

Feedback

We welcome feedback from New Zealand exporters on this report as we continue to refine its content. We also invite requests for reporting from New Zealand's [network of Embassies and High Commissions](#). Please direct any suggestions or feedback to exports@mfat.net.

Domestic update

- **Customs New Zealand** have developed **additional guidance for small craft and yachts** seeking to arrive in New Zealand. This guidance is for all owners, operators and agents of small craft intending to arrive in New Zealand during COVID-19, while the **Maritime Border Order No.2** is in effect. Further information can be found [here](#). This follows previous guidance issued last month (see [Global economic and trade update – 1 October](#)).

Global & Multilateral update

- The **International Monetary Fund (IMF)** have published their [latest World Economic Outlook](#), which provides a **forecast for the global economy** for the months following the initial mass lockdowns in April. Global GDP is projected to decline 4.4% in 2020, a less severe contraction than the IMF forecast in June. However, global growth is projected to rise by 5.2% in 2021, which is slightly lower than the June forecast. While China's recovery has been faster than initial expectations, significant setbacks hamper efforts to bring back the global economy to pre-pandemic levels of activity.
- In a [report](#) published on 6 October, the **WTO** projects a **9.2% decline** in the volume of **world merchandise trade** for 2020 (less than earlier predictions in April) followed by a 7.2% rise in 2021 – though these figures are highly dependent on the evolution of the COVID-19 pandemic and subsequent government responses. The **trade decline in Asia** in 2020 (4.5% for exports and 4.4% for imports) will be smaller than in other regions. The pandemic has hampered trade in certain types of goods (e.g. fuels and mining products) while trade in agricultural products fell less than the global average because food continued to be produced and shipped during lockdowns.
- **Yoo Myung-hee, South Korean Trade Minister, and Ngozi Okonjo-Iweala, former Nigerian Finance Minister**, will contest the final selection round for the contest to be the next **WTO Director-General**. WTO members will provide their preferences, in confidence, to the General Council Chair, **New Zealand Ambassador David Walker**, over 19-27 October. Yoo and Okonjo-Iweala are vying to be the first female head of the WTO, and Okonjo-Iweala the first ever African Director General.
- The **OECD** has released **draft blueprints** for a **new global approach to taxing the digital economy**. If implemented, the blueprints would see a shift in the way digital firms and multinationals are taxed by allocating more taxing rights to market countries (Pillar One) and establishing a minimum level of taxation on corporate income (Pillar Two). The OECD are seeking **feedback** on the [blueprints](#) of their **two-pillar proposal**. The [public consultation document](#) sets out a series of questions to guide feedback. Interested parties are invited to send written comments by Monday 14 December 2020 by email to cfa@oecd.org. Please copy in IRD (Policy.Webmaster@ird.govt.nz) for any written submissions made to the OECD.
- The **ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) Joint Committee** met virtually on 2 October 2020 to agree how to take forward the **upgrade negotiations**. AANZFTA senior officials have agreed that the first round of negotiations will be held in the first quarter of 2021 with a view to concluding negotiations within two years.
- The **Digital Economy Partnership Agreement** will **enter into force on 7 January 2021**. **New Zealand and Singapore** notified the depository for the agreement on 9 October 2020. The agreement covers broad areas, from e-invoicing to artificial intelligence, and will continue to evolve as new digital opportunities and issues emerge.
- Last week, the **European Parliament** symbolically **rejected the Mercosur-European Union Free Trade Agreement**, stating that the agreement could not be ratified in its current form. There have also been concerns raised about ratification of

the Mercosur (**Brazil, Argentina, Uruguay and Paraguay**) Free Trade Agreement by a number of EU countries based on environmental concerns (particularly in relation to deforestation in **Brazil**). **Commission Executive Vice-President Valdis Dombrovskis** said that the Commission would seek additional environmental commitments from Mercosur before moving ahead with ratification.

Regional updates

Australia

- On 6 October, the **Australian Government** delivered the **2020-21 Budget**, framed as a **recovery plan** to respond to Australia's economic crisis. It reflects the Prime Minister's focus on jobs and frontloads a further \$98 billion in new expenditure in addition to the \$299 billion in previous spending during the "initial response" to the pandemic. It brings forward tax cuts, promotes a private sector-led recovery, and identifies an inflection point of 6% unemployment when the Government has said its posture will shift from support measures to rebuilding the budget.

Asia

- The **Economist's Intelligence Unit** has recently published a [report](#) that examines the extent of the **inward economic shift** that is happening in **Asia** and what that means for business and investors, with a focus on **China's** "dual-circulation" strategy and **India's** "self-reliance" movement. *Note that while free, a form must be filled before access to the report is granted.*
- New Zealand's most recent goods export figures to Japan for August fell 13% percent compared to August 2019.** The worst affected sectors (horticulture, metal, meat, forestry, fisheries) had falls ranging from -21% to -44% in August 2020 compared to August 2019. However New Zealand's year-to-date goods exports to Japan (Jan-Aug) are up 5.2% on the same period last year, with some products hitting 20 year record highs (kiwifruit, squash, honey, apples, medical equipment, and some dairy products including cheddar and Colby cheese).
- As of 8 October, **quarantine-free business travel** between **South Korea** and **Japan** has been implemented. Short-term business travellers (up to 90 days) will be exempt from the mandatory two-week quarantine, subject to obtaining a visa, having a negative COVID-19 test result within the previous 72 hours, and showing a travel plan.
- New Zealand exports to Malaysia** overall were up slightly (5%) for the 12 months ending August 2020, but the picture was more mixed amongst key export lines: trade in key **dairy** products was up slightly; **meat** exports were up by over 40%; and **paper and wood products** were down significantly (between 25% and 50%). Positively, for the same period, **pharmaceutical products** were up by slightly under 350%, albeit from a low base – highlighting the health and functional properties of many New Zealand nutraceutical products.

Europe

- The **UK's** transition period from the **EU** will end on 31 December 2020, when it will leave the EU customs and single market. Negotiations between the UK and EU on their future relationship, including a future trade deal remain ongoing. Information about **how Brexit may affect New Zealanders**, including **exporters**, can be found [here](#).
- New Zealand Trade and Enterprise (NZTE)** are hosting a [webinar on preparing for post-Brexit changes](#) for **New Zealand businesses based in the EU/UK** on **16 October**, held for the UK time zone. This follows a session on 9 October for the New Zealand time zone and a recording can be viewed [here](#).

Americas

- On 10 October, **US President Trump** signed a [proclamation](#) signalling his plans to **reverse the tariff exception** applying to all countries on imports of double-sided (bifacial) **solar panels** and **raise the planned tariff rate** from 15% to 18% in 2021. The removal of the bifacial panel exclusion was made "in light of the increased imports of competing products...and that it is necessary to revoke that exclusion and to apply the safeguard tariff to bifacial panels." In January 2018, the US imposed duties on solar panel imports beginning at 30% and this was expected to drop to 15% by 2021. The announcement now alters the rate to 18% next year.
 - The city of **San Francisco** commissioned a [report](#) outlining the economic challenges it is facing as well as a series of policy recommendations to support an equitable recovery. The city and surrounding area is home to a number of **New Zealand** companies and is often the starting point for tech companies entering the US market. The city has had one of the most restrictive COVID-19 lockdowns in the country and its economy is heavily reliant on highly-skilled workers commuting
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into downtown as well as a strong tourism sector.

- Brazilian media reported last week that **Mercosur** had presented a **proposal** for a **free trade agreement with Central American countries**, designed in part to 'relaunch' relations with the region in conjunction with greater political dialogue and technical cooperation. A Brazilian senior official noted to media that Mercosur is also separately looking at its **relationship with the Caribbean countries**. Brazil's exports to Central America and the Caribbean totalled US\$2.07 billion in the period from January to September this year, with petroleum, fuel and oils, corn, and poultry among main exports.
- **Argentina**, the world's fourth largest wheat exporter, has approved the **commercialisation of a variety of transgenic wheat**, jointly developed by local biotech company **Bioceres**, the **Universidad Nacional del Litoral and the Argentine National Council of Scientific and Technical Research (CONICET)**. The CONICET said the genetic modifications to Argentina's wheat crop would have to be approved by **Brazil** to be commercially viable. Brazil is Argentina's biggest export market, purchasing 45 percent of its wheat exports in 2019.

Middle East

- On 8 October, the **US** announced additional **sanctions on 18 major Iranian banks**. This means Iran's entire financial sector is now under US sanctions. **Foreign, non-Iranian financial institutions may be affected** and subject to 'secondary sanctions' for doing business with Iranian counterparts. These sanctions will take effect following a 45-day period, during which time foreign financial institutions should cease their operations to avoid potentially being in breach of the new US sanctions. Companies should talk to their financial provider about how the announcement could affect their business. The **New Zealand Embassy in Tehran** and **NZTE** are scheduling a **webinar** to discuss **business in Iran** following the outcome of the upcoming **US Presidential election**. Information on the webinar will be circulated in due course.

Market reports released this week

- A report on the German forestry sector (particularly the impact on softwood exporters) was prepared by the New Zealand Embassy in Berlin [here](#).
 - Last week's global economic and trade update can be found [here](#).
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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.
- The Treasury releases a [weekly economic update](#) every Friday. Stats NZ has published a [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.govt.nz](#) provides tools and advice from across government to save small businesses' time and help make the business a success.
- MFAT has created a [tariff finder](#) which is designed to help goods exporters and importers maximise benefits from New Zealand's Free Trade Agreements and compare tariffs in 136 other markets.

More reports

View full list of market reports from MFAT at <https://www.mfat.govt.nz/en/trade/mfat-market-reports>

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