



11 October 2017

Coordinator, Pacific Alliance FTA
Ministry of Foreign Affairs and Trade, Private Bag 18-901, Wellington
Email: PacificAllianceFTA@mfat.govt.nz

RE: EXPORTNZ SUBMISSION ON PACIFIC ALLIANCE FREE TRADE AGREEMENT

About ExportNZ

ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, and has regional offices run by our regional partners (EMA, Business Central, Canterbury Employers Chamber of Commerce and Otago Southland Employers Association) in Auckland, Hamilton, Bay of Plenty, Wellington, Hawkes Bay, Christchurch and Dunedin. We are a membership organisation and have approximately 2,000 members, ranging from emerging exporters to the largest exporters in New Zealand. Our value proposition for members is a mixture of policy and advocacy, education and training, networking, trade missions and inspiration through awards events and conferences.

Submission

Export New Zealand supports the negotiation of a high quality free trade agreement between New Zealand and the members of the Pacific Alliance – Chile, Peru, Colombia and Mexico. Such an agreement would be of real benefit to New Zealand exporters and would be of strategic importance also.

Three of the members of the Pacific Alliance are members of TPP. At the time of writing this submission there is a prospect that the remaining 11 members of the TPP will conclude negotiations on this agreement. However, this is not guaranteed, nor are we certain that the New Zealand Government has the numbers to guarantee ratification of an eleven member TPP. We therefore write this submission with TPP 11 excluded from consideration, but even if it does get negotiated and even if it is ratified and enters into force in New Zealand there is still reason for New Zealand to negotiate with the Pacific Alliance as Colombia is not part of TPP.

Mexico was an important market for New Zealand until it joined NAFTA. New Zealand at that point lost much market share to US and Canadian suppliers who enjoyed a tariff advantage over New Zealand. The Pacific Alliance FTA would allow New Zealand goods exporters to compete on a level playing field

with competitors in North America. New Zealand exported around NZ\$410 million last year. A FTA eliminating all tariffs should see a substantial increase in that number.

There is good scope to grow services exports to Mexico. Tourism, education and professional services all offer good prospects. A number of New Zealand companies have invested in Mexico to take advantage of its proximity to the United States. Long term we would expect this trend to continue.

Colombia has heavy tariff protection against dairy and other primary product exports. As a result New Zealand exports have been very low. But, of all the Latin American countries, Colombia offers perhaps the best opportunity for enormous growth in exports. Colombia's internal difficulties are now resolved. It is a large economy with a large population. There is big scope for Colombia to become a major market for New Zealand goods and services if we are linked by a high quality FTA. Venezuela, Colombia's incompetently managed next door neighbor demonstrates the potential of this market.

Peru, at \$109 million in goods exports does not offer the same potential as Colombia but it does offer the potential for increased exports if we can eliminate border protection through a high quality FTA. As with Mexico and with Colombia Peru offers the opportunity for increased services exports also.

New Zealand already has a FTA with Chile. This has contributed to a useful expansion in exports to NZ\$117 million a year. The current FTA (P4) lack an investment chapter and investor state dispute settlement. A number of our members would have benefitted from ISDS with Chile if we had had this under P4.

Beyond the direct benefits of a FTA mentioned above the strategic benefits of this agreement are also important. It would have political significance and send interesting messages to countries (such as the United States) that might be looking a bit inward. Most importantly this FTA might allow New Zealand to leverage its position as the link between Latin America and our FTA network in Asia.

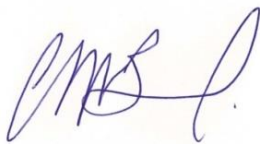
This agreement would also encourage increased aviation and shipping links between New Zealand and Latin America. Shipping services are good, but aviation links are expensive and too limited. An open skies agreement between New Zealand and the four Pacific Alliance members should be encouraged.

Export New Zealand believes that all FTAs should be of a high standard, eliminating all tariffs, tariff quotas, quantitative restrictions and other border restrictions that cannot be justified by science. They should cover all services and investment and be as liberal as possible across all modes of supply. Agreements should have a dispute settlement mechanism and should contain investor state dispute settlement provisions.

We encourage the government to be as open as possible in future trade negotiations. This means working more closely with business and other interested parties. Opposition party involvement should be encouraged so that it reduces suspicion and encourages a non-partisan approach to these negotiations. The media should be briefed fully on progress in negotiations as regularly as possible. We do not want to see a repeat of the secrecy that has surrounded some past negotiations. This has been both unnecessary but also counter-productive.

We encourage MFAT and other negotiators to meet with individual members to discuss specific problems that might be being experienced in the Pacific Alliance countries which might be able to be ameliorated by the negotiation of this FTA.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Catherine Beard', written in a cursive style.

Catherine Beard
Executive Director
ExportNZ