prices are still unsustainably high for businesses and exporters. This is creating pressure for businesses exposed to spot market prices. Many are vital businesses for NZ's economy and supply chain, showcasing the need for more supply across many fuels to provide more price relief.

Short-term options are limited to boost supply, especially as near historically low lake levels, coupled with gas shortages and low wind generation provide a shortfall. The good news is that more energy generation is on the way over the next several years, and previous policies that exacerbated investment uncertainty have now been lifted.

However, more needs to be done to provide policy certainty and ensure the adequate signals are in place which ensure NZ has an adequate gas supply, firming/peaking capacity and arrangements that encourage demand response. BusinessNZ, the BusinessNZ Energy Council, and ExportNZ have called for a cross-party Energy Strategy, setting out a long-term plan beyond the electoral cycle to ensure the system is fit for purpose and delivers sustainable, affordable, and secure energy in a more dynamic system with more renewables.

Trade & Export Advocacy Update

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

The Ministry for Primary Industries consulted on 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.

ExportNZ submitted on the proposed options and **did not support any of the options** in their proposed form.

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

You can read ExportNZ's [submission here](#).

Oral 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 both a written and oral submission to the Foreign Affairs, Defence, and Trade Select Committee 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 written [submission here](#).