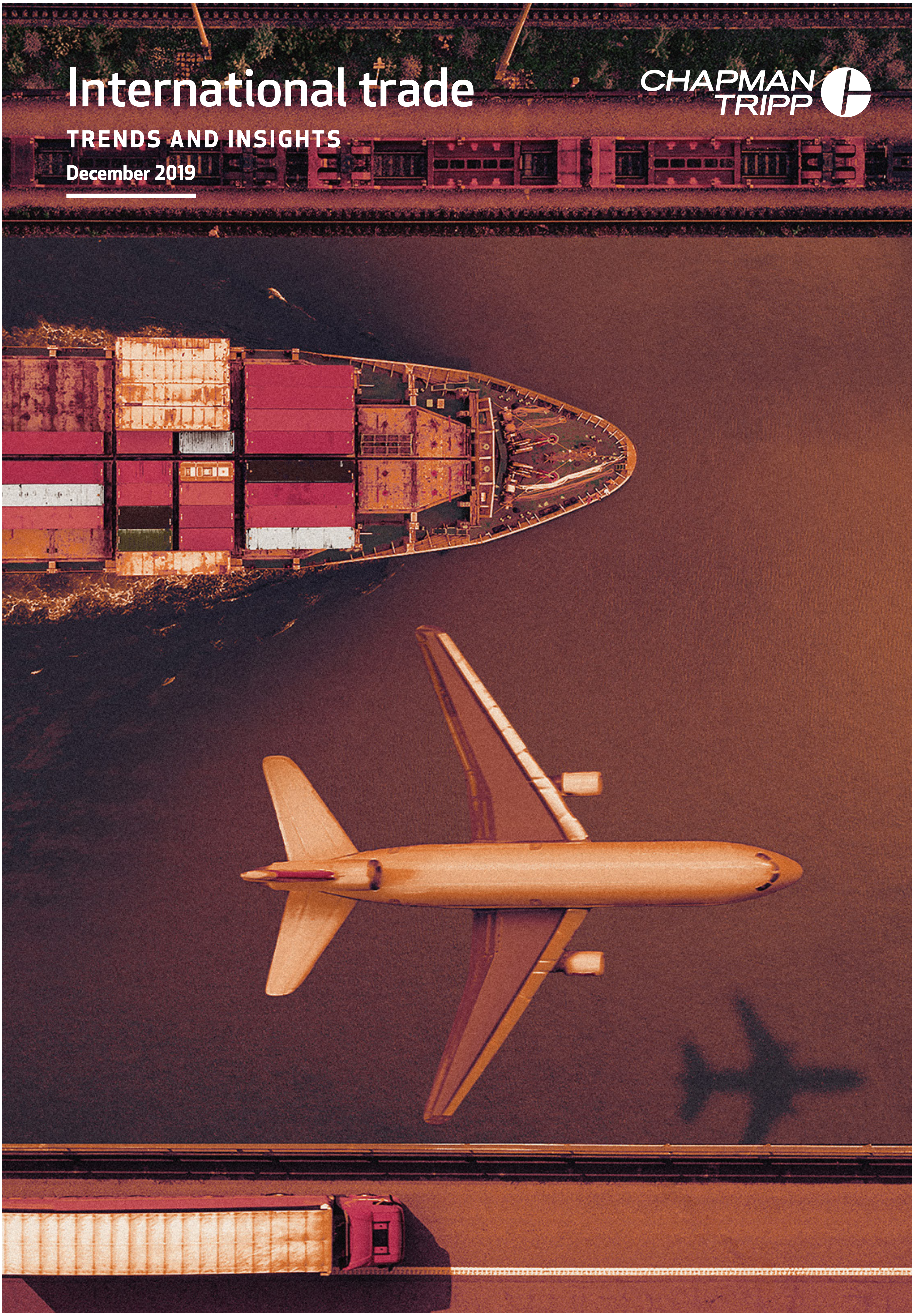
International trade

TRENDS AND INSIGHTS

December 2019



Large Law Firm of the Year

New Zealand Law Awards 2019

New Zealand Deal Firm of the Year

Australasian Law Awards 2019

New Zealand Contentious Firm of the Year

Managing IP Asia-Pacific Awards 2019

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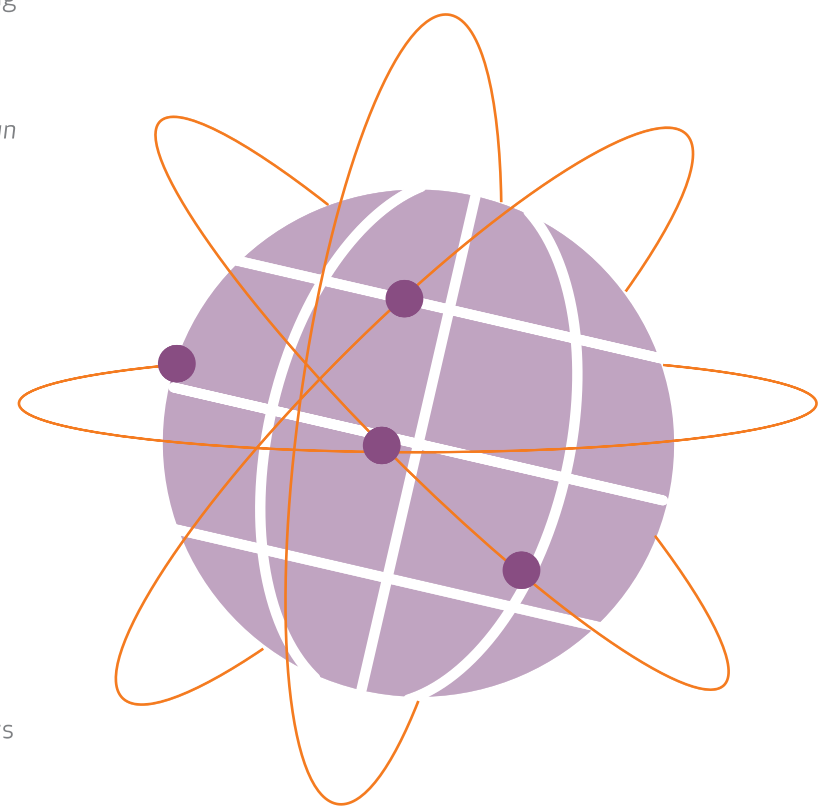
Trading in turbulent times

After a long period of relative stability and growth in global trade, the future is looking increasingly uncertain. A confluence of factors have come together to define and shape the global economy in the early years of the 21st century and the result is a turbulent present and uncertain future.

The situation was succinctly expressed by Prime Minister of Singapore Lee Hsien Loong at the 74th Session of the United Nations General Assembly on 27 September 2019:

"Today, there is a strong pushback against an open, integrated global economy. The view that globalisation and free trade have worsened inequality has grown. But in truth globalisation and free trade have improved the lives of billions of people around the world … a fragmented world with less growth and prosperity will create markets and create tension and instability in the international system."

In this year's edition of International trade – trends and insights, we canvass developments in 2019 and consider what we can expect in 2020. The macro picture at the global level is one of continued uncertainty and disruption. But we shouldn't forget there are also positive stories, with New Zealand exporters continuing to do incredible things on the world stage. We profile some of those here.



The world economy

The world economy has not yet sunk into recession but all the major forecasters – the World Bank, the Organisation for Economic Cooperation and Development (*OECD*), the World Trade Organisation (*WTO*) and the International Monetary Fund (*IMF*) – have cut their growth forecasts back to the weakest levels since the 2008-2009 global financial crisis.[1]

There is a considerable uniformity of view with the IMF talking about a "synchronised slowdown" as demand for capital goods and investment wilts under higher tariffs and the uncertainty generated by the trade war. A joint Brookings Institute/Financial Times publication goes further and talks of "synchronised stagnation" as:

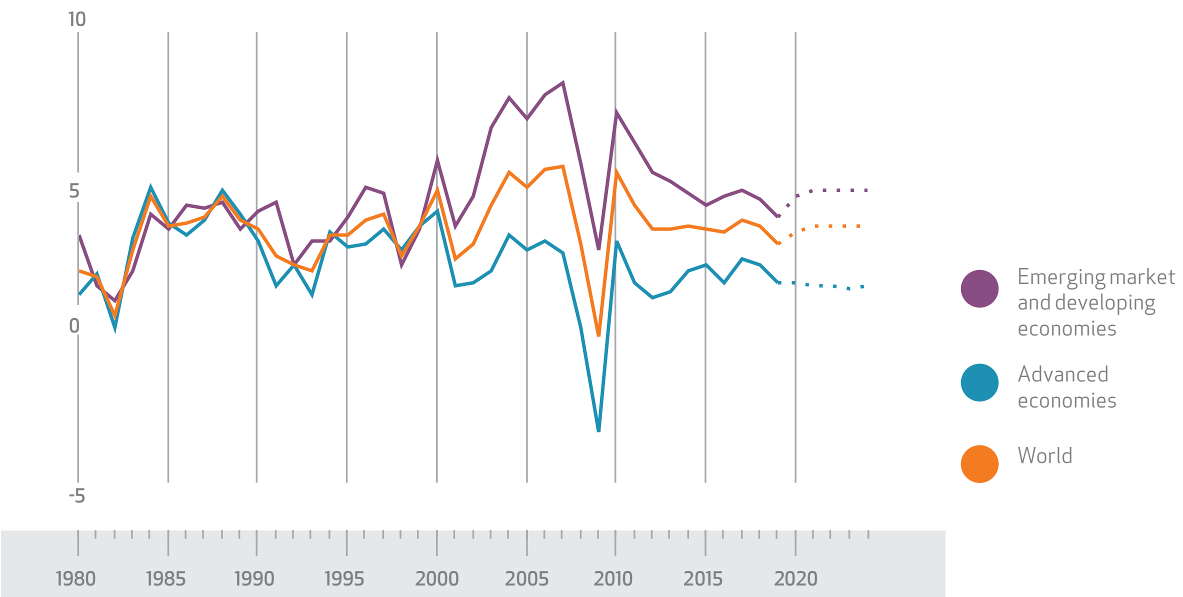
"*persistent trade tensions, political instability, geopolitical risks, and concerns about the limited efficacy of monetary stimulus continue to erode business and consumer sentiment, holding back investment and productivity growth*".[2]

The IMF has trimmed its growth forecast for 2020 to 3.4%, while WTO economists are forecasting that world merchandise trade volumes will rise only 1.2% this year and 2.7% next year – down from previous forecasts of 2.6% and 3.0% respectively.

While the IMF report the services sector has so far continued to hold up across the world, a number of recent surveys in Europe and the United States (*US*) point to a worldwide contraction in manufacturing, which is starting to spill over into domestic demand for services.

As a small, export dependent country, New Zealand is particularly vulnerable to global economic shifts. Fortunately, commodity prices for our key exports have remained reasonably strong to date despite global uncertainty but[3], if the world economy slows down, we will likely feel the impact as slower growth in a key market like China equates to lower demand for imports from New Zealand.

Real GDP growth
Annual percent change



[1] Financial Times, "Trade wars are pushing the global economy to the brink", The Editorial Board, 5 October 2019.
[2] See: https://www.brookings.edu/research/october-2019-update-to-tiger-sliding-into-synchronized-stagnation/
[3] Business NZ, "Planning Forecast", September 2019: www.businessnz.org.nz/__data/assets/pdf_file/0007/178783/190923-Sept-2019-Planning-Forecast.pdf

Dispatches from the trade war

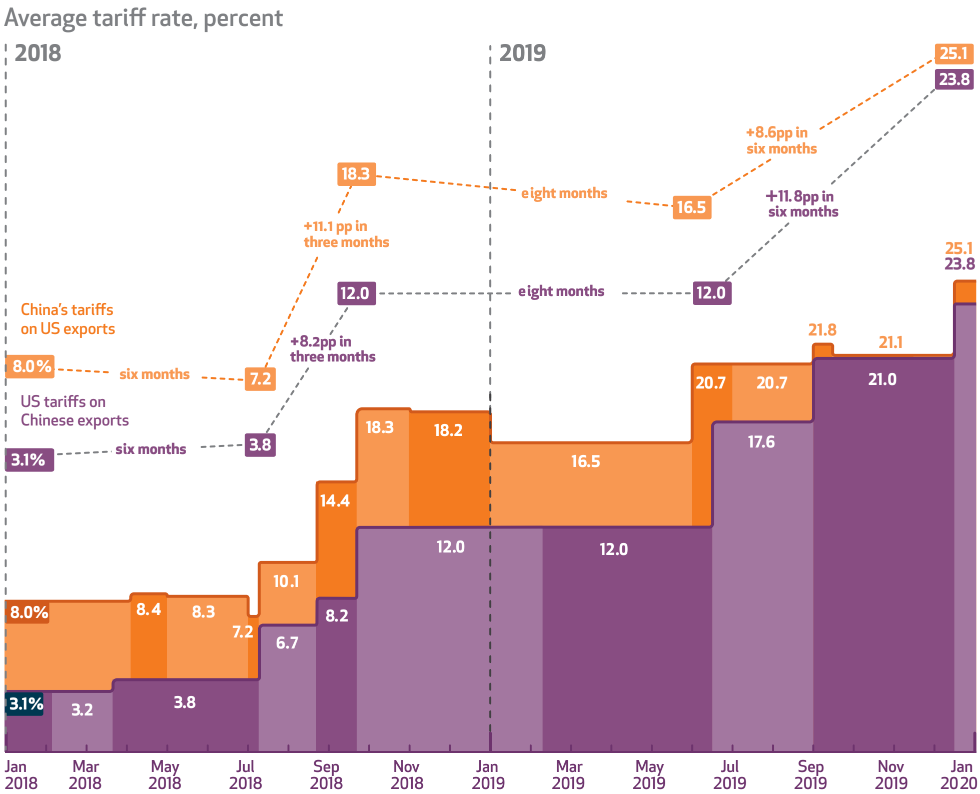
The trade war began in 2017 when a US International Trade Commission's investigation found that imports of Chinese solar panels had caused injury to American solar panel market and producers. This was followed by a similar report on washing machines, and then by the imposition of tariffs on imports of both products in early 2018. China responded with tariffs on American sorghum, setting in place a pattern of escalating action that would continue to be seen in other contexts – the Department of Commerce's 'section 232' report on steel and aluminium imports, and the United States Trade Representative (*USTR*)'s 'section 301' report finding that China was engaging in unfair trade practices related to technology transfer, intellectual property and innovation.

At the start of 2019, more than half of Chinese exports to the US, worth US$250b, were subject to tariffs upon entry to the US. These had been imposed in two tranches set at 25% – the first on US$36b of goods, the second on US$16b – during 2018 following release of the 'section 301' report by USTR. Subsequently, there was a third tranche on US$200b of imports set at 10%.

China reacted to the 2018 tariffs by imposing its own 'retaliatory' tariffs on US$110b of imports from the US (and reducing tariffs from other countries).

US-China trade war tariffs: An up-to-date chart

Updated on October 11, 2019



pp = percentage point

Note: Trade-weighted average tariffs computed from product-level (6-digit Harmonized System) tariff and trade data, weighted by exporting country's exports to the world in 2017.

Source: *US-China Trade War Tariffs: An Up-to-Date Chart* from PIIE Charts, by Chad P. Bown, originally published by the Peterson Institute for International Economics, on October 11, 2019. (www.piie.com/research/piie-charts/us-china-trade-war-tariffs-date-chart).

The US tariffs in 2018 initially targeted intermediate inputs and capital equipment used by American-based companies, then moved to include more consumer goods. Retaliatory Chinese tariffs went in the other direction – beginning with agricultural and food products (including soybeans, seafood, fruit and nuts, pork, and dairy), petroleum products and medical equipment then shifting to also cover intermediate inputs and capital equipment.

The sniping has continued this year:

- in May, the US raised the 10% tariff on $200b of imports to 25% and in August, President Trump announced that tariffs on all $250b of imports would increase to 30% on 15 October 2019
- also, in August, President Trump announced a 15% tariff on an additional $300b of commonly imported household items from China to be rolled out in two stages before the end of the year. Application to toys, smartphones and other consumer electronics has been held back until after the holiday shopping season, and
- China announced retaliation with tariffs on $75b of imports from the US to mirror the two-stage US rollout, on products including crude oil, soybeans, pork, chicken, wheat, sorghum, cotton and other farm products. China also announced tariffs of 5% and 25% on US-made vehicles and auto parts.

The US tariffs have been accompanied by non-tariff measures, including:

- pressure on its allies to boycott Huawei, which the US accuses of breaching sanctions against Iran and stealing US technology
- tightening US visa requirements for Chinese students and scholars, and
- blacklisting 28 Chinese entities[4] with the effect that US suppliers need to obtain a special licence to continue selling American-made goods to them.

Meantime, China has tried to win the PR battle through the publication in eight languages of a White Paper which emphasises that, in its view, the source of the trade war is the US, "*In response to the economic and trade friction unilaterally initiated by the US since March 2018, China has had to take forceful measures to defend the interests of the nation and its people.*"

In between the tariff announcements, there have been 13 rounds of negotiations between US and Chinese trade officials, on-again, off-again meetings between Presidents Trump and Xi, wildly shifting probabilities around the prospect of a deal, exclusion processes in the US to allow exemptions from some from the tariffs, and – throughout it all – a chaotic tweet commentary from President Trump.

[4] K. Stacey and J. Politi, "US blacklists 28 Chinese entities in latest trade war escalation", Financial Times, 7 October 2019: www.ft.com/content/2a40927e-e946-11e9-a240-3b065ef5fc55

A truce?

On 11 October 2019, the US and China announced a 'truce', and a limited 'phase one' trade agreement.

First indications were this agreement might be at least moderately significant, involving undertakings by China to buy up to $50b of US agricultural products, and commitments on intellectual property rights, financial services, biotechnology and phytosanitary issues.

It has subsequently emerged, however, that the agreement is more limited, involving:

- a commitment to continue negotiations towards a phase one deal (which presumably could cover the subject areas noted above), and
- a commitment by the US to cancel the proposed 15 October tariff increases.

Tariffs already in place are unaffected to date and the second tranche planned by the US for 15 December might still go ahead – even if the 'truce' holds. More broadly though, a question remains as to whether things might settle down, at least until after the 2020 US presidential election.

The fallout from the war

In addition to its contribution to the predicted global economic slowdown and the associated income effects in third party countries such as New Zealand, the trade war also has the potential to cause *substitution effects* as countries become more or less competitive, leading to changing patterns of supply and demand.

Vietnam, for example, is selling more steel into the US because the latter's tariffs against Chinese steel have made it less competitive in the US market. And the US tariffs on apparel from China have made Chinese clothes manufacturers wary about buying New Zealand fine wool because they cannot be sure they will be able to sell the finished product.[5]

Just as significant is the risk that, if the trade war continues, and the US and Chinese economies become increasingly decoupled, other countries will be squeezed and may, at some point, have to choose between the two powers.

This would create an excruciating dilemma for New Zealand, given China is our largest trading partner and the US our third largest.

[5] Radio New Zealand, "New Zealand wood industry clipped by China-US trade war", 20 August 2019: www.rnz.co.nz/news/country/397064/new-zealand-wool-industry-clipped-by-china-us-trade-war

Can the centre still hold?

The international 'rules-based order' is under stress. This is in the economic sphere by the WTO Agreements. But this should not be equated with an assumption that the system is no longer relevant, or that it is facing imminent collapse.

There is no one single cause of the stress. Primary factors are that the WTO's Appellate Body (*AB*) is shortly to become inoperative due to conflict over its operation, and a continued failure by members to modernise the broader rulebook to address new issues such as digitalisation, climate change, sustainable development, and making trade more inclusive.

There are pressure points at the margins too. In particular a new US focus on bilateral negotiations, although to date only one agreement has been concluded (with Japan), and an increasing tendency for countries to claim a national security justification for breach of WTO rules. The US is most identified with this, but Japan has also used it to justify export restrictions against South Korea on chemicals vital to Korea's electronics industry. Many doubt the validity of the national security justification, given the action follows a spike in tensions between Japan and South Korea over unresolved historical grievances.

The rules-based system is of utmost importance to New Zealand (and other small and medium-sized nations), particularly in the face of a slowing global economy and rising nationalism. A world where the legal rules and processes we rely upon to advance and defend our legitimate trade interests are subordinated to power politics is a dangerous place to be.

As economist Jeffrey Sachs told the audience at the WTO Public Forum this year:

"If you want to know what it would be like without the trading system, revisit the 1930s. The trading system collapsed. World peace collapsed. We had one of the great disasters of history. We are totally dependent on open trade to have a chance for 7.7 billion people to live decently, even to live, on this planet. Food is traded. Energy is traded. Basic technologies are traded. Medicines are traded. There would be no chance for viability in this world if the trading system collapses. Every amenity that we have, starting with our morning coffee, would be impossible without the international trading system."

Kevin Rudd, Helen Clark and Carl Bildt (Sweden), on behalf of a group of 10 former leaders of governments that have enjoyed close relations with both the US and China, wrote to Presidents Trump and Xi in October urging them to recognise how much is at stake. The letter said that the WTO:

"despite its limitations, is best positioned to address China's trade practices. We also believe that the WTO is the most appropriate forum in which to resolve trade disputes. So we urge the United States and China to work with other member states to strengthen the WTO's institutional capacity".

New Zealand has successfully used the WTO's dispute resolution mechanism on a number of occasions and it gives our exporters a level of comfort that the government has their back should markets be closed to them. It is true each of our free trade agreements (*FTA*) contains its own dispute settlement mechanism, but the unspoken expectation has always been the WTO process will be used instead. Should the WTO dispute settlement mechanism become dysfunctional, there will be no real certainty the FTA provisions can be successfully invoked, which in turn increases uncertainty for business.

What is the Appellate Body crisis?

As of 10 December this year, the WTO Appellate Body (*AB*) will have insufficient members to hear an appeal. It should normally have seven members, each appointed for a four-year term, with the possibility of reappointment for a further term. It is now down to only three members because, since 2017, the US – citing concerns with the approach the AB has taken – has blocked the reappointment or appointment of members. Some of the US concerns go back to the early 2000s and range from the technical (e.g. the AB's consistent failure to comply with the 90-day deadline for appeals) to the more fundamental (e.g. a tendency to add to or diminish the rights and obligations of the parties).

New Zealand's Permanent Representative to the WTO, Ambassador David Walker, was appointed at the beginning of this year to facilitate an informal process to review and address the US concerns.

Meantime, some members are applying their own solutions. The European Union (*EU*) has entered into interim appeal arbitration arrangements with Canada and Norway which will apply to all disputes between the EU and those countries in the event the AB is unable to hear appeals. In a more ad hoc solution, Vietnam and Indonesia agreed that they will accept the panel report as the final word in relation to a dispute between them[6], which means it cannot be put on hold by one side appealing to a non-operational AB. Whether other countries will join the EU, or make their own arrangements like Vietnam and Indonesia, remains to be seen.

[6] *Indonesia – Safeguard on Certain Iron or Steel Products* (DS496), Agreed Procedures under Articles 21 and 22 of the Dispute Settlement Understanding between Indonesia and Vietnam.

Brexit update

On 23 October, UK MPs voted 329 to 299 in favour of Prime Minister Boris Johnson's 110-page Withdrawal Agreement Bill. The Bill sets out arrangements for Northern Ireland, namely it would remain in the UK's customs territory. However, goods and agrifood trade between Northern Ireland and the EU will be covered by EU customs rules and will follow EU single market regulation. The Bill also has the potential to complicate trade negotiations with other countries as the UK has not yet agreed the terms of post-Brexit trade with several countries that have FTAs with the EU. The Bill would allow Northern Ireland to maintain duty-free access to goods from those countries that might be subject to tariffs in the rest of the UK.

Just 20 minutes after the vote, MPs rejected the Government's timetable for the Bill. Johnson was then required to send a letter to the EU requesting a Brexit extension, though this letter, unsigned, was supplemented by a signed letter detailing why the EU should not grant the request.

Less than one week later, on 28 October 2019, the EU allowed for an extension until 31 January 2020 but said that the UK could leave earlier if a deal was approved by Parliament, the so-called "flextension". Johnson followed this with a vote calling for a December general election. MPs voted by 299 to 70 in favour of holding the election, although it was 135 short of the two-thirds majority required by the Fixed-Term Parliaments Act. Johnson subsequently unveiled a "Plan B" to trigger a general election: publishing a bill that would only need a simple majority to succeed and that would allow for a general election on 12 December 2019. MPs voted 438 to 20 a day later in favour of the 12 December election bill. It is likely Conservatives will campaign to get Brexit done by pushing through Johnson's deal, while Labour is promising a second referendum.

Uncertainty around Brexit has impacted global markets, and in particular, exporters. For example, lamb exports to the UK from New Zealand were down by about 23% compared to last year.[7]

[7] Radio New Zealand , "NZ lamb exporters welcome Brexit deadline extension", 29 October 2019: www.rnz.co.nz/news/country/402020/nz-lamb-exporters-welcome-brexit-deadline-extension

Heat on Iran

US sanctions on Iran have had a chilling effect on trade with Iran in 2019. The sanctions are the toughest ever imposed on Iran, and they target critical sectors of that country's economy such as energy, shipping, shipbuilding, and finance.

There are some carve outs: there is no prohibition on trading non-sanctioned New Zealand goods with non-sanctioned Iranian persons, and there is a "humanitarian exception" to facilitate the sale of agricultural commodities, food, medicine or medical devices to Iran.

Nevertheless, international and domestic banks, insurers and transport companies have been hesitant to facilitate any transactions. This is in part because the US regime includes *secondary sanctions* that may apply to non-US persons (including New Zealanders or New Zealand companies), which the US is enforcing as aggressively as the primary sanctions it imposes on its own nationals.

Also, Iranian banks have been designated as sanctioned individuals and the US has taken aggressive enforcement actions. Moreover, frequent tweets by President Trump indicating plans to "substantially increase sanctions on Iran" mean even trade that is legal, will likely not logistically be possible as insurance companies and banks will be even more resistant to facilitating such trade.

It is difficult to see the situation changing significantly any time soon, but if and when it does, Iran undoubtedly still represents a potentially exciting market for New Zealand exporters.

Trends and signs of fair weather

As we look back at 2019 and forward to 2020, it is not all doom and gloom. There have been success stories, and a number of positive and exciting developments.

Foremost among these has been the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (*CPTPP*). And on 4 November, agreement was reached on the text of the Regional Comprehensive Economic Partnership (*RCEP*). These two agreements are important both for the boost they can provide to businesses trading within regions, but also for the signal they send about the ongoing importance of countries working together to develop rules and a basis for cooperation.

Digitalisation

Digital trade continues to be a key story in international trade. The very term 'digital trade' is an evolving concept. It captures not just internet shopping and the supply of online services (e-commerce), but also data flows that enable global value chains, services that enable smart manufacturing, and a myriad of other platforms and applications.

It is New Zealand's third biggest revenue earner, having experienced faster growth over the last decade in terms of contribution to Gross Domestic Product (*GDP*) than any other OECD country. New Zealand now has 29,000 tech firms with nearly 100,000 employees contributing $16.2b to GDP and producing $6.3b in exports.

This means our interest in ensuring international trade rules are updated to deal with the challenges created by digitalisation has a strong commercial basis. But we have just as strong an interest in ensuring that those rules are appropriate and adequately address the enormous social implications of increased data flows. New Zealand has become part of two relevant efforts in 2019.

WTO E-commerce Initiative: 76 WTO member states (including New Zealand), accounting for 90% of world trade, agreed in Davos earlier this year to launch negotiations on trade-related aspects of e-commerce with the goal of creating a new WTO agreement.[8] This would include guaranteeing the validity of e-contracts and e-signatures, permanently banning customs duties on electronic transmissions, improving consumers' trust and combatting spam.

Digital Economy Partnership Agreement: New Zealand is negotiating with Chile and Singapore to establish new international rules and best practice for supporting and promoting trade in the digital era. As well as building on existing rules on e-commerce, the negotiations will look at a range of emerging digital economy issues and subject areas, including cross-border data flows, digital identification, artificial intelligence, cybersecurity, and open data.

NZ-China FTA upgrade

New Zealand and China concluded negotiations for an upgrade of the 2008 Agreement between them. The upgrade includes improved market access for goods (various wood and paper products) and services (including environmental and airport operation services), and new rules to facilitate the free flow of goods, including in relation to technical barriers to trade, customs procedures and rules of origin. For example, New Zealand exporters to China will now benefit from a guaranteed six-hour clearance time for perishable goods such as seafood and assurance these kinds of goods are stored appropriately. China will also be required to provide better access to information about customs laws and regulations, as well as identifying contact points at key ports so exporters can address any problems.

Some specific irritants for exporters have been addressed, such as China's requirement that cosmetics be tested on animals. The upgrade establishes mechanisms for New Zealand and Chinese officials to discuss alternatives that will allow trade in this sector.

8 European Commission, "76 WTO partners launch talks on e-commerce", 25 January 2019: http://trade.ec.europa.eu/doclib/press/index.cfm?id=1974

Chinese investors in services sectors covered by the FTA will now benefit from an increased screening threshold for investments in significant New Zealand business assets. These investments will only require screening under the Overseas Investment Act if they exceed $200m (rather than the $100m threshold otherwise provided for in the Act).

New Zealand has made changes to the 800 annual visa places allocated to Chinese professionals. Increases have been made to the number of visas for Chinese tour guides, Mandarin teaching aides, and a corresponding decrease in less utilised categories such as traditional Chinese medical practitioners.

There are also new chapters on e-commerce, environment and trade, competition policy and government procurement.

The agreement is expected to be signed in early 2020.

Regional Comprehensive Economic Partnership

On 4 November, leaders of the 16 countries negotiating the RCEP announced the completion of negotiations on the text and agreement on nearly all market access issues between 15 countries. India is the missing link. Its reluctance to join is due in large part to concerns about the impact to its producers of increased imports of manufactured Chinese goods, as well as New Zealand and Australian agricultural products. India could still join later; leaders said in their statement that "*all RCEP participating countries will work together to resolve the outstanding issues in a mutually satisfactory way*".

The deal has been criticised for a lack of real ambition and belonging to an earlier stage of development based on the export of cheap goods. For New Zealand, the (hopefully temporary) absence of India certainly diminishes the potential economic gains. But, to focus on the negative would be to overlook the benefits of simplification of arrangements now that the large number of agreements between Association of Southeast Asian Nations (*ASEAN*) member and other countries have been stitched together, and the potential for further integration over time among the member countries. The importance of symbolism should not be overlooked either. In these turbulent times, the tenacity of the participating countries in persevering to reach agreement on common rules to bind them all should not be overlooked.

Climate change and trade

Chapman Tripp has long advocated[9] that FTAs can be an instrument for climate change mitigation so we welcome the negotiations, entered recently by New Zealand, Fiji, Norway, Iceland and Costa Rica on an Agreement on Climate Change, Trade and Sustainability (*ACCTS*). The intended scope of the ACCTS is:

- the elimination of tariffs on environmental goods and new commitments on environmental services
- disciplines to eliminate fossil fuel subsidies, and
- guidelines to encourage the promotion of voluntary eco-labelling programmes and associated mechanisms.

While this may be seen as a small beginning, it is a heartening example of small and medium-sized countries getting together and taking a bold step forward to develop new multilateral rules. The initiative will be open to other WTO members to join, if they are able to meet the required commitments.

Enabling resolution of international disputes

An unfortunate inevitability of business is that disputes will arise. Thanks to the New York Convention, it has been possible since 1958 to enforce an arbitral award obtained in one member country across the other 159 member states.

Settlements following mediation and court judgments have been much more difficult to execute in other jurisdictions but two developments this year will hopefully improve the position.

- The Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (*the Judgments Convention*) was finalised in July this year. It addresses the difficulty faced by parties with cross-border disputes when a judgment obtained in one jurisdiction needs to be enforced in another. The Judgments Convention regulates the enforcement of foreign judgments by state parties. Currently only Uruguay has signed, but others will join.
- The United Nations Convention on International Settlement Agreements Resulting from Mediation (*the Singapore Mediation Convention*) has been signed (but not yet ratified) by 51 countries, including the US, Singapore, China, India, and South Korea. This provides a process under which a party seeking enforcement of a cross border settlement agreement resulting from mediation may apply directly for execution to the courts of the jurisdiction where the other party's assets are located.

If the Singapore Mediation Convention and/or the Judgments Convention is taken up by New Zealand and its major trading partners, it has the potential to reinvigorate international mediation and litigation, and influence how international commercial disputes are resolved.

[9] Daniel Kalderimis, "NZ exporters must front up to Govt with overseas trade problems", 11 December 2017: www.chapmantripp.com

Kiwi exporters

Despite the general global volatility, a recent survey found more than half of New Zealand exporters remain optimistic their orders will increase in the next 12 months.[10] We thought we would take the opportunity here to highlight the stories of three Kiwi businesses who are showing that success on the international stage remains entirely possible and that there is every reason for continued optimism.

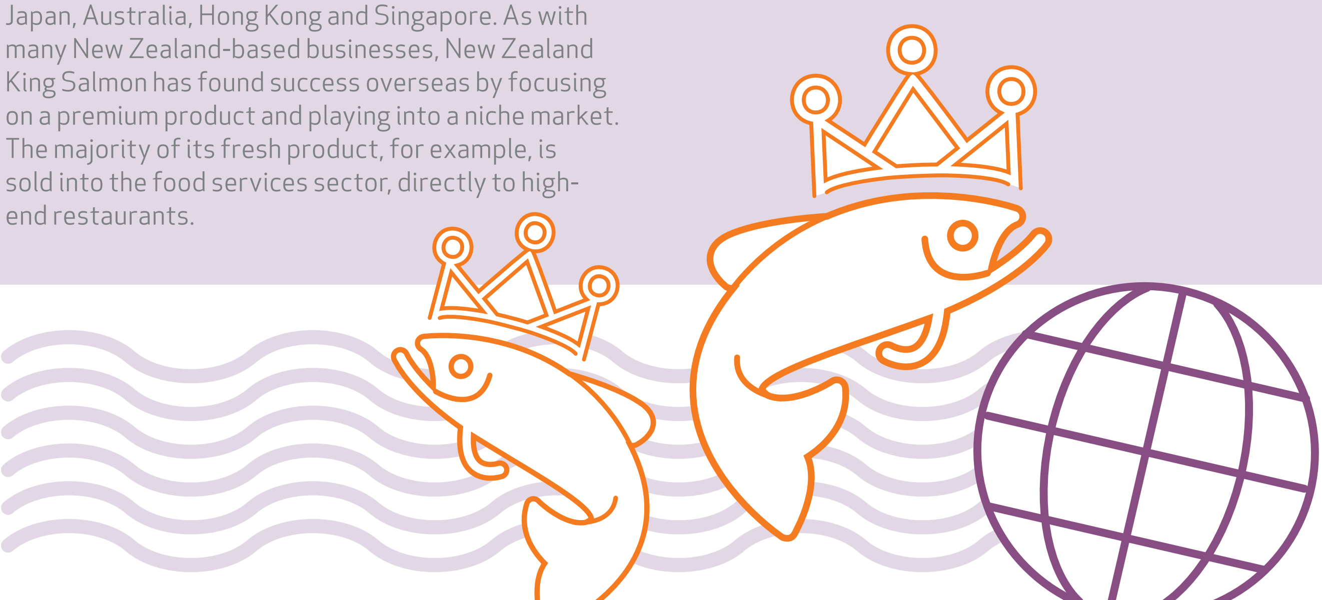
New Zealand King Salmon

Recipient of the 'Inspiring Preference for New Zealand' award at the 2018 New Zealand International Business Awards, New Zealand King Salmon epitomises the 'New Zealand story' – a high quality natural product that meets the needs of modern consumers, a strong sense of environmental responsibility, innovative practices, and commitment to community. The company's key product, King salmon (also known as Chinook) is unique, making up only 0.7% of the world's farmed salmon population. Not only is it rare, but this species produces some of the world's premium salmon. New Zealand King Salmon produces just over 50% of the world's supply of this species, and through its scientific breeding programme, has created especially desirable taste, texture and nutritional characteristics.

Based in the top of the South Island, the company exports around 55% of its product. Its largest market is North America, but sales in China have doubled over the last year, and are strong in other markets including Japan, Australia, Hong Kong and Singapore. As with many New Zealand-based businesses, New Zealand King Salmon has found success overseas by focusing on a premium product and playing into a niche market. The majority of its fresh product, for example, is sold into the food services sector, directly to high-end restaurants.

The company also continues to innovate with pet food and burley products, which allow it to use the 'whole fish'. An exciting development this year was the successful launch of its premium pet brand, Omega Plus, on the online pet platform Boqii.com, selling to the growing Chinese market. There are also plans to launch in South Korea, another pet food market showing strong growth.

New Zealand King Salmon monitors the global economic situation and recognises the importance of spreading its markets, but to date the only real constraint on sales has been a limited supply of salmon rather than demand-side factors. The company is progressing towards open ocean farming, a move that, if successful, would significantly expand production possibilities. The benefits of increased aquaculture production were recognised in the recently released Government Aquaculture Strategy which acknowledges the potential for the industry to be a $3b industry by 2025.



[10] DHL, "2019 ExportNZ DHL Export Barometer", October 2019

QualityNZ™

QualityNZ, a niche supplier of high quality food and beverages to India, has proven that exporters can be successful even in a difficult trading environment. New Zealand does not have a FTA with India to ease access and, although a WTO member, India has some of the world's highest tariffs along with an array of non-tariff barriers. We have yet to see whether India might be persuaded to join RCEP, but in the meantime, QualityNZ has seriously invested in time and resources to ensure that it doesn't have to rely on the success of those negotiations and is starting to see that investment paying off.

The company has developed a successful business supplying luxury hotels and the retail sector, with plans to expand into e-commerce. CEO Geoff Allott, a former New Zealand cricketer, notes that New Zealand is well regarded in India where we share some significant historical milestones (including the Indian troops that joined the ANZACs in Gallipoli), cultural values, and of course, a love of cricket.

Indian consumers are also, in common with others around the world, increasingly interested in the importance of factors such as nutritional value, food safety, sustainability, animal welfare, and traceability. While New Zealand has a global reputation for high quality products with these characteristics, marketing remains critical. QualityNZ has focused on being in-market (through a subsidiary) so it can understand the Indian consumer better and develop meaningful relationships with customers. This allows the company to tell the New Zealand story and highlight all aspects that contribute to making its products world class.

There are pros and cons to every market. One of the benefits of the Indian market is its proven ability to maintain economic growth, such as during the 2008 global financial crisis, while the rest of the world struggles. QualityNZ has good reason to believe it will continue to offer serious opportunities for New Zealand products so long as exporters take the time to understand the market and maintain a long term perspective on returns.

Perhaps somewhat ironically, Allott suggests that – besides tariff reductions – the biggest benefit of India joining RCEP would be to highlight to New Zealanders just how large the opportunities in India are. Many New Zealand businesses have no idea how rewarding the Indian market can be, regardless of the existence of an FTA.

A44

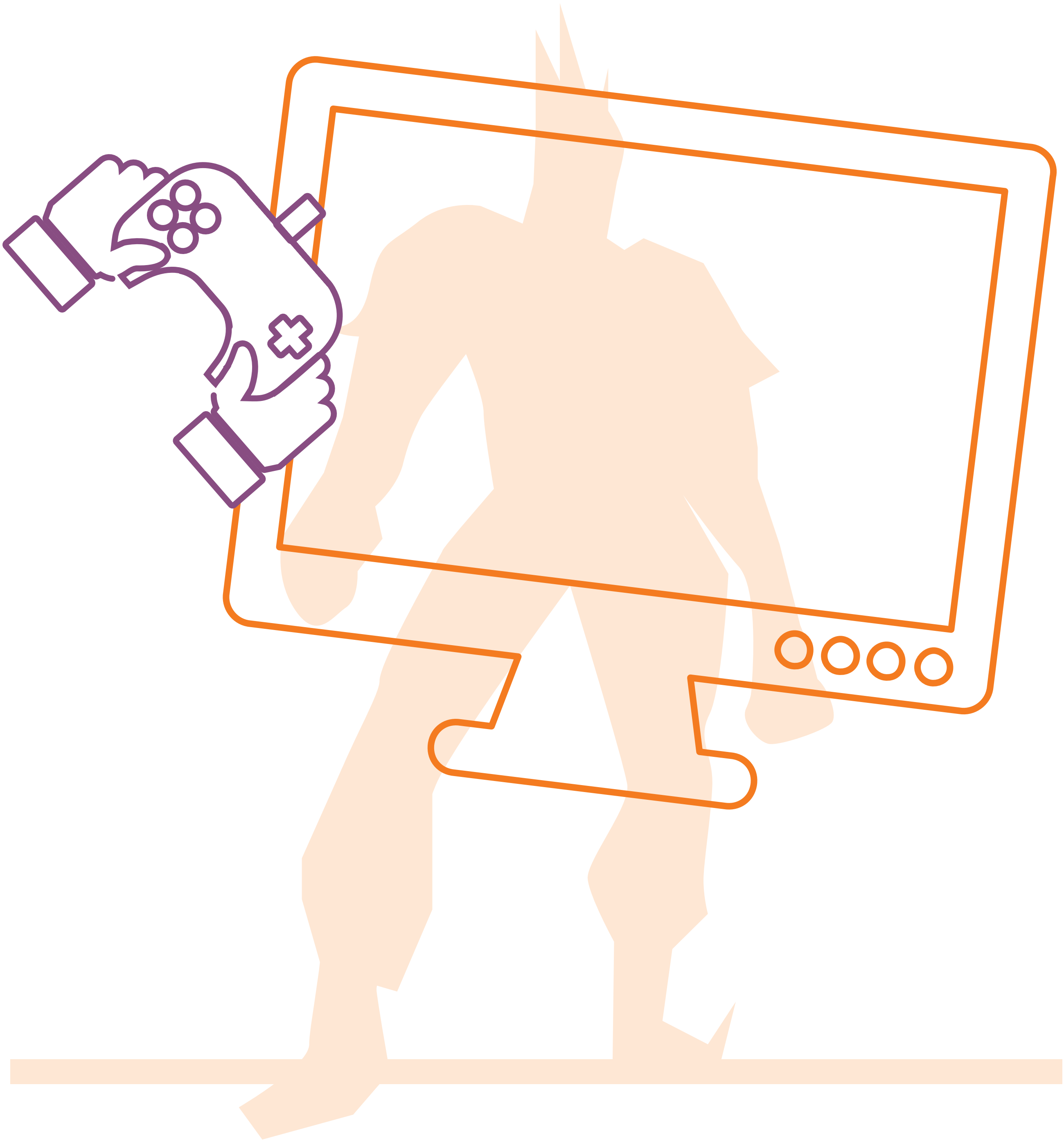
Kiwi exporters have much to offer from our bountiful land, but that is far from the whole New Zealand story. Our digital businesses are proving they can compete with the world's best. One of these is A44, an independent games studio based in Wellington. A44 aims to create video games defined by emergent and authentic multiplayer experiences, featuring tight, skill-based combat and immersive, captivating worlds. Its first game, Ashen, a third person action role-playing game (*RPG*), had over one million downloads less than a year after its release. There is a distinctly New Zealand feel to Ashen with its rolling hills, valleys and mountainous backdrops. While not inspired by any specific location, the game is undeniably a product of the New Zealand environment, which only enhances its ability to captivate audiences.

A games studio that relied on sales to a New Zealand audience wouldn't last long in the market. In this sense, it is just like many other New Zealand businesses – our dairy industry being a case in point with 98% of production being exported. Where video games have an inherent advantage is that, unlike goods that have to be physically shipped to consumers, global digital platforms make games accessible to a truly global audience. Ashen launched on a subscription-based service with tens of millions of users each month. The game was launched in over 10 different languages, making it accessible to essentially every major market simultaneously.

This doesn't mean that there aren't trade-related issues in the sector. One issue facing A44, for example, is the strict government scrutiny of gaming content in China. Yet, the country is slowly opening up to more Western games, and A44 has sought investment from China that will hopefully assist in making inroads into what is a potentially enormous market.

The video game industry has proven itself resilient in tough economic times, with strong sales even during the global financial crisis. There is every reason to think that, no matter the swirling global uncertainty, people will continue to want the affordable and exciting entertainment provided by video games.

The gaming industry is forecast to be worth over $144b in revenue by 2022 (more than the film industry). A44's success shows the way for New Zealand to compete with global studios and take a slice of this revenue.



Making sense of it all

Ongoing uncertainty will be a key theme as we head towards the 2020 US presidential election. But, as we have highlighted above, we shouldn't conflate uncertainty with a conclusion that the multilateral system is at risk of imminent collapse.

Business leaders might well be losing patience with the WTO, and wondering whether the multilateral system is losing relevance. But in the face of slowing global economic growth and rising nationalism, the multilateral system is more important than ever.

It is also important to recall the multilateral system supports regional and bilateral agreements. Most of these agreements, such as CPTPP, are based on WTO provisions – if those provisions are not being honoured, then the very foundations of those regional agreements become weak.

In the current environment, a high degree of effort will be required by governments to keep the multilateral system afloat and set a course for the future. There may be fewer highly visible success stories, but this doesn't mean there won't be successes, even if success in 2020 and beyond looks different – and less ground breaking – than it did in 1994.

What then will success look like? Some elements are obvious. Revival of the WTO AB, or at the least, some form of workaround that keeps the system of dispute settlement intact as far as possible. Conclusion of a WTO agreement on fisheries subsidies. Signing of RCEP which, while it may not deliver the economic punch that the sum of its members (even absent India) would portend, is nevertheless of symbolic significance and creates a platform for further integration. It may also involve further development of an inclusive trade strategy based on the outcome of the Trade for All process.

For New Zealand businesses, just like those profiled here, it will involve having the confidence to get out into the world and get on with business – to innovate using their incredible creativity, promote ethical and sustainable business practices, and use personal relationships and New Zealand's enviable reputation to find niches where business can flourish amidst the global maelstrom.

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Primary contacts

DANIEL KALDERIMIS – PARTNER
T: +64 4 498 2409 M: +64 27 599 5839
E: daniel.kalderimis@chapmantripp.com

FRANK MCLAUGHLIN – COMPETITION & REGULATORY CONSULTANT
T: +64 4 498 4954 M: +64 27 444 6112
E: frank.mclaughlin@chapmantripp.com

TRACEY EPPS – TRADE LAW CONSULTANT
T: +64 4 498 6371 M: +64 21 228 4459
E: tracey.epps@chapmantripp.com

NICOLA SWAN – SENIOR ASSOCIATE
T: +64 4 498 6389
E: nicola.swan@chapmantripp.com

Other contacts

JOSH BLACKMORE – PARTNER
T: +64 4 498 4904 M: +64 21 828 814
E: josh.blackmore@chapmantripp.com

HAMISH FOOTE – PARTNER
T: +64 3 353 0397 M: +64 27 289 9151
E: hamish.foote@chapmantripp.com

GEOF SHIRTCLIFFE – PARTNER
T: +64 4 498 6322 M: +64 27 481 1699
E: geof.shirtcliffe@chapmantripp.com

JOHN STROWGER – PARTNER
T: +64 9 357 9081 M: +64 27 478 1854
E: john.strowger@chapmantripp.com

PIP ENGLAND – PARTNER
T: +64 9 357 9069 M: +64 27 434 8854
E: pip.england@chapmantripp.com

ALISTER MCDONALD – CONSULTANT
T: +64 3 353 0392 M: +64 21 477 935
E: alister.mcdonald@chapmantripp.com

ANDY NICHOLLS – MANAGING PARTNER
T: +64 4 498 6319 M: +64 27 491 4892
E: andy.nicholls@chapmantripp.com

TIM TUBMAN – PARTNER
T: +64 9 357 9076 M: +64 27 344 2178
E: tim.tubman@chapmantripp.com

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AUCKLAND

23 Albert Street
PO Box 2206, Auckland 1140
New Zealand

T: +64 9 357 9000
F: +64 9 357 9099

WELLINGTON

10 Customhouse Quay
PO Box 993, Wellington 6140
New Zealand

T: +64 4 499 5999
F: +64 4 472 7111

CHRISTCHURCH

60 Cashel Street
PO Box 2510, Christchurch 8140
New Zealand

T: +64 3 353 4130
F: +64 3 365 4587

chapmantripp.com