

*Substantive updates from the previous report have been shaded red.*

## **Feedback**

We welcome feedback from New Zealand exporters on this report as we continue to refine its content. Please direct any suggestions or feedback to [exports@mfat.net](mailto:exports@mfat.net).

## **Global summary**

- **The global response to the COVID-19 pandemic remains the primary trade and economic issue affecting New Zealand exporters.** There continues to be no formal restrictions on market access for the majority of goods exports and imports as a result of COVID-19, but the global pandemic is placing intense pressure on global supply chains and disrupting trade flows. Some countries have placed export restrictions on medical products and some on staple food products, such as rice and wheat. There has also been an increased trend towards ‘buy local’ campaigns. **A report released by the WTO on 29 June said that G20 economies have adopted 93 trade related measures linked to COVID-19.**
- According to an [update](#) by the **WTO** on 22 June, while trade volumes have fallen steeply in the first half of 2020, they are unlikely to reach the worst-case scenario of a 32% contraction projected in April. The volume of merchandise trade shrank by 3% year on year in the first quarter according to WTO statistics, and initial estimates for the second quarter indicate a year on year drop of around 18.5%.
- The **IMF’s** updated World Economic Outlook [released](#) on 24 June predicts that the global economy will shrink 4.9% in 2020, a downward revision of 1.9 percentage points from its April forecasts.

## **Multilateral economic and trade developments**

- The impact of COVID-19 on **food security and supply chains**, and the role of trade in economic recovery, are being discussed in numerous plurilateral and multilateral fora. New Zealand is actively engaged in such discussions and continues to advocate strongly for maintaining trade flows and upholding the rules-based trading system.
- **New Zealand** and the **UK** formally [launched](#) **free trade negotiations** on Thursday 17 June (NZT). The UK was New Zealand’s sixth largest trading partner in 2019, with two-way trade totalling almost \$6 billion. The first round of negotiations will take place by video conference from 13 to 24 July.
- At the virtual **Ottawa Group on WTO reform** meeting on 15 June, 13 trade ministers endorsed a Statement, setting out a new six step plan on COVID-19. The [statement](#) includes actions around greater transparency on COVID-19 trade related measures, and the timely withdrawal of trade-

restrictive measures; predictable and open trade in agriculture; advancing negotiations on e-commerce; consideration of steps for a possible new WTO initiative to facilitate trade in medical supplies; and greater engagement with business and other stake-holders. Minister David Parker – alongside other Ottawa Group Ministers - also reaffirmed New Zealand's commitment to the broader WTO reform agenda, including efforts to conclude negotiations on the issue of fisheries subsidies.

### Update on MFAT's supply chains

- As part of its work to **ensure international supply chains** function as well as possible through COVID-19, MFAT has been using its network of Posts to monitor how international sea and air ports, and domestic logistics are operating. The latest fortnightly update has been [published online](#). MFAT also remains involved in an interagency group that is looking at longer term air and sea freight issues.
- The Ministry of Transport's **International Air Freight Capacity scheme** has been established to help maintain New Zealand's air freight links with global markets. Phase 1 has added 56 weekly flights on Air New Zealand, China Airlines, Emirates, Freightways Express, Qantas and Tasman Cargo. More flights will be added as the scheme expands. In the first instance, exporters should contact their preferred freight forwarder to access the flights. A schedule of the flights is listed [here](#).

### Regional updates

#### New Zealand and Australia

- **New Zealand's economy** contracted by 1.6% in the March quarter as the first economic impacts of COVID-19 were felt. A much larger contraction (~25%) is expected in the June 2020 quarter, when most of the lockdown occurred. Despite the quarterly contraction, the economy grew by 1.5% in the year to March 2020, with nominal GDP estimated to be \$314 billion. Tradables sector GDP increased by 0.8% in the year to March, and the export sector expanded 1.0%.
- Comparing provisional **New Zealand goods trade data** for the fortnight ending 24 June 2020 with the equivalent fortnight in 2019, total exports to all countries were down 1.3% from \$2.340 billion to \$2.309 billion, while total imports from all countries were down 12.3% from \$2.276 billion to \$1.996 billion. Provisional data for the month of May indicates that exports fell by 5.8% and imports by 20.6%.
- NZTE have launched [myNZTE](#), an interactive digital portal of insights and tools available to all New Zealand exporters. It includes access to comprehensive market guides, learning modules, research and content on trends and topical issues, export stories and information on regulations and compliance.

## European Union and United Kingdom

- The **European Commission** released its annual [Trade and Investment Barriers Report](#) on 18 June, which analyses the new barriers faced by EU business in 2019 and those removed. The report found that 43 new barriers had been listed in the EU's Market Assess Database in 2019, at a total of 438 active trade and investment barriers.
- On 30 June the European Council agreed the list of 15 countries – including New Zealand – with whom EU Member States should start **lifting travel restrictions** from 1 July. The list also includes: Algeria, Australia, Canada, Georgia, Japan, Montenegro, Morocco, Rwanda, Serbia, South Korea, Thailand, Tunisia, Uruguay, and China. *(Note – the New Zealand Government continues to provide travel advice to New Zealanders via the SafeTravel website [www.safetravel.govt.nz](http://www.safetravel.govt.nz). As at 30 June, the New Zealand Government advises New Zealanders to not travel overseas.)*
- Following Prime Minister Johnson's announcement on 23 June (UK time) on the further **easing of lockdown measures in England** from 4 July, the UK Government on 25 June [published official guidance](#) on how businesses across a variety of sectors are expected to operate from that date.
- **Switzerland's** Federal Council has announced that **borders** will also reopen to workers from third countries (i.e. non EU or EFTA States) from 6 July. From that date, cantons will also process residence applications for people who are not workers but are intending to reside in Switzerland for over 90 days.

## Americas

- The **United States** Federal Reserve has forecast that the US economy will shrink by 6.5% this year and announced it would keep interest rates close to zero into 2022. However, the Fed expects the US economy will return to growth in 2021, with unemployment falling to 9.3% and GDP increasing 5%, followed by 3.5% growth in 2022.
- The **US** Department of Commerce's International Trade Administration and US & Foreign Commercial Service are **temporarily eliminating or reducing fees** for several of its export services until 30 September, to provide relief for US businesses impacted by COVID-19. SMEs will receive services for free, while large US companies will have fees reduced by up to half.
- A number of US states have paused reopening their economies due to a spike in COVID-19 cases. Plans to ease from lockdown restrictions have taken a standstill, and elective surgeries in some locations (e.g. Texas) have again been put on hold to free up hospital beds.
- President Trump has signed a [new immigration executive order](#) which **suspends applications for four major work visas** for the rest of 2020. The categories covered are high-skilled workers (H-1B visa); non-agricultural temporary workers (H-2B); intra-company transferees (L); and education or cultural exchange visitors (J). This order does **not** apply to anyone already in the US or who already holds a valid visa; agricultural seasonal workers; and E-1 and E-2 visas that were provided to New Zealand under the KIWI Act. **Exemptions** will be provided to workers deemed

critical to the US food supply chain and anyone whose entry is “in the national interest” including those who could assist the US economic recovery.

- As in other parts of the US, the effect of the pandemic has been felt across many sectors of the **California economy**, with leisure and hospitality the hardest hit and job losses mounting across every sector. **New Zealand goods exports** to California have nevertheless been holding up well, with total goods exports through the first four months up 12.3% over the same period last year and nine of the top ten goods exported to California seeing increases. A **report** on the state of the Californian economy, including sector snapshots, is available on the MFAT website [here](#).
- The US has proposed a further US\$3.1b of tariffs on Europe on a range of goods in relation to last year’s WTO Airbus decision. This proposal will be under public consultation for a month, following the WTO ruling last year that the US can impose up to 100% tariffs on US\$7.5b of European goods (stemming from a finding that the EU had failed to eradicate illegal support for an Airbus aircraft). A WTO decision on the case against the US for subsidies for Boeing is not expected until September.
- **Canada’s economy** contracted at an annualised pace of 8.2% in the first quarter and real gross domestic product fell 7.2% in March as 19 out of 20 industrial sectors declined. An update on economic developments in Canada has been published on the MFAT website [here](#).
- The IMF is forecasting **Mexico’s** economy to contract 10.5% this year. Approximately 8.4 million people were left jobless in May, and exports fell by 56%.
- **Chile’s** state-owned copper mining company CODELCO, has closed the world’s largest open-pit copper mine, to prevent further spread of COVID-19 after the death of three workers. **Staffing reductions in Chilean copper mining operations** could reduce overall mining revenue by 2% in 2020 (the sector accounts for 9.4% of total GDP). Chile accounts for 28% of the world’s copper supply and there are concerns about the impacts of the closure of Chilean mines on copper prices and the global metals market.
- Chile’s **LATAM Airlines** will **suspend 16 international routes** until further notice, including its nonstop flight from Santiago to Melbourne. No announcement has been made on the Auckland service.

#### Asia, Middle East and Africa

- The COVID-19 **cluster outbreak** in one of **Beijing’s** largest meat and vegetable wholesale markets in June has resulted in new containment measures including the cancellation of flights in and out of Beijing and the shutdown of schools and businesses. Due to initial speculation that imported salmon was a possible source for the outbreak, **impacts to New Zealand and other exporters (such as Uruguay)** include increased border testing and associated delays, additional compliance, cancelled orders and increased costs due to some importing companies renegotiating contracts to reduce meat prices. There are currently no bans on imported food.
- The **US Department of Agriculture and the Food and Drug Administration** issued a [joint statement](#) regarding **food export restrictions pertaining to COVID-19 and import requirements**

**for those products in China**, saying that there is “no evidence that people can contract COVID-19 from food or from food packaging.” In lieu of the requested official declarations by China’s customs authority, US food and feed exporters are instead shipping their goods to China with “commitment statements”, with no reported shipping issues to date (though Chinese authorities are yet to confirm they will accept these US producer guarantees).

- **Singapore Airlines** (including Silk Air and Scoot) now [allow transit from select cities](#) in Mainland China, Japan, Hong Kong and South Korea to any destination in the SIA Group. Transfers are only allowed between SIA Group flights and only from flights originating in one of the approved cities. This is in addition to the earlier announced cities in Australia and New Zealand.
- **Taiwan** has **eased quarantine requirements for business travellers** from countries considered to have managed their COVID-19 response well, effective from 22 June and subject to conditions being met. Only five days quarantine will be required from travellers from New Zealand.
- **South Korean exports** fell 7.5% compared to the same period last year in the first 20 days of June. While exports to China have risen by 14.5%, exports to other countries have declined sharply, with exports to the US falling 10%. There has been a 10.9% decline in exports across 2020.
- The COVID-19 pandemic has impacted the **Japanese agriculture and fisheries sector**, through a reduction in numbers of migrant workers; a fall in profits related to restaurant closures and cancelation of large events; a reduction in food imports; and a reduction in agricultural exports from Japan. In response the Japanese government has introduced NZ\$9 billion in subsidies to the agriculture, forestry and fisheries sectors.
- Despite the overall decline in imports of foods into Japan, and the subsidies to the agriculture sector, **New Zealand’s food and beverage exports to Japan** have been reaching record levels in recent months, and sit 14.49% above levels for the first five months of 2019. In the year ended May, New Zealand’s horticultural exports increased 48.9%, dairy by 19.1%, meat and meat products 29.6%. Decreases were seen in forestry (down 17.14%) and seafood exports (down 13.76%).
- In May Meiji Co. Ltd, which has a 40% share of the Japanese dairy market, announced the establishment of a **New Zealand based subsidiary**, Meiji New Zealand.
- **Emirates** will be **recommencing flights** to [over 50 cities](#) in July, including a regular direct route from **Dubai** to New Zealand, starting 1 July. Transit is also available in Dubai.
- From projected GDP growth of 0.8% forecast in February’s national budget, **South Africa’s** economy is now expected to contract by 7.2% in 2020: the worst contraction in almost a century.

## External links

- The following links may provide useful information to businesses:
- [NZTE](#) has a website focused on providing COVID-19 information for exporters. They've also launched [myNZTE](#), an interactive digital portal of insights and tools available to all New Zealand exporters.
- MFAT offers [exporter assistance](#) at [exports@mfat.net](mailto:exports@mfat.net) or 0800 824 605 and publishes regular [market reports](#) for New Zealand exporters, including this report.
- The Treasury releases a weekly [COVID-19 economic dashboard](#), and Stats NZ has published a new [data portal](#) with near real-time economic indicators.
- MBIE publishes a [sector reports series](#) which provides regularly updated reports on all industry sectors that make up the New Zealand economy. These include official economic data and the challenges and opportunities that face New Zealand's industry sectors.
- Business Insider maintains a list of [Countries on Lockdown](#) and their conditions.
- The International Trade Centre has produced a [Market Access Map](#) of temporary trade measures that have been enacted by governments in relation to COVID-19, and the World Bank has released a [database](#) on trade flows and policies.
- The [University of Oxford](#), [KPMG](#) and the [OECD](#) have published data on government responses to COVID-19.
- McKinsey's [COVID Response Centre](#) has a number of tools to assist businesses' response and recovery from the impacts of COVID-19.

## Disclaimer

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