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International Trade 2021
Trends & insights

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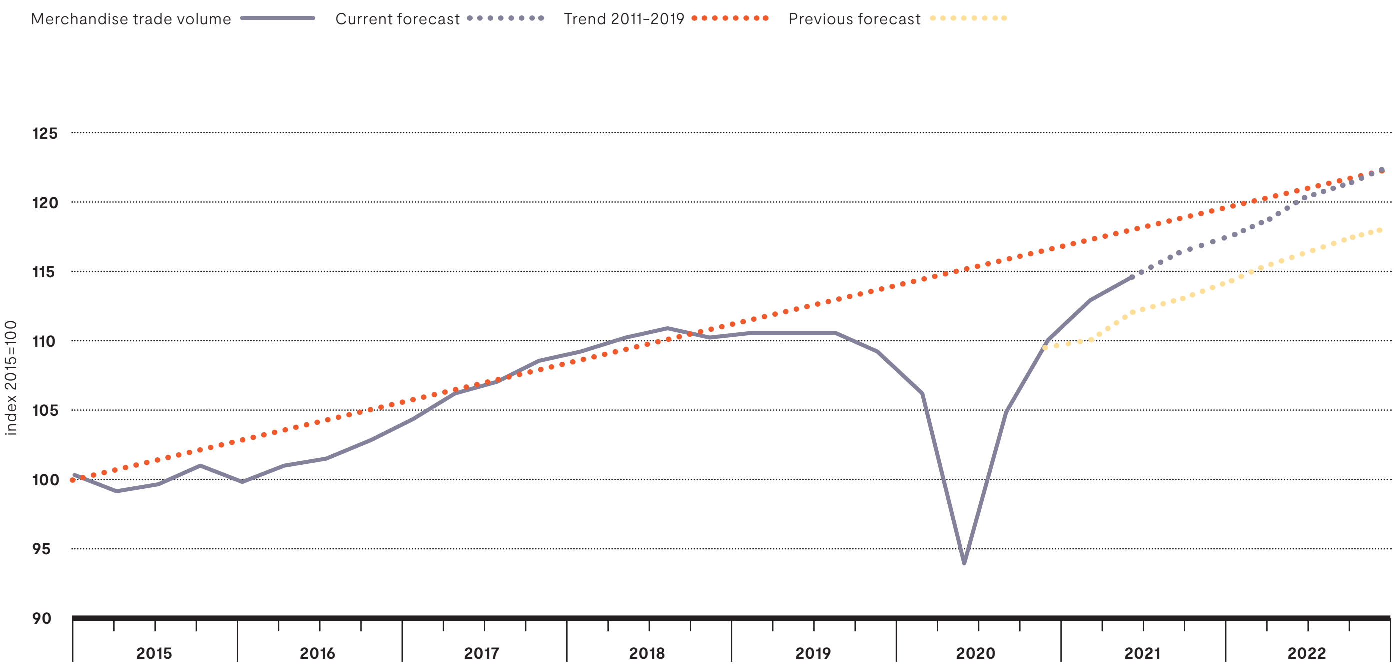
2021 has been another year of disruption, both internationally and on the domestic front. Yet despite ongoing supply chain issues, predictions of trade collapse have not eventuated.

Contents

Trade in 2021

World merchandise trade volume – 2015 Q1-2022 Q4



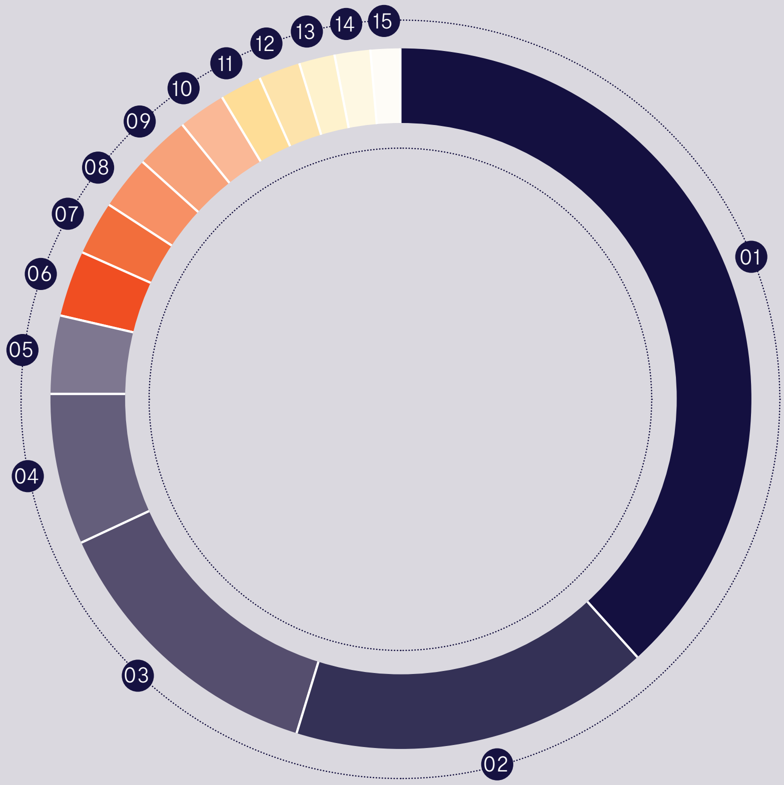
2021 has been another year of disruption, both internationally and on the domestic front. Yet despite ongoing supply chain issues, predictions of trade collapse have not eventuated.

The World Trade Organisation (WTO) reports that this rebound is due in large part to pent-up consumer spending and fiscal and monetary stimuli. Such demand has not yet spread to services, but the WTO notes that, while still depressed, this sector is starting to show signs of recovery.

New Zealand total goods exports rose a barely discernible 0.3% in the year to June 2021. Services, however, sustained a whopping 46.4% drop due to the collapse in tourism and transport services. Visitor spending was down 67.3%, and transport services of people and goods to New Zealand were down 53.4%. There has been strong growth in ICT services exports (up 5.9%) and charges for the use of intellectual property (up 10.1%), but these are small gains compared to the tourism and transport losses.

China was far and away New Zealand's largest destination for merchandise exports in the June 2020 to 2021 year, taking 31% of goods, followed by Australia on 13.1%, the United States on 10.8%, the European Union on 6.6%, and Japan on 5.5%.

Top 15 destinations for goods exports



Rank	Market	Share of exports
01	China	31.0%
02	Australia	13.1%
03	United States	10.8%
04	Japan	5.5%
05	Korea (ROK)	2.9%
06	United Kingdom	2.4%
07	Taiwan	2.1%
08	Indonesia	2.0%
09	Hong Kong	1.9%
10	Singapore	1.8%
11	Malaysia	1.6%
12	Thailand	1.6%
13	Germany	1.4%
14	United Arab Emirates (UAE)	1.3%
15	Philippines	1.0%

Exports ($) by rank

Year to June 2021

01 China
18.74b

02 Australia
7.94b

03 USA
6.51b

04 Japan
3.31b

05 Korea (ROK)
1.76b

06 UK
1.45b

07 Taiwan
1.26b

08 Indonesia
1.21b

09 Hong Kong
1.14b

10 Singapore
1.08b

11 Malaysia
0.95b

12 Thailand
0.95b

13 Germany
0.87b

14 UAE
0.76b

15 Philippines
0.63b

WTO

Image source: www.wto.org

The WTO continued to flounder in 2021, despite the energetic and determined leadership of its Director-General, Ngozi Okonjo-Iweala.

Although the US Trade Representative, Katherine Tai, has recently affirmed the United States' "continued commitment to the WTO" and indicated a willingness to "include new voices, find new approaches to problems, and move past the old paradigms we have been using for the last 25 years, the WTO's future path remains uncertain.

The Appellate Body is still in limbo, with no clear solution to the concerns brought forward by the United States. New Zealand is part of the stop-gap Multiparty Interim Appeals Arbitration Arrangement, but significant trading partners, including the United States, remain outside this mechanism.

WTO Ministerial postponed

The twelfth biannual WTO Ministerial Conference (MC12) was postponed indefinitely on 27 November due to the discovery of the new Omicron variant. This was the second time it had fallen victim to the pandemic as it was originally scheduled to be held in Kazakhstan in July 2020.

The postponement will give WTO Members more time to agree a response to the pandemic, including measures to facilitate equitable access to a vaccine.

It will also avoid embarrassment for the WTO, should MC12 not have been able to deliver a resolution of the WTO disciplines to apply to fisheries subsidies, an issue which has been running since 2001 and is now being framed by some – not unfairly – as a "litmus test for the relevance of the WTO as the forum for multilateral negotiations in the years to come".

However, the WTO may be less vulnerable on this front after the announcement on 2 December of a plurilateral agreement on the domestic treatment of services across the WTO's 67 Members (counting the EU as 27). The new WTO rules, the first to have been agreed since 2015, are aimed at streamlining licensing and administration procedures and providing greater transparency.

The disciplines on services domestic regulation – in brief

Transparency

- Publish and make available information required to comply with requirements and procedures for authorization, including through electronic means;
- Establish appropriate mechanisms for responding to enquiries from service suppliers;
- Engage stakeholders by publishing proposed laws and regulations, providing opportunity for comments from interested persons, and considering comments received.

Legal certainty and predictability

- Establish indicative timeframes for processing applications;
- Process applications in a timely manner;
- Provide information on the status of applications;
- Allow applicants to correct minor deficiencies in incomplete applications and identify additional information required;
- Inform applicants of reasons for rejection of applications and allow resubmission;
- Allow authorization once granted to enter into effect without undue delay;
- Allow reasonable time between publication of laws and regulations and date of required compliance by service suppliers;
- Hold examinations at reasonably frequent intervals.

Regulatory quality and facilitation

- Require applicants to approach only one competent authority to obtain authorization;
- Permit submission of applications at any time throughout the year, or at least, allow reasonable periods of time for submission;
- Accept electronic applications and authenticated copies of documents;
- Ensure that authorization fees are reasonable, transparent, and do not in themselves restrict the supply of service;
- Support professional bodies wishing to establish dialogues on issues relating to recognition of professional qualifications;
- Ensure that competent authorities reach their decisions in a manner independent from services suppliers;
- Consolidate relevant information on a single online dedicated portal;
- Develop technical standards through open and transparent processes;
- Base measures relating to authorization on objective and transparent criteria;
- Ensure that procedures are impartial, adequate and do not unjustifiably prevent fulfilment of authorization requirements;
- Ensure that authorization measures do not discriminate between men and women.

Is there still a trade war?

The so-called trade war between the US and China has had a lower profile since Biden's election. Despite this, competition between the two countries continues to intensify, as does talk of an economic decoupling.

At the same time, recent reports suggest that there remains a deep interdependence between the two powers. The American Chamber of Commerce in Shanghai, for example, has found that 72% of US manufacturers in China have no plans to relocate and, of the remaining 28%, none were relocating production to the US.

Katherine Tai has commented publicly that China is not complying fully with its obligations under the "Phase One Agreement", signed with the Trump Administration in October 2019. (China is reportedly on track to purchase only 60% of the $200b worth of agriculture, manufacturing, energy, and services exports it committed to in that Agreement).

Tai also emphasised continuing concerns with China's state-centred and non-market trade practices, highlighting that the Chinese Government "continues to pour billions of dollars into targeted industries and continues to shape its economy to the will of the state – hurting the interests of workers here and around the world".

She said the Biden Administration's objectives were not to inflame trade tensions with China but rather to invest in American workers and infrastructure, to defend American economic interests, to engage with China on its policies, and to "work closely with our allies and like-minded partners towards building truly fair international trade that enables healthy competition".

A change of approach from Biden, but how deep?

The general tenor of Tai's comments indicate a change in approach from the more inflammatory Trump Presidency, but dig a little deeper and it is not clear exactly what has changed. Tai did not rule out the use of unilateral instruments such as the United States' section 301 investigation process into unfair foreign trade practices and most of the Trump-era tariffs on Chinese imports remain in place.

Neither did the virtual meeting between Biden and China's leader Xi Jinping in November provide any clarity on the trade and economic relationship, although it did give some hope that cooperation may yet be possible.

For New Zealand, a trade war between the world's two largest economies – our first and third largest trading partners respectively - has no upside, so any sign of a possible thawing is positive. Nevertheless, we have to expect that geopolitical tensions will continue and that the path to tread will remain a finely balanced one.

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APEC 2021

2021 was a notable year for the Asia-Pacific Economic Cooperation (APEC) as an organisation and for New Zealand as host. Much was achieved the last time New Zealand hosted the leaders' summit in 1999, in particular the side deal between then Prime Minister Jenny Shipley and her Singaporean counterpart, Goh Chok Tung, to commence negotiations for a Free Trade Agreement (FTA).

This year's priorities for APEC include accelerating the region's economic recovery, responding to climate change, and furthering inclusive growth. Agreement was reached among the 21 APEC economies on a range of issues, including:

- support for global efforts to share COVID-19 vaccines equitably, to expand vaccine manufacture and supply, and to facilitate trade in COVID-19 vaccines and related essential medical products
- calls to engage in discussions next year on a voluntary standstill on fossil fuel subsidies and on increasing trade in environmental goods and services, and
- support for the ongoing reform work to improve the WTO's functioning.
- At the Leaders' meeting held on 12 November, the Aotearoa Action Plan was also approved. This sets out three economic drivers, each with associated objectives and evaluation criteria, to achieve the Putrajaya Vision 2040, launched by APEC Leaders in 2020.

Trade and Investment:
"To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment. We reaffirm our support for agreed upon rules of the WTO in delivering a well-functioning multilateral trading system and promoting the stability and predictability of international trade flows. We will further advance the Bogor Goals and economic integration in the region in a manner that is market-driven, including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings. We will promote seamless connectivity, resilient supply chains and responsible business conduct."

Innovation and Digitalisation:
"We will pursue structural reforms and sound economic policies to promote innovation as well as improve productivity and dynamism. To empower all our people and businesses to participate and grow in an interconnected global economy, we will foster an enabling environment that is, among others, market-driven and supported by digital economy and innovation. We will strengthen digital infrastructure, accelerate digital transformation, narrow the digital divide, as well as cooperate on facilitating the flow of data and strengthening consumer and business trust in digital transactions."

Image source: apec2021nz.org

Strong, Balanced, Secure, Sustainable and Inclusive Growth:
"To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies, we will foster quality growth that brings palpable benefits and greater health and wellbeing to all, including Micros, Small and Medium-Sized Enterprises (MSMEs), women and others with untapped economic potential. We will intensify inclusive human resource development as well as economic and technical cooperation to better equip our people with the skills and knowledge for the future. We will promote economic policies, cooperation and growth, which will support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet."

By the end of 2023, each economy is asked voluntarily to showcase their individual initiatives, based on the options set out in the Action Plan. Economies will evaluate progress towards achieving the Putrajaya Vision. The collective actions will be reviewed every five years.

A good outcome

Unsatisfactory conclusions to APEC meetings were becoming the norm – a failure to agree a concluding statement in 2018 due to US-China tensions, and disruptions due to protests in 2019 and COVID-19 in 2020. So it was a significant outcome to see a strong leader's statement and agreement on forward steps. In the time of COVID-19, the importance of countries coming together has never been stronger, and New Zealand must take huge credit for putting together an unprecedented year of virtual meetings.

> To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies, we will foster quality growth that brings palpable benefits and greater health and wellbeing to all.

Preferential trading

NZ-UK FTA

"It's one of our best deals ever, and secured at a crucial time in our COVID-19 recovery," said Prime Minister Jacinda Ardern as she announced the Agreement in Principle (AIP) of a post-Brexit FTA with the UK on 20 October 2021.

TradeWorks NZ, the communication platform for the New Zealand International Business Forum and the New Zealand Chapter of the APEC Business Advisory Council, was equally enthusiastic , describing it as delivering "the next generation of trade rules".

So what's all the fuss about? High points of the AIP include:

- the immediate removal on the final FTA's entry into force of over 97% of existing tariffs on New Zealand exports, including dairy, meat (lamb and beef), horticulture, wine, honey and fish
- all remaining tariffs to be phased out over the next 10 to 15 years, with what the Ministry of Foreign Affairs and Trade (MFAT) describes as sizeable duty-free quotas to apply to "key products" in the meantime
- some non-tariff barriers have also been tackled – for example, the FTA will recognise a number of New Zealand wine-making practices and address burdensome labelling and certification requirements faced by New Zealand's wine makers
- extended visa commitments for business people, adding more sectors and categories to the existing access under the WTO; and agreement to work on improvements to the existing New Zealand-United Kingdom Working Holiday/ Youth Mobility scheme
- an Indigenous chapter that will create a platform for cooperation on a range of issues important to Māori, and will reflect Māori interests in key areas across the agreement, such as in the intellectual property and trade and environment chapters
- trade and environment provisions to eliminate fisheries subsidies, to take steps toward eliminating fossil fuel subsidies, and to promote sustainable agriculture
- on the UK side, the ability to supply financial and telecommunication services into the New Zealand market and an agreement by New Zealand to extend the copyright term by 20 years from the current 50 (although we have 15 years to do this), and
- a chapter on Trade and Gender supporting women's economic empowerment, as well as commitments on labour standards, development, SMEs and consumer protection.

There is a lot of work left to be done – completion of the negotiations, finalising of the text, a National Interest Analysis, Cabinet review, select committee examination, and – finally – Parliamentary ratification through legislation.

However, expectations are that text will be finalised with a view to signature in early 2022.

The UK was New Zealand's seventh largest trading partner pre-COVID-19, with two-way trade in goods and services worth NZ$6b for the year to March 2020.

Initial UK modelling predicted that New Zealand exports could rise up to 40% at full implementation, adding an estimated $970m to GDP. UK exports to New Zealand were expected to grow by around 7.3%.

EU-NZ FTA

New Zealand has a lot to play for in the FTA negotiations with the EU, including access to one of the world's largest trade blocs, which includes four of our top 20 trading partners – Germany, France, Italy and the Netherlands.

Two-way trade between New Zealand and the EU (excluding the UK) was worth NZ$18b annually pre-COVID-19. Our main goods exports are wine, fruit and meat. Our services exports were mainly tourism and transportation services.

But negotiating with an entity comprising 27 member states is inherently more difficult than negotiating with a single state and progress has been relatively slow. It may now have slowed further, according to a report in the Financial Times in November, widely picked up by New Zealand media, that French President Emmanuel Macron has asked for a "pause" in the negotiations until after the French elections in April next year.

RCEP

The Regional Comprehensive Economic Partnership (RCEP) came into force on 2 November upon ratification by Australia and New Zealand. RCEP creates a free trade zone covering nearly a third of the world's population and about 30% of global gross domestic product (GDP). New Zealand already has individual trade deals with many of the RCEP Members, and is bound to others through the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP).

RCEP is important as its signatories account for over half of our exports and provide more than half of our direct foreign investment. The agreement, providing a single set of rules to cover all 15 markets, will make import and export procedures simpler and will reduce compliance costs.

What next?

Successive New Zealand Governments have pursued market diversification strategies out of a recognition that this is the best way to allow exporters to manage the risks associated with over-reliance on too few markets – particularly those that may be affected by trade barriers, supply chain disruption, and related geopolitical risks.

Yet, despite an active negotiating agenda since the early 2000s, New Zealand still has no preferential market access with almost 40% of the world's economy and consumers. The US accounts for more than 60% of New Zealand exports to non-FTA partners.

A study for the International Business Forum has identified 22 economies that warrant further consideration as potential FTA partners. None is identified as ideal but all are considered worthy of exploration. The top 10 are Switzerland, Norway, Morocco, Israel, Turkey, South Africa, Ghana, Guatemala, Brazil and Nigeria.

RCEP creates a free trade zone covering nearly

1/3

of the world's population, and about

30%

global gross domestic product.

New Zealand still has no preferential market access with almost

40%

of the world's economy and consumers, and about

60%

global gross domestic product.

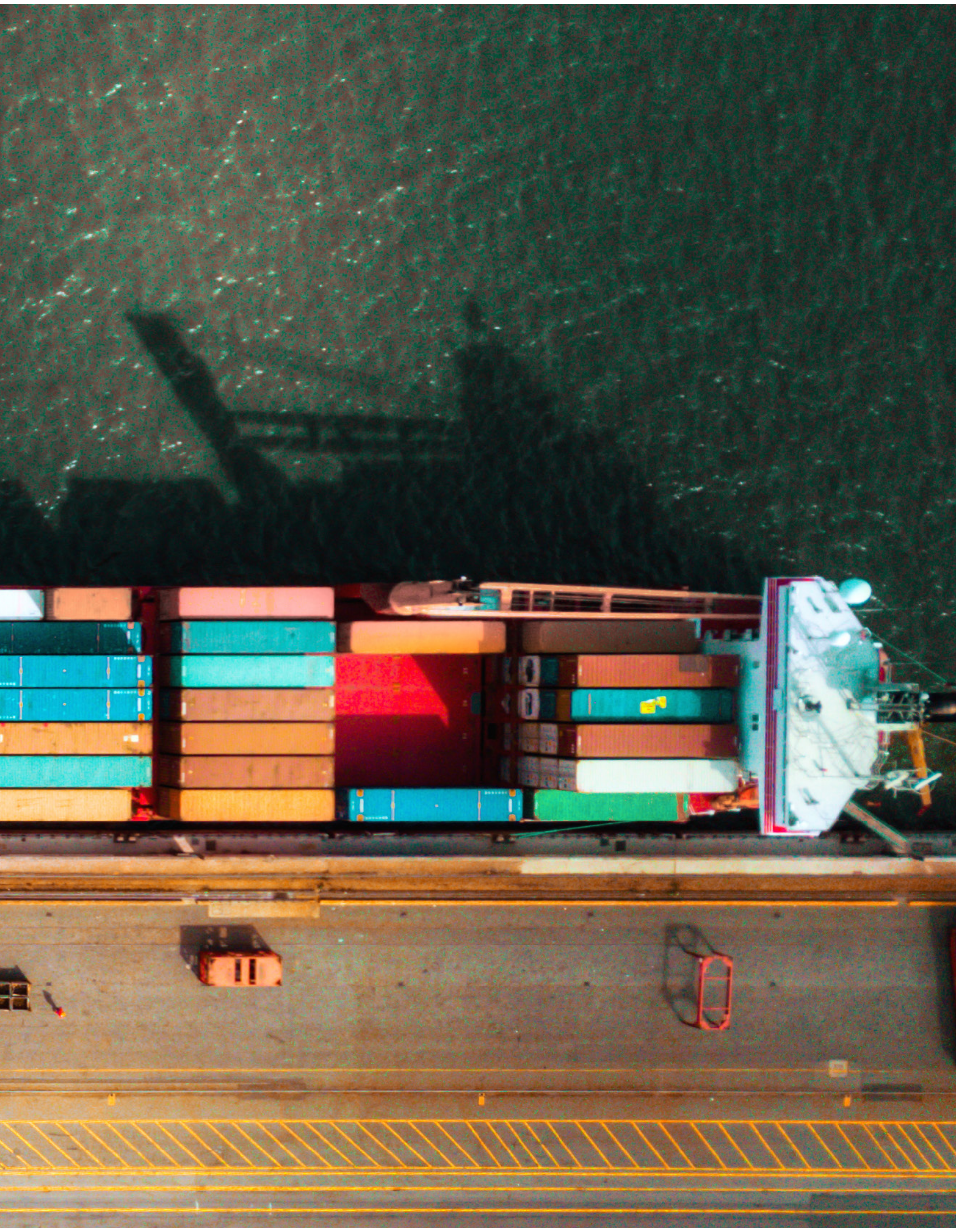
High jinks around the CPTPP?

The UK, China and Taiwan have this year applied to join CPTPP. The UK formally lodged its request on 1 February and began the accession process in June.

It will conduct a series of bilateral negotiations with each member country, although the final market access commitments will be common to all members, and the consent of all Parties will be required if the UK is to be granted entry.

Current Parties are Australia, Canada, Japan, Mexico, New Zealand, Peru, Singapore and Vietnam. The remaining three signatories – Brunei Darussalam, Chile and Malaysia – have yet to complete ratification and as such, do not have "Party" status within the context of the Agreement.

The UK's interest in joining the CPTPP may not have been obvious, given its lack of any geographical proximity to the Pacific, but it was China's application which created the stir, and there are questions around whether China will be able to meet the standards in the CPTPP text – especially as the current direction of domestic reform would seem to be taking it further away from compliance and toward more state control rather than less.



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The fact that China made its bid on September 14, the day the US-UK-Australia Indo-Pacific defence pact AUKUS was announced has encouraged speculation that China was sending "a geopolitical message", although it has denied any connection between the two events. AUKUS is widely seen as an intended counterweight to China's influence in the region.

A week after China put up its hand, Taiwan applied to join the CPTPP. Taiwan is also seeking bilateral FTAs with the United States and European Union.

There had been some hope that President Joe Biden might bring the US back into the free trade tent but, although he has toned down the protectionist rhetoric of Donald Trump, he has yet to demonstrate any real enthusiasm for joining the CPTPP.

The irony would be huge, and immensely damaging to the US, should Biden hold to his position on CPTPP, and should Jinping manage to win support for China's entry, as the initiative developed out of the Obama Administration's "strategic pivot" to counter China's economic dominance in the Asia-Pacific but – with China in and the US out – it would deliver the diametrically opposite result.

The White House announced in November that it would pursue an "Indo-Pacific economic framework" to enhance cooperation with allies on issues such as the digital economy, supply chains and climate change and there has been talk of launching a formal process in 2022. It is not at all clear, however, what this might entail or how it might sit alongside CPTPP.

Sustainability

The use of trade agreements to advance non-trade, or not-strictly-trade, or fair trade purposes has expanded significantly over recent years, and all indications are that the trend will not only continue but will gather force.

For the first couple of decades after the WTO's establishment, "trade and" topics tended to be confined to whether WTO Members' domestic regulations around values such as the environment, health and safety and public morals were consistent with the exceptions provided in the WTO Rules. And, over the years, WTO dispute panel and Appellate Body decisions have granted significant policy room for manoeuvre in these areas. However the discussion is now moving swiftly – particularly at the bilateral level – from what trade rules allow, to what trade rules can mandate.

This change in direction is not surprising. Much has happened in the quarter century since the WTO was established in 1994 – most pressingly, the urgent need to respond to climate change, the growing pressure on the world's resources, and an increased preoccupation with social outcomes, poverty, gender equality, indigenous and workers' rights, which is shifting the dial from economic expansionism to sustainability.

We are seeing this shift at the business level, with many admirable efforts to become more sustainable, but there is also some 'greenwashing' in the mix as businesses seek to profit from consumers' desire to do the right thing. At the governmental level, action to force changes is being taken both unilaterally and through trade agreements.

We look at three examples from 2021 – two from the EU, which tends to be a leader in this area, the other from Australia. We could equally have used the NZ-UK FTA which features a chapter on Trade and Gender to support the empowerment of women, and an indigenous chapter that, according to MFAT, will create a platform for cooperation on matters important to Māori.

The EU's proposed carbon tax at the border

The EU has committed to a 55% reduction on 1990 levels of net greenhouse gas (GHG) emissions by 2030. To meet this target, it has developed a 'Fit for 55' package which will sharply increase costs on European emitters.

To prevent this increased cost from destroying the competitiveness of EU producers, and to prevent them shifting their production to more forgiving regimes ('carbon leakage'), the European Commission is proposing a Carbon Border Adjustment Mechanism (CBAM). The CBAM would apply a fee on the importer of carbon-intensive products roughly equivalent to what local producers pay under the EU's Emissions Trading Scheme (ETS). This would enable the EU to reduce free allocation of EU ETS allowances to European emitters, while keeping a level playing field with imported products.

The CBAM, as currently proposed, would only apply to imports in specific sectors – power, aluminium, iron and steel, cement and certain fertilisers – and would be progressively phased in, as free allocation of EU ETS allowances are phased out.

Currently, it is proposed that those industries at highest risk of carbon leakage will keep their free allocation until 2030 while those at lower risk would have their entitlement cut 70% by 2027 and removed entirely by 2030. But this time frame will no doubt be subject to fierce lobbying.

WTO challenge?

There is a very real risk that the CBAM will be challenged in the WTO on the basis that it is a form of protectionism. For example, features such as the exemption of specific countries, allowances for carbon prices paid in the country of origin, and the calculation of embedded emissions based on non-product-related processes and production methods could be inconsistent with GATT Article I, which prohibits discrimination between like imports from different jurisdictions. Much will lie in the detail.

The IMF has recommended that a global carbon price floor be established as an alternative and the WTO Director-General Ngozi Okonjo-Iweala has called for a similar approach. But the multilateral nature of these approaches will mean that it will be difficult and time consuming to achieve the necessary buy-in.

Border taxes the direction of travel in New Zealand?

A CBAM is on the Government's radar in New Zealand also as it reviews our existing free allocation regime under the ETS. In July, the Ministry for the Environment (MfE) sought feedback on a range of potential changes including possible policy alternatives.

Unsurprisingly, given the direction the EU is taking, these include the adoption of a CBAM model. MfE has, however, specifically acknowledged the design and implementation difficulties this would entail (citing many of the matters outlined above, as well as concerns regarding transparency and scientific robustness in the level of boundary adjustment applied).

EU deforestation measures

Tree loss globally is having catastrophic impacts on wildlife, ecosystems, weather patterns, and climate. While the forest area in the EU is increasing, as farms become fewer and smaller, agricultural imports into the EU contribute to imported deforestation in third countries.

To address this, the EU has introduced a draft regulation to require importers of beef, timber, palm oil, soy, cacao and coffee to provide evidence that the production of these commodities, including land use conversion, did not contribute to deforestation or forest degradation through agricultural uses.

The framework will combine a due diligence obligation on importers with a country benchmarking system that will categorise countries as low, standard and high risk according to their performance in relation to their forest estate.

The proposal still needs to be approved by EU governments and the EU Parliament. It has already drawn strong criticism from Brazil, and the EU is currently facing a WTO complaint from Malaysia over its law restricting the use of palm oil-based biofuels.

Labour rights/modern slavery

Labour rights have been integrated into a number of FTAs, with recent agreements providing for strengthened provisions with stronger enforcement powers.

Recent agreements include the US-Mexico-Canada Agreement (USMCA) which, among other things, established a minimum wage for autoworkers in Mexico and committed Mexico to protecting worker rights to collective bargaining. And the EU-Korea FTA requires the parties to implement International Labour Organization (ILO) Conventions, a commitment the EU thought Korea was failing to honour satisfactorily so chased up with the WTO, which found against Korea and recommended law change to promote freedom of association.

Another aspect of labour rights is modern slavery. This is not an abstract threat. Latest estimates put the number of victims globally at 40 million, and New Zealand is not immune. Last year the Crown prosecuted 10 charges of trafficking people and 13 charges of dealing in slaves under the Crimes Act 1961.

This is translating into pressure for legislation – a near inevitability after the passage of Australia's Modern Slavery Act in 2018 – and the Ministry of Business, Innovation and Employment (MBIE) was tasked in September 2020 with considering potential law change.

Many New Zealand companies already have direct experience of working under the Australian regime as it captures businesses operating in Australia with consolidated revenues of more than AU$100m. They are required to publish annual Modern Slavery Statements explaining how they proactively manage and mitigate the risk of "modern slavery" – including forced labour and other severe worker exploitation – in their supply chains.

They must submit these statements within six months of the end of their financial year. Many caught by the reporting requirements have now submitted their first statements and are looking to demonstrate progress in the second round.

So far, 2,500 statements have been uploaded to Australia's modern slavery register covering more than 5,000 reporting entities across 40 countries. The Australian Border Force (ABF) can issue non-compliance notices to businesses that have not provided a Modern Slavery Statement.

Provisions on modern slavery are also finding their way into FTAs, including the UK Agreements in Principle with both New Zealand and Australia.

NZ Export Controls

Toward a stronger export control regime?

The Export Controls regime administered by the Ministry of Foreign Affairs and Trade (MFAT) is being strengthened following an independent review led by former departmental chief executive David Smol.

Foreign Affairs Minister Nanaia Mahuta has instructed MFAT to implement the review's recommendations relating to process and has said she wants further advice from officials early in 2022 on establishing a stand-alone statute to replace the Customs and Excise Act 2018, which is focused on physical goods and is not designed to deal with intangibles.

The review found that MFAT's administration of the regime was consistent with the regime's underlying intent – which is to give effect to international commitments to restrict trade in weapons and dual-use technologies, to support UN sanctions, and to reflect New Zealand's values and interests more generally – e.g. by restricting trade with countries that are breaching human rights.

But it also found that "various elements" of the regulatory system fell short of a contemporary view of best practice. It recommends that the new legislation:

- clarify the legislated purpose of Export Controls
- make the regime easier to understand, predict, and comply with for exporting businesses and the research community, and
- better capture intangible means of export, modernise enforcement provisions and enable a timely response to emergent threats.

MFAT commissioned the review after a media investigation found that maintenance and service company, Air New Zealand Gas Turbines had been carrying out work through a third party contract for the Royal Saudi Navy while the Saudi Government was blockading Yemen, creating a humanitarian crisis affecting millions of Yemeni citizens.

Looking to 2022

In 2020 we suggested that international trade was at a crossroads. Taking that analogy a step further, one might suggest that 2021 sees us in the middle of Tokyo's Shibuya Crossing – famous for the 'scramble' that occurs as pedestrians cross in all directions.

Trade policy seems to be in flux, beset by currents which lap against each other – competition but interdependence, disruption but growth, changes in how we look at and measure the success of trade agreements. Whether these are temporary disturbances or whether they will create a new normal, and how different that will be, will become clear with time.

What we do know is that New Zealand has a lot at stake – a point Minister Mahuta made earlier this year:

"It is not getting any easier to be a small country. Global competition is intensifying, the international rules-based system is under pressure, and protectionism is on the rise – all at a time when the need for coordinated global action on issues such as climate change has never been greater."

In the middle of a convulsion, it can be difficult to see the bigger picture. But the world has been here before, and the pattern of the past is that crises subside and that the experience reinforces the value of international cooperation. This was true of the economic contraction in the 1970s.

One thing that COVID-19 has clearly shown us is that strengthening economic resilience and overall security will require more, not less, global cooperation. No doubt New Zealand will continue pushing for such cooperation, we must hope that the rest of the world responds.

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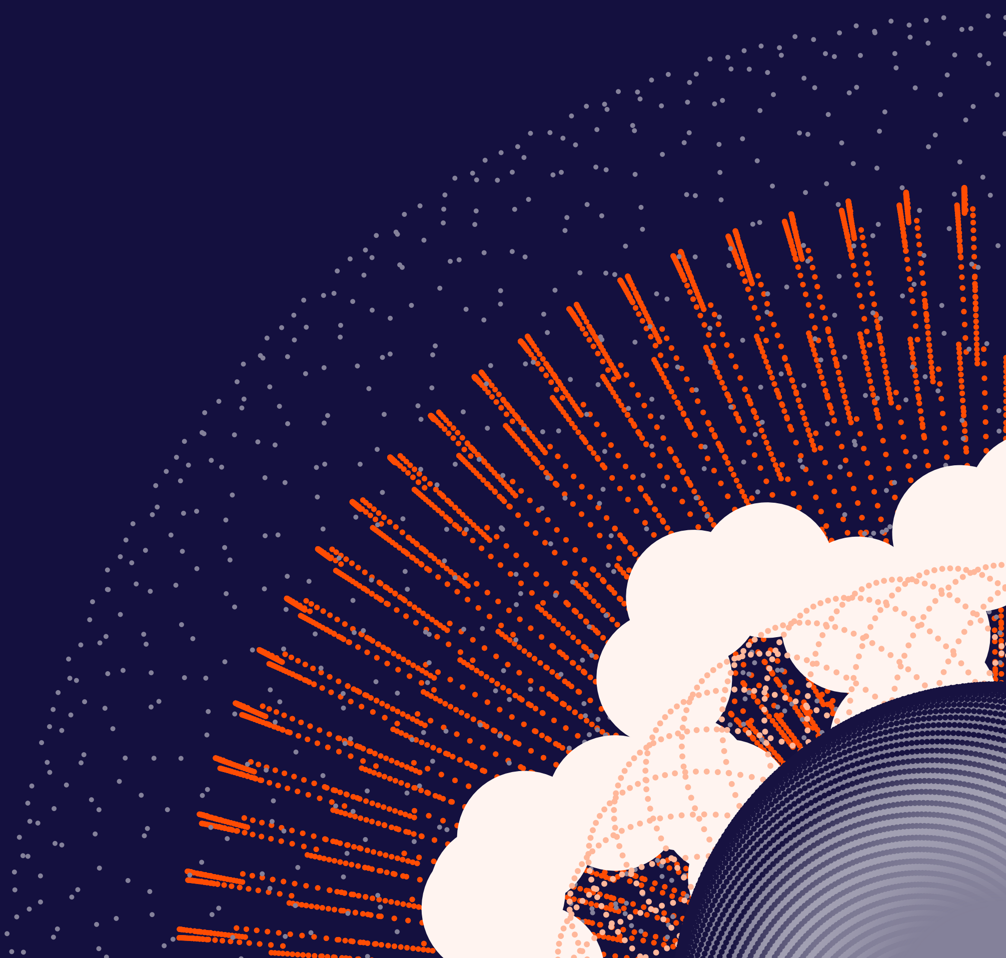

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