

News

Export NZ: Trade update, Corona virus

Wednesday 26 February 2020

Message from the executive director

Corona Virus is understandably on a lot of exporters and manufacturers minds as they scramble to cope with the disruptions to global supply chains and slower movement of goods and people both in and out of China – see below for an update. We are currently touring through all our 8 regional ExportNZ offices, talking to exporters about their challenges and opportunities and taking along Government Officials that can hopefully help. It has been good to catch up with a lot of exporters and hear about your issues, which we will continue to advocate on once the road show is over.

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Trade update

Trade policy is, in most parts of the region, being pushed aside by the Covid-19 disease. This is beginning to have a real impact on China's imports and exports, and those of economies dependent on trade with China. Some of these are also beginning to be affected by Covid-19 infections. For New Zealand, the most immediate and direct impacts have been on tourism, international education, logs, and live seafood. But other industries are beginning to feel some pain. Some of this is because the hospitality trade in China has pretty much shut down. Factories are far from back to normal. And ports and the freight industry in China are far from back to normal operations. A number of shipping services to and from China have been cancelled. And accessing empty containers might soon become a serious problem. We are monitoring the situation closely. We recommend that exporters check the [NZTE advice](#) which is updated daily.

NZ-UK

Prospects for an immediate launch of FTA negotiations with the UK are dimming. It seems that most of the

UK's focus is on the EU and the US. New Zealand, Australia, and Japan look as though they are going to have to wait a few months before negotiations begin.

India

Foreign Minister Winston Peters and Trade Minister David Parker are due to visit India next week. India has pulled out of the RCEP process which was a disappointment for New Zealand exporters. But all may not be lost. Also visiting India next week in US President Donald J Trump. There is much talk about an FTA between the US and India. If this were to happen and some of India's agriculture is open to competition with the US, it might be that opposition to negotiations with New Zealand might fade. CPTPP is also an option for India. At the end of the day, the RCEP process failed because of Indian fears about China. China is not part of CPTPP.

NZ-EU

This negotiation continues to be stalled because of EU unwillingness to improve the market access offer on agriculture. There is unlikely to be much change in the EU position until after the New Zealand election in September.

GCC

Minister Parker has been in the UAE this week. This has been well-timed as it seems that interest from the GCC in re-starting the FTA negotiation with New Zealand is on the rise. There are still problems inside the GCC with Qatar- Saudi Arabia relations still strained. It is also unclear whether the GCC will honour the agreement that is still on the table or whether it wants to re-negotiate elements of this.

Africa

The US has announced that FTA negotiations are, to begin with, Kenya and that this will be a model agreement that will be used in negotiations with other African countries. Might this stimulate interest from the New Zealand government in beginning negotiations with countries in that important region?

CPTPP

There is a growing expectation that Thailand might be about to request to begin negotiations to join this agreement.

Corona virus Update – from Cross Government Agency meeting Thursday 20 February

China Update

- As at 10 Feb many businesses resumed operations, but it was reported that Shanghai had only 20% of its normal traffic, so many people are still working from home.
- The Chinese Government realise they need to get the balance right between containment and keeping the economy going – so these sorts of messages are starting to emerge.
- There has been no change to market access requirements.
- There are still delays at the border and supply chain challenges.
- Prioritisation at ports is being given to those that have their own logistics/trucks etc.
- There are still restrictions on movements and factories are still facing shortages of workers and materials. Many cities are imposing strict health measures.
- 3000 factories have been retooled to produce health products like face masks
- Shortage of drivers at ports

- Flight cancellations

Industry reporting

- There is a lack of reefers and containers
- Reports of US\$1000.00 per day to plug in a reefer (if you can get one)
- Customs processes taking twice as long as normal
- Short shelf life products most impacted
- Some of our big exporters are reporting things are improving
- Dairy industry is managing the issues OK and not seeing too much disruption
- Forestry situation is serious. A mix of the impact of the virus and an oversupply situation in China has stopped all exports.
- Communication channels starting to open up again.

Monitoring of social media in China shows people are talking about healthy food.

- Small to medium sized businesses need to be aware of supply chain impacts this is causing – from importing packaging/labelling and components from China to having orders cancelled.

I reported the feedback we have been getting and that small to medium size manufacturers and exporters that are entwined in China supply chains are most impacted, as are those that are heavily dependent on the Chinese market. The inability to get components and labels and packaging has many businesses scrambling. Any business that sells into the tourism market is also hurting from the slow-down in tourism and of course the foreign student market has been severely disrupted. Looking ahead it is likely the cruise ship market will take a hit as well for a while.

Advice for exporters/importers

- Talk to your banks – they have indicated they will be supportive.
- Talk to the Export Credit Office – check out their services <https://exportcredit.treasury.govt.nz/>
- Talk to your logistics brokers – Customs indicated at an ExportNZ meeting that they could look at expediting in-bound goods movements in disrupted supply chains – taking a risk management approach, but let your broker know to ask.
- Check the Government advice page – updated daily <https://bit.ly/2v16qIE>

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