ExportNZ Trade & Advocacy Update
October 2024

Trade & Export News Update

The end of the year is often a very busy time for trade policy practitioners. This year will be no different. We have an APEC Leaders' Meeting in Peru and associated trade and foreign minister meetings; CPTPP Ministers will be meeting; Members are ratifying and planning to implement the Indo-Pacific Economic Framework (IPEF); the lawyers are tidying up the recent agreement with the UAE; negotiations continue with the Gulf Cooperation Council (GCC); and intensive diplomacy with India continues. Analysts are trying to understand what the impact of the Chinese economic stimulus package will have on import demand.

Overlaying everything is the US Presidential Election, where trade policy is very much front and centre of both the Dems and GOP policy platforms.

US Election – Things Get Even Tighter

It is not our place to make predictions. Things look close and either candidate could win. Whoever wins, ExportNZ doesn't expect things to get better for those wanting to export to the United States.

Tump and Harris both espouse protectionist platforms.

If Harris wins, we can expect current levels of protection to remain in place – including those introduced by Trump last time around (including those on NZ aluminium and steel exports). Tensions with China are likely to remain high. It is unclear whether a Harris Administration would be bold enough to restore the credibility of the WTO.

A Trump victory would be even more challenging. He is talking about introducing 10-20 per cent tariffs across the board. Tariffs on Chinese goods will be even higher. A trade war looks likely should this all happen.

The across-the-board tariff increase would be illegal under WTO rules and would almost certainly be subject to challenge. However, with a dysfunctional dispute settlement system in the WTO, it is difficult to see any disputes with the US being resolved.

It is unclear whether Trump will respect FTA commitments. Should he not, things will be even more serious.

Many New Zealand exporters may be able to absorb some or all or a 10% tariff into the US, but this will significantly impact returns. A 20% tariff would be much more challenging. There are no suggestions that foodstuffs would be exempted.

Some of our trading partners will be impacted negatively by these policies and trade flows will be disrupted. China, in particular, will be impacted. Chinese exporters will be keen to find new markets. Unfortunately, in the current protectionist global market, this might lead to increased protectionism in other markets. We have already seen this in EV market, with Canada and EU following the US lead.

New Zealand consumers will probably benefit, but we are not so sure about our export companies.

Comprehensive & Progressive Trans-Pacific Partnership – Dairy Dispute Continues

Progress has been disappointingly slow this year with Canada at the helm of CPTPP.

All eyes will be on whether the Ministerial meeting will achieve some progress on advancing the growing list of potential accessions. Indonesia is the most recent to apply.

There are some suggestions that there could be an announcement about the commencement of accession negotiations with Costa Rica.

The dispute between Canada and New Zealand over dairy access continues. New Zealand has taken the dispute to the next level and has triggered mandatory negotiations.

In September last year, a Panel of Arbitrators ruled in favour of New Zealand, finding that Canada had breached its obligations under the CPTPP by blocking New Zealand dairy access. According to New Zealand, Canada has failed to comply with the ruling and under the Agreement the next step is for New Zealand to request formal negotiations.

If the negotiations fail to resolve the matter New Zealand will have the right to impose retaliatory tariffs on some Canadian imports.

This matter is highly political in Canada which is an unhelpful complication to resolving the dispute.

United Arab Emirates – UAE-NZ FTA, A Comprehensive Agreement

Minister McClay and Officials can be proud of the quality of the agreement that was announced on 26 September. It is comprehensive in its coverage and 98.5% of tariffs will be eliminated on entry into force. Chicken exporters will have to wait a couple of years for full liberalisation.

We are looking forward to studying the commitments on investment and services.

Gulf Cooperation Council – Negotiations Tracking Well

We understand that negotiations are progressing positively. Some expect and outcome before the end of the year. We doubt that this will be as high quality as the UAE agreement.

India – High-Level Engagements Show a Warming Relationship

Minister McClay plans another visit to India this year and the PM met PM Modi at the ASEAN meeting in Laos. At that meeting, the Prime Minister was invited to visit India in 2025 – that will be a visit to keep an eye on as the Government aims to start, negotiate, and conclude a Free Trade Agreement with India before the end of this term.

Indo-Pacific Framework for Prosperity – A Box Ticked

New Zealand completed ratification of IPEF Agreement Relating to Supply Chain Resilience on 24 September. The Agreement entered into force on 12 October.

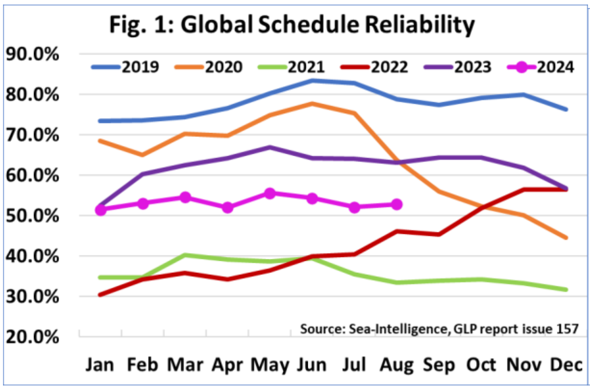
Supply Chain & Shipping Update

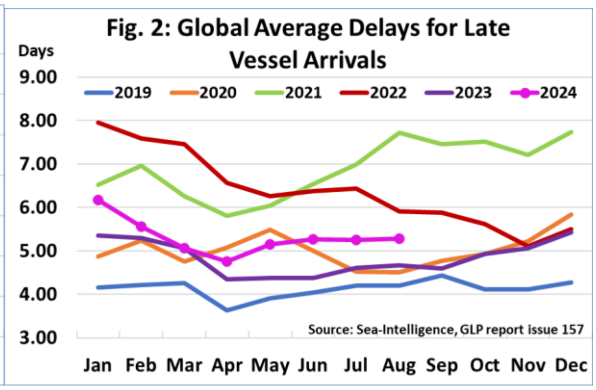
International

According to the Global Supply Chain Pressure Index pressure on the global supply chain sits at the Index's global historical average. The Index fell to 0.13, down from 0.20 in August.

Sea Intelligence's Global Liner Performance report for September shows that global schedule reliability remains in the 50-55% range and improved by 0.7 per cent to 5.8 per cent. While the index shows that reliability has stabilised, reliability remains well below 2023 levels.

The average delays for late vessel arrivals also remains steady, increasing slightly to an average of 5.28 days, 0.03 days higher than July 2024, and 0.63 days higher than August 2023.





(Sea Intelligence, 30 September 2024)

Crisis Averted - East Coast/Gulf Port Strikes End

U.S. East Coast and Gulf Coast ports reopened on Friday, 4th October after dockworkers and port operators reached a wage deal to settle the industry's biggest strike in nearly 50 years, port operations have cleared the backlog and should be operating as normal.

The strike had threatened to disrupt supply chains, causing shortages of some consumer goods and supplies needed to keep US factories running. It also temporarily cut off the flow of many American exports, putting overseas sales at risk for some US businesses.

In the finish, relatively little damage was done, with the strike lasting only three days, especially since many shippers had rushed to move their goods through the ports ahead of the start of the strike, a deadline that had been known for months.

Furthermore, the strike ended sooner than investors had expected, weakening shipping stock prices as freight rates were no longer expected to surge.

Trade & Export Advocacy Update

NZ Customs & Ministry for Primary Industries – Customs Fees Review [OPEN]

Consultation is still open! You can make your submission until the 31st October.

New Zealand Customs and the Ministry for Primary Industries have begun public consultation on the recovery of the costs of goods management activities that they engage in at the border.

A review has found that changes to fees are needed to ensure that Customs and MPI can continue to deliver efficient, easy to use services while having sufficient resources to target risks to New Zealand.

Proposals being consulted on include:

- Moving from per document to per consignment charging for low-value goods (valued $1000 or less).
- Introducing differential charges for high-value air and sea consignments (valued over $1000).
- Discontinuing one export-related fee.
- Introducing a commercial vessel charge to recover the costs of managing commercial vessels.
- Bringing transhipped goods and empty containers within the scope of the charging regime.
- Moving to full cost recovery for clearing low-value air cargo.
- Recovering the cost of clearing low-value goods arriving by international mail.
- Adjusting fee levels so that Customs' goods management activities are financially sustainable.

If all of the proposals being consulted on are implemented following consultation, there will be changes to the rates and structures of some fees. The rates of some fees would increase, and the rates of others would reduce.

These changes will affect exporters, either directly or through third parties. Therefore, we are interested in engaging directly with exporters to ask some short questions. If you are interested in supporting our work, please email Josh Tan (jtan@exportnz.org.nz).

You can find all the information here. Submissions close on the 31st October.

A Future for Foreign Direct Investment in New Zealand [PUBLISHED]

BusinessNZ has long advocated for a more open and welcoming Foreign Direct Investment (FDI) regime, and it is clear that there remains an appetite for this stance within business circles.

BusinessNZ recently released the paper *A Future for Foreign Direct Investment in New Zealand* outlining the issues and solutions to the current FDI regime in New Zealand.

Access to investment funding and FDI has been a consistent issue for New Zealand exporters and their ability to grow and reach new markets. Therefore, it is welcome to see the government commit to improving the Overseas Investment Act to allow for the necessary FDI required to grow our export sector.

ExportNZ DHL Export Barometer Report 2024 [PUBLISHED]

This year's ExportNZ DHL Barometer Report was released earlier this month. It is based on nationwide research, examining the business outlook of exporters, highlighting changes in overseas market demand and providing insights into the factors impacting on New Zealand's export trade. The research was conducted between 01 June and 30 June 2024 and received 271 responses.

Our Key Finding:

- A net 18% of respondents reported a positive export performance over the last 12 months.
- A net 51% of respondents expect to see export orders grow over the next 12 months.
- The top barriers to exporting have remained consistent for three years running, and continue to be:
  - cost and supply of supply chains and logistics,
  - high cost of doing business in New Zealand, and the
  - value of the New Zealand Dollar.
- Labour shortages are also an ongoing barrier to exporting more from New Zealand, but as demand for goods overseas drops the need for exporters to add more staff also falls as shown in these results.
- 40% of respondents said their costs had increased by 20% or more.
- 85% of respondents reported that their logistics and supply chain costs had increased, including 10% who reported an increase of 50% or more.
- In response to rising costs and slowing consumer demand, respondents are taking actions including:
  - Developing new products/services,
  - Improving business processes,
  - Entering new markets,
  - Enhancing their presence online.
- What can the Government do to support exporters?
  - More support to attend trade shows,
  - Continue to sign free trade agreements,
  - Access to support for market research, Research & Development, and from NZTE.

You can read the full report here.