Sales Advisory SWOT Analysis on US China Trade, Brexit and Southeast Asia

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SWOT Analysis (US China Trade)

At the crossroads

With export values increasing over the years, the New Zealand economy has a large exposure to trade with China.

It is important for New Zealand businesses to diversify their export destinations to mitigate the potential risks of economic downturn caused by the trade war.

Comparatively speaking, the US has a larger economy, therefore is less exposed to the downward risks of the trade war. That being said, China still remains the largest NZ export destination, receiving twice as much NZ export than the US for the most recent year.

The trade war, as well as the Trump administration's protectionist policies, could potentially cause more companies to move to their manufacturing base to the US or other countries with preferential tariffs in the US. Establishing business in those countries could potentially reduce the barriers to entry in the US market.

S

Strength
Both the US and Chinese consumer markets remain strong, representing two of the largest opportunities for New Zealand exporters.

W

Weakness
NZ exporters have significant exposure to China as export to China accounts for over 20% our total export value. Australia is also in the same situation. Any slowdown in the Chinese economy would have strong impact on New Zealand exports.

O

Opportunity
With a growing middle class, China remains the largest opportunity for NZ products. The trade negotiations could result in China becoming more open to foreign investment and giving NZ companies more access to the market.

T

Threat
The result of the trade war could come at the expense economic slowdown and even recessions for both countries. This would cause a reduction in demand, which poses significant risk for NZ exporters.

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SWOT Analysis (Brexit)

Prepare for the turbulence

One of the potential risks that NZ exporters face as a result of Brexit is the disruptions of a potential no deal Brexit. This could reduce economic growth and create extra tariffs on the movements of goods between the UK and the other 27 EU countries.

To reduce the potential risks of extra tariff and shipment delays to the UK, NZ exporters that currently use only one distribution centre in either the UK or EU, could consider having distribution centres on both sides.

The other benefit of establishing a distribution centre on both sides is that it would limit the impact of a potential economic downturn in the UK or EU caused by a no deal Brexit

S

Strength
Historically, New Zealand has had a strong relationship with the UK. As the UK leaves the EU, New Zealand would be one of the first countries to negotiate a free trade agreement with the UK.

W

Weakness
The EU (including the UK) has had tariff quotas on dairy and meat products imported into the Union. This regulation is likely to continue as the UK leaves the EU, which would limit the New Zealand lamb export to these regions.

O

Opportunity
As the UK leaves the EU, it would give New Zealand the opportunity to have separate free trade agreements with the UK and the EU and potentially increase the export volume from New Zealand.

T

Threat
A potential no deal Brexit could cause significant economic slowdown and disruptions in the UK and EU, which increases the risks for New Zealand exports, especially for perishable goods like meat and dairy products.

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SWOT Analysis (Southeast Asia)

Reaping the awards

The trade tensions between the US and China have created more trade opportunities for Southeast Asia. **As the US customs tightens compliance on the rule of origin, higher amount of trade flow and investment flow have been diverted to Southeast Asia and other parts of the world.**

Vietnam is one of the major winners of the trade war, with its economy growing by 8% mainly due to the shift in production from China. Many companies that previously had production base in southern China's Pearl River Delta area have shifted their factory across border to northern Vietnam.

As the manufacturing capacity in Vietnam is getting limited because of the boom, companies are also considering other potential manufacturing bases in Malaysia, Indonesia and Cambodia.

S	**Strength** **As one of the fastest growing regions in the world, Southeast Asia is an important region in terms of trade and manufacturing. It also has significant economic potential to become a major market for New Zealand products.**
W	**Weakness** **Many of the Southeast Asian countries lag behind in terms of infrastructure. Increasing amount of trade shifted from China causes bottleneck at ports, congestion and inflating labour and land costs.**
O	**Opportunity** **As the economy of Southeast Asia grows, as will the purchasing power for wider variety of New Zealand products, creating more opportunities for New Zealand exporters.**
T	**Threat** **Southeast Asia is closely connected with China economically. The Chinese economy has been showing the signs of slow down. If this persists, it could cause a broader impact in the region, which would negatively affect New Zealand exporters.**

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