



Latin American trade trifecta for NZ

In horse parlance, the recently-signed free trade agreement among New Zealand, Chile, Mexico, Peru and seven other Pacific region countries, is the first leg of a trade trifecta which will enable New Zealand to ramp-up its exports to Latin America.

Signed in Santiago last month, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) includes New Zealand's first free trade agreements with Mexico and Peru. The agreement will come into force after six countries, including New Zealand, ratify it.

The trifecta's first leg is the CPTPP; the second leg is a free trade agreement (FTA) being negotiated with the Pacific Alliance; and the third leg of the trifecta will be an FTA with Mercosur.

The CPTPP is being scrutinised by Parliament's foreign affairs, defence and trade select committees to confirm it is in New Zealand's best interests.

CPTPP, whose 11-member countries' economies are worth \$13.7 trillion (and in the case of Latin American members, \$3 trillion) enjoys widespread support in the New Zealand business community, including from the Latin America NZ Business Council, BusinessNZ, NZ Winegrowers, Beef + Lamb NZ and the Meat Industry Association.

In particular it contains numerous benefits for New Zealand exporters

to Latin America; the most obvious being the removal of tariffs on kiwifruit immediately, on apples within 11 years and reduced tariffs for dairy products.

Access to CPTPP member markets is guaranteed for New Zealand providers of professional, business, education, environmental, transportation and distribution services, and will provide greater opportunities for businesses to bid for government contracts in Mexico and Peru.

In Mexico's case, tariffs will be eliminated or partially reduced for a range of products, and duty-free quotas will be introduced which will make New Zealand dairy exports more competitive.

Second leg: Pacific Alliance

The trifecta's second leg is a free trade agreement (FTA) being negotiated with the Pacific Alliance (Chile, Colombia, Mexico and Peru), which is well advanced and slated to come to fruition within a year.

When New Zealand becomes an "Associated State of the Pacific Alliance", tariff barriers will be eliminated and New Zealand goods and services will be much more competitive in Pacific Alliance nations, which collectively are the world's sixth-largest economy and home to more than 220 million people.

New Zealand's principal export to the Pacific Alliance is dairy products, although services such as education and tourism are growing strongly.

Although New Zealand's exports in 2016 were \$722 million (compared to imports of \$455 million), many exporters in Pacific Alliance markets

have not reached their full potential because they face stiff tariffs - around \$70 million in 2016 - which local businesses and companies from countries with FTAs with the Pacific Alliance do not have to pay.

New Zealand's Ministry of Foreign Affairs and Trade (MFAT) is leading a variety of government ministries in the negotiations, which are addressing the question of tariffs as well as non-tariff barriers such as: customs clearance and border procedures; trade in services, digital trade; government procurement; competition policy; intellectual property; and legal and regulatory transparency.

MFAT is also promoting progressive elements in New Zealand trade policy including labour and environmental standards and protection, facilitating small-medium business' participation in trade, gender issues and climate change cooperation.

The outlook for the successful conclusion of an FTA is excellent, as New Zealand already has long-standing, bi-lateral relationships with each of the Pacific Alliance nations and with the Alliance itself, having been granted observer status in 2012.

Third leg: Mercosur

The third leg of the trifecta will be an FTA with Mercosur (Argentina, Brazil, Paraguay and Uruguay), which has a collective economy of \$6.42 trillion, and 260 million population.

After many decades of protectionist trade policy, new governments in Argentina and Brazil are now looking to expand their international trade.

New Zealand officials met their Mercosur counterparts on the margins of the Buenos Aires WTO Ministerial Meeting last December to assess the scope for ministerial engagement around a NZ Mercosur FTA, which, if the trifecta jackpot is to be struck, will shortly be in train.

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