
From: Chris Deere <chris.deere@integration.co.nz>
Sent: Wednesday, 20 September 2017 9:42 a.m.
To: Pacific Alliance FTA
Cc: Rachel.Baxter@nzte.govt.nz
Subject: RE: Pacific Alliance FTA: share your views

Hi, thank you for asking for our views.

At present we would export into Mexico and Columbia on an annual basis around 12% of our annual turnover so a more favorable trade relationship would always help this.

As we run an ex-factory model (or customers pay shipping and customs) there is not a measurable impact of tariffs play on our exports but anecdotally markets where tariffs on imports are high we find our share of market low. I feel it can only be advantageous to have a level playing field in terms of trade if tariffs are reduced or removed in this region.

I could see a FTA with this region lifting our exports 5-15% over a 3-5 year period especially if it makes us more competitive and opens up markets like Peru

Thanks

Chris

Chris Deere
CEO
Integration Technologies Limited
+6463551546

From: Pacific Alliance FTA [mailto:PacificAllianceFTA@mfat.govt.nz]
Sent: Wednesday, September 20, 2017 9:10 AM
To: chris.deere@integration.co.nz
Cc: Rachel.Baxter@nzte.govt.nz
Subject: Pacific Alliance FTA: share your views

[UNCLASSIFIED]

Dear Chris,

As you may be aware, New Zealand has recently launched free trade agreement (FTA) negotiations with the countries of the Pacific Alliance: Chile, Colombia, Mexico, and Peru.

Earlier this week the Minister of Trade invited New Zealanders to submit their views on the negotiations to the Ministry of Foreign Affairs and Trade, as the lead agency on the FTA.

We are seeking views by **Monday 16 October** to inform our preparations for the first meeting, which is scheduled to take place in Colombia in late October. More information is provided below.

What is the Pacific Alliance?

The Alliance is a regional grouping established in 2011 by Chile, Colombia, Mexico, and Peru. These countries already have a high quality FTA among themselves and have a range of other initiatives under way to make it easier to do business in the region.

Why is this a priority?

With more than 221 million consumers and a combined GDP of almost US\$4 trillion, the Alliance is equivalent to the world's sixth-largest economy. But this is a relatively untapped market for some exporters, while tariff and other regulatory barriers also affect the competitiveness of New Zealand exports. With \$722 million in exports to the region in 2016, there is significant potential for New Zealand trade to grow.

New Zealand's objective is to achieve a high quality, comprehensive FTA that delivers improved market access for our goods and services, and establishes rules that support trade and investment in the region. The negotiation is an important part of *Trade Agenda 2030*, which aims to achieve 90% coverage of New Zealand's goods trade under FTAs, and places renewed emphasis on regulatory (non-tariff) barriers, services, and digital trade.

While TPP is not in force, an FTA with the Pacific Alliance will establish New Zealand's first free-trade arrangements with Colombia, Mexico, and Peru. We also expect to achieve more ambitious market access outcomes than was possible under TPP.

What will the FTA cover?

This is yet to be decided but we expect the negotiations will cover a wide range of issues, including:

- tariffs on goods exports and other regulatory (non-tariff) issues that affect trade like customs clearance procedures, sanitary and phyto-sanitary processes, and technical barriers to trade;
- market access for services exporters and investors, and rules governing digital trade;
- access to government procurement opportunities in the Pacific Alliance;
- regulatory areas like competition policy, intellectual property, and transparency of laws and regulations; and
- labour and environment issues.

Public submissions

We are seeking information and views from New Zealanders on what our priorities should be in these negotiations. If you are an exporter or investor, we would welcome detailed information on the tariff and regulatory barriers that impact your business in these countries.

There are a number of ways you can submit views or get in contact:

- Email submissions to: PacificAllianceFTA@mfat.govt.nz;
- Send submissions to: Pacific Alliance FTA Coordinator - Ministry of Foreign Affairs and Trade, Private Bag 18-901, Wellington;
- Phone our Exporter Helpline on 0800 824 605;
- We are happy to visit you, meet you in Wellington, or discuss issues over the phone.

MFAT's trade negotiations website also includes information on other processes we have underway, including with China, the European Union, India, and countries negotiating the Regional Comprehensive Economic Partnership (RCEP) agreement. Please let us know if you would like to be put you in touch with MFAT's teams for these negotiations.

We look forward to hearing from you.

Best wishes,

New Zealand-Pacific Alliance FTA Team

Trade Negotiations Division
New Zealand Ministry of Foreign Affairs & Trade | Manatū Aorere

Exporter helpline 0800 824 605 Email PacificAllianceFTA@mfat.govt.nz

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NEW ZEALAND
FOREIGN AFFAIRS & TRADE



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From: Gerry Williams <gerry@pbex.co.nz>
Sent: Monday, 25 September 2017 10:00 a.m.
To: Pacific Alliance FTA
Cc: Richard.barrand@nzte.govt.nz
Subject: RE: Pacific Alliance: Pacific Basin Exports Limited submission

Good morning

Thankyou for your e-mail.

We are an exporter with many years experience into Latin America, and a long term involvement in Latin American export politics.

We are extremely positive about the potential of the Pacific Alliance, and the potential to develop new business with the membership countries and their neighbours. Currently we are visiting all the markets mentioned above twice or three times per year, and are developing good business opportunities.

However – the assessment of developing 10000 new jobs for New Zealanders is, I would suggest, a bit far fetched.

The major development problem is Colombia where we have a blockage with ICA (the Colombian equivalent of MPI) and our NZ relationship with them. Our development potential is severely curtailed by ICA's 'US' bias and MPI's reluctance to deal with the situation.

To do this we need a stronger MPI influence with, and argument into, the barriers of ICA and MAGAP (in Ecuador).

This depends on a stronger MFAT (remembering the 'T' means Trade) in the region.

Yes – I would be interested in meeting with the negotiating team to understand their views and to share thoughts.

Kind regards

Gerry Williams | Director

Ph +64 9 636 7128 | Mobile +64 21 139 9803 | Email gerry@pbex.co.nz

Pacific Basin Exports Limited

New Zealand: P O Box 612, Auckland, New Zealand 1140 | www.pbex.co.nz



PROPOSED NEW ZEALAND/PACIFIC ALLIANCE FTA

Submission from New Zealand Institutes of Technology and Polytechnics (NZITP)

NZITP supports a FTA negotiation between New Zealand and the Pacific Alliance. The four members of the Pacific Alliance supply some students to New Zealand institutions but there is good potential to grow this number – particularly from Mexico and Colombia. All four markets also offer good opportunities for in market activity. Education New Zealand has good market profiles on Chile and Colombia on its website.

Accordingly NZITP is hoping that this agreement will have good services and investment coverage and that secondary and tertiary education is included. Full free trade across all four modes of supply should be the ultimate goal. Specifically NZITP would like the right to recruit students without restriction (both in market and by use of the internet). We would like the right to invest in in market training and offer distance learning without restriction. There should be no restriction on “for profit” activity. New Zealand institutions should be allowed to own 100% of education institutions in each of the four Pacific Alliance members.

NZITP would welcome a binding investor-state dispute settlement mechanism as part of the agreement.

NZITP would support the inclusion of ‘open-skies’ provisions in the agreement. Frequent and competitive aviation links between New Zealand and Latin America are critical to the education relationship.

NZITP opposes any expansion of Working Holiday Schemes without any expansion requiring participants to undertake formal language training. There is a direct correlation between new or expanded Working Holiday Schemes and demand for English language training study from some of these markets.

NZITP is grateful for this opportunity to submit on this negotiation.

NZITP comprises the 16 Institutes of Technology and Polytechnics around New Zealand. The sector teaches around 180,000 students annually. Roughly 10% of these students are international contributing roughly \$500 million in export earnings annually. The sector employs over 8,300 full time staff.

From: Jane Kelsey <j.kelsey@auckland.ac.nz>
Sent: Thursday, 12 October 2017 3:15 p.m.
To: Pacific Alliance FTA
Subject: Pacific Alliance FTA submission

Categories: Transferred to SharePoint

Kia ora

The Ministry is well aware of my grave concerns about the implications of these agreements for New Zealand expressed in numerous submissions on previous agreements, including on the Trans-Pacific Partnership Agreement that has triggered these proposed negotiations. There seems little point in reiterating them here, as they are unlikely to have any impact on the approach the government and the Ministry takes, unless there is a change of government. If that occurs, I reserve the right to make a more detailed submission. In the meantime, I reiterate my call for a moratorium on negotiations for free trade and investment agreements that are based on the current model, including accession to the Pacific Alliance, and for an open, independent, and a multi-faceted inquiry into the appropriate trade and investment instruments that can effectively protect the regulatory sovereignty of current and future governments and genuinely provide a net benefit for all New Zealanders.

Prof Jane Kelsey
Faculty of Law
The University of Auckland
New Zealand
J.kelsey@auckland.ac.nz

From: Ivan Ramsey <iramsey@mercerinteriors.co.nz>
Sent: Thursday, 12 October 2017 12:08 p.m.
To: Pacific Alliance FTA
Cc: Richard Barrand -AKL
Subject: Pacific Alliance FTA submission

I have recently returned from a month visit to Colombia with a short stopover in Chile.

I visited Medellin and Cartagena in Columbia and Santiago Chile.

The purpose of the trip was for my son's wedding in Cartagena and to visit our new extended family in Medellin.

Whist the trip was mainly family based, I took time out to research the market and look for business opportunities.

We are a manufacturer of stainless steel kitchen sink-ware and benchtops for the residential and commercial markets. We are also the Wilsonart distribution (laminated and solid surface) for New Zealand.

We export to Australia and the Pacific Islands.

The brief research I did in Colombia was interesting, and surprising, and has prompted us to look for opportunities in the stainless-steel sink and benching area.

I visited several apartment complexes, kitchen show rooms, shops and display centres and talked to importers and developers.

I was introduced to a civil engineer, who is a procurement manager for a number of construction companies, and she has provided insight in regard to the construction environment. She will help with getting to some of the key contacts at the high-profile construction companies in Colombia.

I give this feedback because I was surprised at the opportunities (during July, 800 major projects in Medellin alone) and the ease of which New Zealanders could get access to market opportunities. I believe a free trade deal would open up opportunities beyond the traditional thinking of agriculture and I would like any trade negotiation to include driving innovation and collaboration of New Zealand companies to access opportunities across the PA.

I believe the New Zealand interiors and construction sectors have much to offer Columbia and other countries in the PA.

A few things I noted about Colombia :

- Openness and hospitably to New Zealanders.
- Poor quality of local made stainless products.
- Poor quality of some imported sink products from China and Brazil
- Poor quality of kitchen cabinets and worktops.
- Small apartment living with small easy to build and assemble kitchens and worktops.
- Import mentality (looking offshore for products)
- Design savvy and willingness to express bold ideas.

In general, there is a high demand for construction products but an apparent low-quality supplier base which, surly will open up opportunities for New Zealand companies.

I would ask that your negotiations focus on products across all sectors - it's not all about milk, wood and sheep!

Colombia seems representative of the general South American attitude, and for sure, has its problems but, the social rebuild and reform is driving growth and providing opportunities for New Zealand.

I didn't get a chance to research Chile in detail but the same issues were apparent.

We are currently having our brochures translated to Spanish and we are learning Spanish.

Good luck with your negotiations.

Ivan Ramsey

Managing Director
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SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE

PROPOSED NEW ZEALAND/PACIFIC ALLIANCE FREE TRADE AGREEMENT

OCTOBER 2017

Introduction and Summary

This submission is made on behalf of the New Zealand International Business Forum (NZIBF), whose members are listed at Annex A¹. NZIBF is a forum of senior business leaders working together to promote New Zealand's engagement in the global economy.

NZIBF warmly welcomes and supports the Government's intention to negotiate a free trade agreement (FTA) with the Pacific Alliance (Chile, Colombia, Mexico and Peru). There is significant potential to expand and deepen the relationship with the Pacific Alliance for direct mutual benefit. While current trade and investment flows are comparatively modest, an FTA would help to reduce trade barriers and increase awareness of opportunities in each others' markets, and could potentially enable more expansive global value chains to develop spanning from Latin America deep into Asia, given New Zealand's existing FTAs in Asia and likewise the Pacific Alliance countries' extensive trade networks into Mercosur and other regional economies.

Such an FTA would also have important strategic benefits. Three of the four Pacific Alliance members are also members of the Trans Pacific Partnership Agreement (TPP), and the fourth – Colombia – would make an excellent candidate. The TPP and the Pacific Alliance are both considered pathways to the Free Trade Area of the Asia Pacific (FTAAP). The FTA would help to capture and reinforce the forward-leaning substantive outcomes of the TPP negotiations and also strengthen the building blocks towards FTAAP. Formal trade architecture aside, NZIBF sees both the TPP-11 negotiations and a New Zealand-Pacific Alliance FTA as logical next steps towards broader efforts to deepen and strengthen trade flows and supply chains in the region and to promote regional economic integration.

As a leadership body, NZIBF leaves to sectoral groups the task of identifying specific issues in the negotiation. This submission therefore comments on cross-sectoral or wider issues arising in the FTA. In sum, NZIBF believes that the goal of the FTA should be a comprehensive agreement with a commitment to eliminate all barriers in all goods and services sectors by an agreed deadline, ideally as quickly as possible. There should be no *a priori* sectoral exclusions from the ambit of the negotiations but

¹ The views in this submission are those of the NZIBF as a whole. Individual members may have different views on specific issues covered in the submission.

differing timetables for liberalisation could be used where necessary. The negotiating agenda should encompass all issues of relevance to both sides including market access for goods and services, investment, competition policy, intellectual property, government procurement, labour and environment issues.

NZIBF recommends that the New Zealand Government seek to conclude negotiations with the Pacific Alliance as soon as possible on the basis of a substantive and mutually advantageous outcome.

About the NZ International Business Forum

NZIBF provides a voice to articulate the needs and priorities of New Zealand's international business community, and in particular the importance of open markets and trade and investment flows, to the New Zealand Government and to other stakeholders. The NZIBF Board brings together leaders from among New Zealand's largest internationally-oriented companies and peak business organisations. A list of Board Members is in Annex A.

Incorporated in May 2007², NZIBF works with companies, business organizations and government agencies to implement projects in the international trade and economic sphere, including working to develop New Zealand's key international business relationships and conducting research relative to New Zealand's competitiveness. NZIBF receives no direct government funding for its operating budget but from time to time receives funding for jointly-funded projects. Funding is also provided in respect to the policy advice and support NZIBF provides to the New Zealand members of the APEC Business Advisory Council (ABAC).

While this submission is made on behalf of the NZIBF membership, other NZIBF members may make their own submissions containing more detailed comments on specific issues relevant to their individual business interests.

The economic case for an ambitious FTA with the Pacific Alliance

Given the current uncertainties in the global trading system, it is important for New Zealand to seek both to strengthen and to diversify its trading relationships. The economic case for doing so with the Pacific Alliance – a dynamic, fast-growing market of 221 million consumers, with a combined GDP of almost US\$4 trillion and accounting for around 35 percent of the Latin American economy – is a strong one.

While the current bilateral trade relationships with the four countries of the Pacific Alliance are relatively modest (a total of NZ\$722 million in exports in 2016), there is significant potential for this to grow, thanks to complementarities in both production approaches and sectors (meat, dairy, horticulture, seafood; agribusiness/agri-tech and other niche manufacturing; services such as education, tourism and New Zealand specialized areas such as environmental services and food/agriculture-related services). The reduction and elimination of barriers to trade and investment, and the higher profile generated by the negotiating process itself, would both serve to enhance trade and investment flows.

² NZIBF is a successor organisation to the NZ Trade Liberalisation Network Inc which was established in 2001.

In particular (and in the absence of TPP/TPP-11), we do not currently enjoy any preferential access opportunities with Mexico (our 22nd-largest trading partner), Peru or Colombia. Important issues for New Zealand in trading with Mexico include access for dairy products and beef (where New Zealand faces a competitive disadvantage as a result of US and Canadian access under NAFTA) as well as sheepmeat. Even if TPP-11 proceeds, however, there are likely to be additional benefits to be gained from the current negotiation.

An FTA would also help to ensure that New Zealand exporters remain competitive with other third-country exporters into Pacific Alliance markets. The US already has FTAs in place into all Pacific Alliance markets. Australia, Canada and Singapore are currently also in negotiation with the Pacific Alliance, and the EU is also casting its net widely with potential trading partners (it is updating a trade agreement with Mexico and has recently revived its longstanding negotiating process with Mercosur); moreover the renegotiation of NAFTA could also see enhanced US and Canadian exports into the Mexican market. Clearly New Zealand exporters would be set at a considerable disadvantage across many sectors if we did not seek to level the playing field through the current negotiation.

A Pacific Alliance FTA could also potentially deepen mutual involvement in global value chains, including into Asia where we have strong FTAs already, and especially with China and ASEAN. On the latter, New Zealand held a warmly-received Integration Partnership Forum with the Pacific Alliance in 2015 which showcased not only the deep integration between the trans-Tasman economies through the Single Economic Market but also New Zealand's and Australia's FTA with ASEAN; this reflected a growing interest from the Pacific Alliance economies in deepening their relationship with this economic powerhouse, and we should seek to capitalise on that.

There would also seem to be plenty of scope for increased investment activity. Current investment flows are low, but given the potential for greater services trade, services-linked investment (for example, in expanding offshore education offerings) and additional investment to support goods trade (for example, in relation to joint agricultural production/agri-tech) there would seem to be considerable potential leverage the platform of an FTA to expand two-way investment too.

The strategic case for an ambitious FTA with the Pacific Alliance

An FTA with the Pacific Alliance would have important strategic benefits. The Pacific Alliance shares New Zealand's orientation as outwardly-focused free traders (including, variously among the four, in the TPP negotiations, as longstanding members of the agricultural free-trading Cairns Group and in the Geneva-based Trade in Services Agreement negotiations), and there is already a strong network of FTAs among and between the Pacific Alliance and other economies in the region. The Pacific Alliance's own efforts to deepen ambitious integration within the four economies are likewise to be commended. An FTA with New Zealand would serve to burnish both parties' credentials as forward-looking and creative negotiating partners.

Three of the four Pacific Alliance members are members of the Trans Pacific Partnership Agreement, and the fourth – Colombia – would make an excellent

candidate. The TPP and the Pacific Alliance are both seen as pathways to the broader concept of a Free Trade Area of the Asia Pacific (FTAAP), currently being explored by APEC economies. An ambitious outcome with the Pacific Alliance would support and give credibility both to TPP-11 and to broader FTAAP aspirations, particularly in the context of worrying signals about US commitment to liberalizing trade architecture, including in respect of NAFTA, TPP and indeed the WTO.

On a related note, NZIBF would also like to ensure that the negotiations are conducted and concluded in a way that would enable (and indeed, encourage) other economies to join the negotiations at an appropriate time. From New Zealand's perspective, one obvious strategic 'next step' following on from the process with the Pacific Alliance would be to use this agreement as a beachhead into the wider Mercosur zone.

Approach to the negotiations

In terms of scope, we would see the Pacific Alliance FTA as an ideal candidate for a 'next-generation' agreement which not only addresses tariffs and other market access issues at the border, but also focuses on behind-the-border issues such as regulatory coherence and alignment among domestic economies and non-tariff barriers, strong science-based sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) chapters deeper and broader trade in services, the digital economy and investment flows, intellectual property, SMEs and other areas. In that regard, we would see the TPP approach as a good starting point on which to build.

Our vision is for a high-quality, ambitious and comprehensive agreement. We would like to see the negotiations concluded on these terms as soon as possible. We would also encourage the negotiations to build in a review process to take account of the further developments in regional trade architecture which are likely in the coming period.

We also consider that it will be very important for the Ministry and Government to consult widely with all stakeholders, seeking to ensure that the process is as inclusive and transparent as possible, as far as the negotiating parameters and sensitivities allow.

Recommendations to the Ministry of Foreign Affairs and Trade

NZIBF recommends that the Ministry:

- a. **note** the NZIBF's support for the negotiation of a comprehensive FTA between New Zealand and the Pacific Alliance;
- b. **agree** that the goal of the FTA should be the elimination of all barriers in all goods and services sectors by an agreed deadline without a *priori* sectoral exclusions from the ambit of the negotiations;
- c. **agree** that the negotiating agenda should encompass all issues of relevance to both sides including market access for goods and services, investment, competition policy, intellectual property, electronic commerce and cross-border

data flows, government procurement, labour and environment issues, seeking to use WTO disciplines as a starting point in the negotiation as appropriate;

- d. **consult** widely with all stakeholders, operating on the basis of a maximally inclusive and transparent process as far as the negotiating parameters and sensitivities allow;
- e. **develop** an active communications and outreach programme aimed at deepening New Zealand business' understanding of the opportunities presented by the FTA negotiation
- f. **agree** to proceed to conclude these negotiations as soon as a substantive and mutually advantageous outcome is to hand.

For further information

Stephen Jacobi
Executive Director
NZ International Business Forum
Phone: 0294 725 502
Email: stephen@jacobi.co.nz

**NZ International Business Forum
October 2017**

ANNEX A

NEW ZEALAND INTERNATIONAL BUSINESS FORUM

MEMBERSHIP As at October 2017

Executive Committee

Malcolm Bailey (Chair), Chair, Dairy Companies' Association of New Zealand
 Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce and Industry (*representing the New Zealand Chambers of Commerce*)
 Philip Gregan, Chief Executive, NZ Winegrowers
 Sir Graeme Harrison, Chairman, ANZCO Foods Ltd
 Kirk Hope, Chief Executive, Business NZ
 Peter McBride, Chairman, Zespri International Ltd
 James Parsons, Chairman, Beef + Lamb New Zealand
 Alan Pollard, Chief Executive, Pipfruit NZ
 Brian Stanley, President, Wood Council of New Zealand
 Philip Turner, Director, Global Stakeholder Affairs, Fonterra Co-operative Group
 Steve Yung, Chief Executive, Sealord Group Ltd

Alternate Directors

Catherine Beard, Executive Director, Export NZ/Manufacturing NZ
 Jeffrey Clarke, General Manager, Advocacy, NZ Winegrowers
 Nick Kirton, Manager, Government Relations, Zespri
 Jenny McGregor, General Manager, Trade Strategy, Fonterra Co-operative Group
 Sam McIvor, Chief Executive, Beef + Lamb New Zealand
 John Milford, Chief Executive, Wellington Chamber of Commerce

Executive team

Stephen Jacobi, Jacobi Consulting Ltd (*Executive Director*)
 Fiona Cooper Clarke, Cooper Clarke Consulting (*Associate Director*)
 Stephanie Honey, Honey Consulting (*Associate Director, Lead Staffer, ABAC*)
 Christine Connon, Auckland Chamber (*Board Secretary*)
 Tracey Farrelly, Business Central (*Financial Manager*)



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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 black ink, appearing to read 'Catherine Beard', written in a cursive style.

Catherine Beard
Executive Director
ExportNZ

Email to: PacificAllianceFTA@mfat.govt.nz

Coordinator,
Pacific Alliance FTA,
Ministry of Foreign Affairs and Trade,
Private Bag 18-901,
Wellington

16 October 2017

Re: New Zealand negotiations towards a free trade agreement with the countries of the Pacific Alliance (*Alianza del Pacifico*): Chile, Colombia, Mexico, and Peru.

Thank you for the opportunity to make a submission on the Pacific Alliance trade negotiations.

The Wood Processors and Manufacturers Association (WPMA) represents the views of NZ's wood processing industry. This includes traditional wood and reconstituted wood-based building materials. It also includes pulp, paper and paper-products manufacturers supplying domestic and export markets. The latter category of members means we have a direct interest in the success of other of NZ's primary export industries, recognising that adding value to those exports often requires an increased volume of packaging for a given volume of exports.

WPMA understands MFAT may be interested in specific impediments to trade in wood and paper products between the proposed Pacific Alliance members, preferably defined by reference to HS code. We understand individual wood processors can and have supplied MFAT with particular examples where they are known. We assume MFAT is willing to receive further information as it becomes available from our members. We would be happy to coordinate comment on matters raised by other countries involved in the negotiation and relevant to forestry and wood products trade if that assisted NZ's negotiating team.

Assuming matters of detail and specific HS codes can be addressed as they arise, our principle advice and submissions are:

- The presence or absence of an existing trade under a particular HS code is not an indication of the trade potential under that category. Frequently, trade doesn't occur because tariffs and non-tariff barriers exist which prevent it. NZ has a significant forestry and wood products sector. MFAT should assume that any trade in wood or processed wood products including paper and packaging is an opportunity, whether or not that trade is currently occurring.
- WPMA have supplied detailed independent and expert information to MFAT on non-tariff barriers (NTB) to trade in wood and wood products in the past. We assume that information will be taken into account in determining NZ's negotiating position and draw particular attention to the threats identified in The Wood Council of NZ's 2016 report that describe the non-tariff barriers impacting NZ's trade in wood products. Chile is a major competitor to NZ and I have appended information from that report specifically on Chile.

- WPMA appreciates the recognition in documentation supplied by MFAT, that trade protection is increasingly taking the form of NTBs and these “.....often take the form of behind-the-border regulations which makes them one of the most difficult trade barriers to resolve.” (p40: Trade Agenda 2030). Recent experience of the review of an existing FTA suggests once an agreement on the easier tariff measures has been signed, the incentive on the protectionist party to make further concessions or to even consider review of behind-the-border measures is greatly diminished. On that basis and in view of the “significant gains over the last 20 years through the existing strategy”, we suggest a greater focus should be on NTBs from the outset and as a prerequisite to any agreement.
- WPMA notes the statement in Trade Agenda 2030: “Addressing NTM’s can be time intensive and resource heavy. A clear understanding of the issue is therefore critical for determining how we can most effectively prioritise our scarce resources to make a material difference for New Zealand exporters. Given the complexity of some of the issues, a high level of cross-agency collaboration and coordination is also important. Accordingly, an interagency process for this purpose has been established, with clear areas of responsibility identified for NTMs in various sectors and set response times for all NTM enquiries.” We assume that the findings from the interagency process relevant to the Pacific Alliance agreement have formed the basis for NZ’s negotiating position. In the absence of a clear understanding of that list of priorities we would suggest that in respect of the wood products sector attention be given to:
 - A definition of “legal” harvest, such that import restrictions on the basis that wood products are from legal sources is neither a barrier to trade or costly to demonstrate. This would usefully include recognition of the role of ISO-complaint standards in determining appropriate sustainable and legal forest management in the country of origin.
 - The acceptability or otherwise of behind-the-border trade protection in the form of favourable afforestation agreements. WPMA recognises that forests serve multiple public as well as private functions, the former including watershed protection and public recreational opportunity. We have no objection to such measures in principle but suggest it needs to be recognised that such measures can and do reduce the cost of wood products exported from countries with such domestic arrangements. Clarification of the acceptability of such measures and where countervailing duties can apply is recommended.

It is not clear from the information supplied what comparative advantages exist between the parties to the Pacific Alliance. The information supplied makes specific reference to agriculture and dairy products. Whether that is as an actual / potential market or as a trade competitor in 3rd country markets is unclear. WPMA has formed the view (whether or not correct) that MFAT’s primary focus is on securing agricultural and horticultural trade advantage. We recommend some consideration be given to the relative importance placed by negotiators on particular outcomes and what in MFAT’s view it considers a *comprehensive and ambitious* trade agreement. Our preference is that a comprehensive and ambitious Pacific Alliance Agreement includes wood products.

A number of South American countries have active forest products sectors, with Chile recognised as an effective exporter of softwood products. WPMA recommends some clear understanding be formed of NZ’s interest in concluding a Pacific Alliance agreement, whether the expectation is of increased access by NZ exporters to markets in other parties to the agreement or to “levelling the playing field” for NZ exporters globally.

WPMA was critical of recent legislative changes in NZ whereby the WTO protections offered domestic manufacturers against dumped and subsidised imports are now subject to a Ministerial determination of the national interest. The practical effect of the Trade (Antidumping and Countervailing Duties Act) Amendment Act could be to reduce the incentive on parties to the Pacific Alliance from reducing tariffs and NTBs in the forestry and wood processing sector if they considered the effect of that Act was a reduction on the threat of countervailing duties. WPMA support the intent of NZ's trade agenda has been the reduction and elimination of trade barriers and a level trading relationship. We recommend that NZ's negotiating position on the Pacific Alliance include a reaffirmation to the intent and detail of WTO rules including recognition of the role of countervailing duties legislation in motivating participation and agreement to such trading pacts.

WPMA welcome the opportunity for further input and comment as the negotiation progresses and would be happy to clarify or expand of the comments above on request.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jon Tanner', written in a cursive style.

Jon Tanner
CEO, Wood Processors and Manufacturers Association of New Zealand.

CASE STUDY – CHILE

Summary

Specific non-tariff measures affecting forest products trade are:

- Incentives for afforestation, investment and promotion
- Accelerated depreciation for new processing investment.
- Research and development tax credits.
- Public sector policy co-ordination with the private sector

Background on production and trade

Chile has approximately 2.45 million hectares of forest plantations of which 60% is in radiata pine and 30% *Eucalyptus*, with the balance in other species but mainly in softwoods. Total roundwood production in 2014 has been estimated at 42.3 million m³, of which more than 99% was consumed domestically. The forest industries produced 4.9 million tonnes of chemical pulp, 5.4 million tonnes of wood chips, 8.0 million m³ of sawn timber and 2.9 million m³ of panels, of which and 1.1 million m³ were plywood and 1.9 million m³ reconstituted wood⁵².

The forestry sector accounted for 8.1% of Chile's exports, which was valued at US\$ 6.09 billion in 2014 in fob terms. Almost half (47%) was chemical pulp, 12% sawn wood, 15% remanufactured wood products, 9.5% panels, and 5.0% wood chips. The balance 11.2% was mainly paper and paperboard.⁵³

Chile developed most of its plantation resource with the assistance of grower subsidies. These subsidies (under decree law DL 701) expired 31 December 2012⁵⁴. The President has lent her support to extend this program, but to date this policy has not managed to pass through both houses of Parliament as it faces significant opposition from indigenous and environmental groups. But if implemented, it will provide financial support for new forestry projects initiated between 1 January 2016 and 31 December 2018⁵⁵.

⁵² INFOR (2015). "Chilean Statistical Yearbook of Forestry". Instituto Forestal, Statistical Bulletin No. 150.

⁵³ Ibid.

⁵⁴ CONAF (2015) "DL 701 y sus Reglamentos". Available at: <http://www.conaf.cl/nuestros-bosques/plantaciones-forestales/dl-701-y-sus-reglamentos/>

⁵⁵ La Tercera (2015) "DL 701: En 40 años 70% de aportes fueron a grandes forestales". Available at: <http://www.latercera.com/noticia/negocios/2015/07/655-639180-9-dl-701-en-40-anos-70-de-aportes-fueron-a-grandes-forestales.shtml>

Social/political measures

Trade Agreements

Chile has always viewed international trade as a cornerstone to the development of its economy. As a result it has pursued a range of bilateral and multilateral agreements with various trading blocs. A full member of APEC, it is also part of the Pacific Alliance (includes Chile, Colombia, Mexico, and Peru, with Costa Rica in process of joining), is an associate member of the Andean Community (Bolivia, Colombia, Ecuador and Peru) and of Mercosur (Argentina, Bolivia, Brazil, Paraguay, Uruguay and Venezuela). Chile also has a wide network of preferential and free trade agreements including China, India, the United States, and the EU. Chile is also a participant in the Trans-Pacific Partnership (TPP) negotiations.

Most of Chile's forest product exports are to countries to which it has some form of trade agreement. In 2014 this included China (23.6%), India (1%), the US (13.5%), other APEC countries (32.3%), the EU (14.4%) and the Pacific Alliance (11.9%)⁵⁶.

Export subsidies

Chile currently provides a simplified duty drawback program for non-traditional exports (investments, services, and information technology), as provided for by decree law DL 18.480. The program reimburses the firm up to 3% the value of the exported good if that good consists of imported raw materials^{57,58}. Another export promotion measure allows all exporters to defer import duties for up to seven years on imported capital equipment or receive an equivalent government subsidy for domestically produced capital goods. (Under the FTA with the US, Chile has had to phase out this support by 2015 on any good exported to the US⁵⁹).

Exporters can recoup all import duties and VAT they have paid when purchasing goods and services intended for exporting activities as per decree law DL 825 and DL 348^{60, 61}.

Government Support for New Investment

The Chilean government supports private investment in the form of instant and accelerated depreciation of assets. Large businesses are able to depreciate assets over one third of the life of the asset, i.e. 300% acceleration (New Zealand does not provide accelerated depreciation). In addition instant depreciation is available for small to medium-sized businesses. The rate is based on a sliding scale depending on size of business. Micro- and small-sized businesses can depreciate immediately the full value of asset, while medium-sized businesses are on a sliding scale depending on size. In

⁵⁶ Compiled from INFOR (2015). "Chilean Statistical Yearbook of Forestry". Instituto Forestal, Statistical Bulletin No. 150.

⁵⁷ Rincon del Vago (2015). Available at: <http://html.rincondelvago.com/exportacion-en-chile.html>

⁵⁸ Chile Atiende (2015). "Solicitar la devolución de dineros por pagos excesivos o indebidos de tributación aduanera" Available at: <http://www.chileatiende.cl/fichas/ver/4207>

⁵⁹ Office of the US Trade Representative (2015). "Free Trade Agreements: Chile". Available at: <https://ustr.gov/trade-agreements/free-trade-agreements/chile-fta>

⁶⁰ Rincon del Vago (2015). Chile Exports". Available at: <http://html.rincondelvago.com/exportacion-en-chile.html>

⁶¹ Anon. (2015). "Servicios de Impuestos Internos – Chile" Decreto de Ley No 825. Available at: www.sii.cl/pagina/jurisprudencia/legislacion/basica/dl825.doc

2014 support was extended to allow depreciation credits to be used by any related business to increase the financial resources available to a company.^{62,63}

Subsidies for Research and Development

Chile has put in place policies aimed at promoting private investment in research and development. According to Decree Law DL 20241⁶⁴, a company can obtain tax credits equivalent to 35% of R&D spending, thus effectively subsidizing some of its R&D costs. The remaining 65% of R&D costs can be deducted directly from taxable income⁶⁵.

Government, through CORFO and INACAP, also provides funding for innovation and technology transfer by training, assisting with capacitation, providing seed capital and co-financing of projects. Table 3.2.1 shows examples of funding that was available to Chilean business in 2012⁶⁶.

Table 3.2.1– Examples of funding available from Government for innovation and technology transfer

Funding type	Period	Maximum of total cost	Maximum funds available per project (pesos)
Seed capital	24 months	75%	40 million
Direct co financing	6 years	65%	220 million annually
Co-financing of Angel Investments	6 years	70%	80 million first year, decreasing at 10 million per year
Technology transfer and capacitation	24 months	80%	140 million

Source: Innovacion.cl

Corporate income tax

Chile supports business by levying a lower rate of income tax compared to salary and wage earners. Top tax rates for individuals exceeds 40%, while corporate income tax is currently 21% increasing to 25% by 2017⁶⁷. This is still more favourable than New Zealand's rate of 28%⁶⁸.

⁶² Ministerio de Hacienda (2015) Ministro de Hacienda: "Esta es una reforma tributaria consistente con los objetivos de recuperar la senda del crecimiento". Available at: <http://www.hacienda.gov.cl/sala-de-prensa/noticias/historico/ministro-de-hacienda-esta-es-una.html>

⁶³ La Tercera (2015). "Depreciacion Acelerada e Instantanea" Available at: <http://diario.latercera.com/2014/04/14/01/contenido/negocios/10-162218-9-depreciacion-acelerada-e-instantanea.shtml>

⁶⁴ Biblioteca de Congreso Nacional de Chile (2015). Ley 20241. "Establece un Incentivo Tributario a la Inversion Privada en Investigacion y Desarrollo". Available at: <http://www.leychile.cl/Navegar?idNorma=268637>

⁶⁵ CORFO. (2015). "Incentivo Tributario a la Inversión privada en Investigación y Desarrollo". Available at: <http://www.corfo.cl/programas-y-concursos/programas/incentivo-tributario-a-la-inversion-privada-en-investigacion-y-desarrollo>

⁶⁶ INACAP (2015). "Fuentes de Financiamiento para Proyectos de Innovación. Viccerectoria de Innovacion y Postgrado" Available at: <http://www.inacap.cl/tportalvp/innovacion-postgrado/dpi/contenido-dpi/fuentes-de-financiamiento-para-proyectos-de-innovacion>

⁶⁷ Deloitte (2014). "Chile Tax Alert". Available at: <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-chile-230814.pdf>

⁶⁸ Inland Revenue (2015). "Find out about companies". Available at: <http://www.ird.govt.nz/how-to/taxrates-codes/bit-taxrates-companytax.html>

Table 3.2.2: Summary of Chile non-tariff barriers

Type	NTM Description	Products affected	Level of assistance	Significance of NTM
Social/political	The original afforestation incentives (DL No. 701/74) expired on 31 December 2012. Congress is currently discussing a new 3 year extension.	All	National	If extension implemented will lower Chilean raw material costs and disadvantage competitors
Social/Political/Economic	Automatic duty drawback system for exports of non-traditional goods – set at 3% of value of good	Services, investments and information technology	National	Lowers cost of exports, disadvantaging competitors
Social/Political/Economic	Exporters, providers of transportation services, port operators and port concessionaires can claim back VAT on imported goods and services procured or purchased in line with their exporting activities. Decree Law DL 825 (2010 amendments) Paragraph 8, Article 36.	All	National	Lowers cost of exports. Disadvantages competing producers in international markets.
Economic	Instant and accelerated depreciation of assets.	All	National	Increases funding available reducing manufacturing costs. Disadvantages competitors
Economic	Support for start-ups, innovation and technology transfer	All	National	Lowers cost of development and production. Disadvantages competing producers in international markets.
Economic	Tax incentives for R&D. A company can obtain tax credits equivalent to 35% of R&D spending. Remaining costs can be deducted from income tax. Decree Law DL 20241	All	National	Lowers cost of development and production. Disadvantages competing producers in international markets.
Economic	FCIT – First Category (Corporate) income tax is currently 21% increasing to 25% by 2017	All	National	Low tax rates allows for more money to be available for investment, thereby increasing production efficiency and reducing manufacturing costs. Disadvantages competitors in international markets



16 October 2017

Coordinator, Pacific Alliance FTA
 Ministry of Foreign Affairs and Trade
 Private Bag 18-901
 Wellington

Dear Coordinator, Pacific Alliance FTA

We wish to advise you of our interest in the proposed 'New Zealand-Pacific Alliance Free Trade Agreement' (NZ-Pacific Alliance FTA).

We are three members of the academic staff of the University of Otago, with teaching and research responsibilities in the Department of Public Health. We understand 'health' in a broad sense as encompassing all conditions that help people to lead healthy lives, with social, economic, and environmental factors and determinants at the forefront. We believe that health equity, understood in a global sense, and encompassing human rights, must be an important value underpinning trade and investment agreements.

We are aware of the importance of trade, investment and other links for New Zealand and countries of the Pacific Alliance including Chile, Columbia, Mexico and Peru. We are also very aware of the relationship between trade, investment and other aspects of business; and health issues.

We believe that international business agreements (covering issues not only related to trade in its traditional sense, but also intellectual property, investment, and economic integration) must take health into account. We believe that trade agreements of the 21st century should be designed so as to integrate health, social and environmental objectives with trade goals and development objectives.

Trade and investment agreements should promote equity within and between countries as a necessary condition for improvement in global population health; and be consistent with international law relating to health, the environment, and human rights.

Sustainability Development Goals

The United Nations Sustainability Development Goals (SDGs) sets out the world's vision for the future. Any new free trade agreement should ensure consistency with the SDGs and contribute to their implementation. This has implications for both the process of developing new trade agreements and their content.

Process

We have the opportunity, at the start of developing any NZ-Pacific Alliance FTA, to ensure that discussions are transparent. This means that draft proposals, and draft texts, be made available to the public, including nongovernment organisations (NGOs), academia, and civil society generally.

Second, appropriate process requires that true consultation must occur, and be on-going throughout treaty development. We hope you have taken active steps to invite the involvement of groups which can be taken to have an interest – many NGOs, for example, will have missed your invitation to submit by mid-October 2017. We consider that the deadline for submissions should extend beyond the end of this month.

Thirdly, the negotiation processes must be open to all interested parties. No stakeholders should be granted privileged access to the negotiating texts, to the exclusion of other stakeholders, as occurred in the Trans Pacific Partnership process.

Finally, we consider that there must be opportunities for consideration by Parliament *before* any NZ-Pacific Alliance FTA is signed.

Content

In general terms, as indicated above, the NZ-Pacific Alliance FTA must integrate and give equal value to a range of economic, social, environmental and equity objectives. It must mean that governments are not shackled by obligations that impede their capacity to govern for the general common good.

Trade and investment agreements, and their dispute settlement mechanisms, should be consistent with international law with regard to health, human rights, the environment, and worker protection.

Trade and investment agreements should: (a) prioritise equity within and between countries for global population health improvement; (b) not limit or override a country's ability to foster and maintain systems and infrastructure that contribute to the health and well-being of its citizens, nor penalise a government for doing so; (c) preserve policy space for governments to regulate to protect public health; (d) be subject to health and environmental impact assessments that are carried out by parties independent of corporate interests.

Specific content provisions should therefore include:

Purposes of the FTA: these must identify and confirm the importance of a range of goals in addition to economic development including environmental sustainability,

progress on social and health outcomes and equity, and advancement of human rights including social, economic and cultural rights.

Objectives and 'exceptions': the importance of environmental sustainability, progress on social and health outcomes and equity, and advancement of human rights including social, economic and cultural rights, must *not* be viewed as 'exceptions'. On the contrary, they are central objectives without which economic development is meaningless. Hence, the 'burden of proof' found in free trade and World Trade Organization agreements for health and environmental objectives must be reversed. The present 'exception' language, as seen both in traditional WTO agreements and the TPP, mean it is extremely difficult for health and environmental measures to be justified.

Dispute resolution: Investor-state dispute strategies (ISDS) must be excluded. Any justification for such provisions (that may have at one time been understandable) are of no relevance to states such as NZ and those making up the Pacific Alliance. We can learn from proposals which have been put forward over recent years to replace ISDS: dispute resolution systems should be transparent, impartial, consistent with the rule of law, and able to be appealed. For a NZ-Pacific Alliance FTA, recourse to domestic courts in case of dispute should be a first option.

Tobacco: The FTA must exclude from its scope tobacco. That is, no NZ-Pacific Alliance FTA provision would apply to tobacco, whether in relation to investment, tariffs, or anything else.

Government measures for the public good: States must be specifically confirmed as having the duty to take measures (whether by regulation, taxation, health promotion or other) in relation to issues such as (but not limited to):

1. Improving food security
2. Improving nutritional status, including reducing obesity rates (for example, the NZ-Pacific Alliance FTA would recognise that tariffs on non-nutritional food such as sweetened beverages, subsidies on particularly health-creating food, eg fruit and vegetables, are legitimate public strategies, along with non-nutritional food advertising bans or restrictions, and specific strategies relevant to children and young people)
3. Contributing towards healthier cities and urban environments
4. Reducing alcohol-related harm (for example, the NZ-Pacific Alliance FTA would recognise that tariffs on alcohol, and alcohol taxation generally, are legitimate health promoting strategies, along with advertising bans or restrictions)
5. Ensuring fair, affordable and equitable access to medicines
6. Safeguarding and improving healthy and sustainable physical environments, including on climate change.

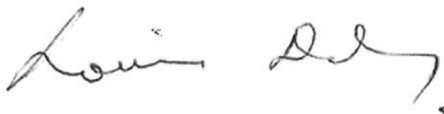
Government function in service provision: the NZ-Pacific Alliance FTA must not promote privatisation of state service provision in healthcare, education, and other services.

Relationship with other agreements in international law

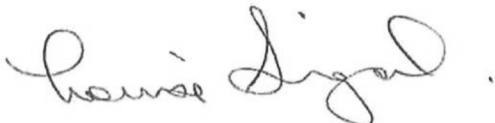
- (1) The NZ-Pacific Alliance FTA should require compliance with climate change law (in particular the 2015 Paris Agreement). By compliance is meant: signatories in breach of climate change and other environmental agreements would be excluded from taking advantage of benefits derived from the NZ-Pacific Alliance FTA.
- (2) The NZ-Pacific Alliance FTA should require compliance with human rights agreements, including the *International Covenant on Social and Cultural Rights*. By compliance is meant: signatories in breach of human rights agreements would be excluded from taking advantage of benefits derived from the NZ-Pacific Alliance FTA.

Thank you for your invitation to participate in this process, and your recognition of the value of nongovernmental and academic voices. We look forward to further participation opportunities, and would, of course, appreciate being kept informed of developments. We understand that discussions on the NZ-Pacific Alliance FTA are at a very preliminary stage, and would be happy to share ideas on concrete proposals to give effect to our ideas as the NZ-Pacific Alliance FTA develops.

Yours sincerely



Louise Delany
Senior Lecturer



Louise Signal
Associate Professor



PP George Thomson
Associate Professor



NEW ZEALAND WINE
PURE DISCOVERY

**SUBMISSION OF NEW ZEALAND WINEGROWERS ON IMPLICATIONS OF A NZ PACIFIC ALLIANCE
FREE TRADE AGREEMENT**

16 OCTOBER 2017

Introduction

New Zealand Winegrowers (NZW) provides strategic leadership for the wine industry and is the peak body that represents the interests of all of New Zealand's 750 grape growers and 700 wine makers. New Zealand is the only major wine producing country to have a single, unified industry body that represents both grape growers and winemakers.

NZW welcomes the opportunity to provide a submission on behalf of our members. The Pacific Alliance of Chile, Colombia, Mexico and Peru is currently a small market for New Zealand wines but it is an area with solid potential for growth in both directions over time. We focus NZW's comments on the trends and trading concerns from an industry perspective.

Current NZ-Pacific Alliance wine trade is small with future growth potential

All Pacific Alliance members are wine producing countries with strong cultural traditions in wine production. Chile is currently the third largest source of imported wine to New Zealand, accounting for approximately 6% of imported wine by volume and 2% by value.

New Zealand's exports to Pacific Alliance members are small by value. Based on figures to June 2017:

- Mexico is ranked at 37 with NZ\$453,000 of exports
- Columbia is ranked at 39 with NZ\$409,000 of exports
- Chile is ranked at 99 with NZ\$1837 of exports
- No exports are recorded to Peru for 2017.

From an export marketing perspective, we believe there is significant potential for growing exports of New Zealand wine to the Pacific Alliance members. NZW staff have visited Mexico and identified a potential to grow our market share in white wine in the premium retail trade, particularly our world-leading Sauvignon Blanc wine.

Opportunities from a NZ Pacific Alliance FTA

We see significant potential for simplifying New Zealand wine's access to these markets, by working towards mutual recognition of wine regulatory systems. Chile is a founding member of the World Wine Trade Group and could provide useful context to the other Pacific Alliance members.

We are currently aware of one technical requirement for wine exports to Colombia which would be useful to consider in the context of the negotiations, being a requirement for a 'quality certificate' under Article 78 of Decree 1686.

We believe there may be reciprocal benefits for joint activities to increase the profile of wine offerings in each of the member countries.

As appropriate, activities supported through New Zealand Trade and Enterprise and Tourism New Zealand to leverage the ability of wineries to expand their brands and to promote New Zealand in these markets will support the achievement of negotiated FTA outcomes.

During 2017 the New Zealand and Chilean wine industries have begun working together on biosecurity: Chile already has the Brown Marmorated Stink Bug, which is New Zealand wine industry's 'Number One Most Unwanted' pest. We and the Ministry for Primary Industries participated in a delegation to Chile to test our response activity plans. Such cooperation is mutually beneficial to both our industries and enables consideration of further areas of technical cooperation and information exchange.

Willing to participate and engage

We would be happy to facilitate contact with exporting wineries to Pacific Alliance members should that be helpful.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jeffrey Clarke', with a long horizontal flourish extending to the right.

Jeffrey Clarke
General Manager Advocacy
New Zealand Winegrowers



**WELLINGTON CHAMBER OF COMMERCE
SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE
PROPOSED NEW ZEALAND/PACIFIC ALLIANCE
FREE TRADE AGREEMENT**

OCTOBER 2017

ABOUT THE CHAMBER

The Wellington Chamber of Commerce (the Chamber) has been the voice of business in the Wellington region for 160 years since 1856 and advocates for policies that reflect the interest of Wellington's business community, in both the city and region, and the development of the Wellington economy as a whole.

The Chamber is accredited through the New Zealand Chamber of Commerce (NZCCI) network and as part of our wider organisation is also one of the four regional associations that makes up BusinessNZ. Our organisation also delivers membership services through Business Central to the Central New Zealand region, and ExportNZ to Wellington and the Hawke's Bay.

The Chamber's own International Trade and Export team offers practical help with exporting, importing and other business matters here and overseas. A key focus of the Chamber is to promote trade and provide services for both established and new exporters. Services include provision of trade documentation, by way of ATA Carnets and Certificates of Origin.

Locally the Chamber is responsible for ExportNZ Wellington, and endorses the work undertaken by ExportNZ. We write **in support** of ExportNZ's submission. The Chamber, through NZCCI, is also a member of the New Zealand International Business Forum (NZIBF), and endorses the work undertaken by this forum. We write **in support** of NZIBF's submission.

SUBMISSION – IN SUPPORT

In broad terms, the Chamber is supportive of the Government's intention to negotiate a free trade agreement (FTA) with the Pacific Alliance (Chile, Colombia, Mexico and Peru). We believe that the negotiation of a high-quality FTA between New Zealand

and the members of the Pacific Alliance would be of real benefit to New Zealand exporters. This would be a strategically important agreement, deepening and strengthening trade flows and supply chains in the region and to promote regional economic integration. It also makes progress on goal to have 90% of New Zealand's exports covered by free trade agreements by 2030, which the Chamber supports. We agree with NZIBF that while "current trade and investment flows are comparatively modest" (current bilateral trade relationships with the four countries of the Pacific Alliance total of NZ\$722 million in exports in 2016), that there is "significant potential for this to grow, thanks to complementarities in both production approaches and sectors". A robust FTA would help to reduce discouraging trade barriers and increase market awareness. We note that New Zealand does not currently enjoy any preferential access opportunities with Mexico, Peru or Colombia.

Looking at the trade context, we note that both the TPP and the Pacific Alliance are both considered pathways to the greater goal of Free Trade Area of the Asia Pacific (FTAAP). The FTA would help to capture and reinforce the forward-leaning substantive outcomes of the TPP negotiations and also strengthen the building blocks towards FTAAP. Even if TPP-11 proceeds we believe there are likely to be additional benefits to be gained from the current negotiation given existing trade relationships where New Zealand has exporters have been disadvantaged (Mexico and NAFTA). We would hope that a FTA could potentially enable more expansive global value chains to develop spanning from Latin America deep into Asia, given New Zealand's existing FTAs in Asia and likewise the Pacific Alliance countries' extensive trade networks into Mercosur and other regional economies.

We would support the negotiation of an FTA that not only addresses traditional tariffs but also focuses on behind-the-border issues, eliminating all tariffs, tariff quotas, quantitative restrictions and other border restrictions that cannot be justified. They should cover all services and investment and be as liberal as possible across all modes of supply. The agreement should also have a dispute settlement mechanism and should contain investor state dispute settlement provisions. We agree that the goal of the FTA should be a comprehensive agreement with a commitment to eliminate all barriers in all goods and services sectors by an agreed deadline.

We agree with the recommendations of NZIBF and ExportNZ that the New Zealand Government ought to seek to conclude negotiations with the Pacific Alliance as soon as possible on the basis of a substantive and mutually advantageous outcome.

We would encourage the government to be as open as possible in future trade negotiations. As recommended by ExportNZ, this means working more closely with business and other interested parties, including opposition party involvement and media should be briefed fully on progress in negotiations as regularly as possible.

The Chamber agrees with the following NZIBF recommendations:

- a. **note** the support for the negotiation of a comprehensive FTA between New Zealand and the Pacific Alliance;
- b. **agree** that the goal of the FTA should be the elimination of all barriers in all goods and services sectors by an agreed deadline without *a priori* sectoral exclusions from the ambit of the negotiations;
- c. **agree** that the negotiating agenda should encompass all issues of relevance to both sides including market access for goods and services, investment, competition policy, intellectual property, electronic commerce and cross-border data flows, government procurement, labour and environment issues, seeking to use WTO disciplines as a starting point in the negotiation as appropriate;
- d. **consult** widely with all stakeholders, operating on the basis of a maximally inclusive and transparent process as far as the negotiating parameters and sensitivities allow;
- e. **develop** an active communications and outreach programme aimed at deepening New Zealand business' understanding of the opportunities presented by the FTA negotiation
- f. **agree** to proceed to conclude these negotiations as soon as a substantive and mutually advantageous outcome is to hand.



Coordinator,
Pacific Alliance FTA,
Ministry of Foreign Affairs and Trade,
Private Bag 18-901,
Wellington

Good day,

New Zealand Apples and Pears (NZAP) is the industry body for New Zealand Apple and Pears growers, packers and exporters. With import apple and pear trade within the current Pacific Alliance partners of over \$600m NZD, our members see the FTA as being a key strategic opportunity.

The New Zealand apple and pear industry exports around 350,000MT of produce to 76 countries with a FoB value of \$720m. NZAP also owns a 45% stake in Prevar Ltd, the company set up to globally commercialise new apple and pear varieties coming out of the Plant and Food Research breeding programme.

NZAP is prepared to actively support the FTA negotiations. We would like to be kept well informed of what is occurring and have the opportunity for direct participation where appropriate.

Mexico

Mexico has a significant apple industry situated in the central north mainly in the state of Chihuahua.

Mexico: Apple Production for Selected States Metric Tons

Apple Production	MY 2014/15	MY 2015/16
Chihuahua	551,466	593,937
Durango	65,615	66,131
Coahuila	35,416	26,224
Puebla	32,474	33,703
Total Mexico	716,864	750,324

Source: Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food./ Agrifood and Fisheries Information System.
(Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion./ Servicio de Informacion ría y Pesquera) -SAGARPA/SIAP

Four varieties continue to dominate the Mexican market, and account for 98 percent of the imported volume to date: 39 percent Red Delicious, 30 percent Gala, 22 percent Golden Delicious, 7 percent Granny Smith, and 2 percent Fuji and other varieties.

Mexican consumers prefer the Red and Golden Delicious varieties and have developed a strong preference for the Gala variety.

More than 65 percent of apples are imported into Mexico during the months of January/July. Traders indicate that they expect demand will continue in this period as end consumers are used to having apples year round. More than 95 percent of Mexico's apple imports originate from the United States' west coast, and it is expected that this trend will continue. Canadian apples are imported from November to January and Chilean apples are typically imported from March to June. Mexican apples are marketed from September through December

Under NAFTA, tariffs on U.S. and Canadian apples were eliminated on January 1, 2003. Under the Chile-Mexico Free Trade Agreement, imported Chilean apples began to enter duty free as of January 1, 2006. Apples from all other countries are subject to a 20 percent duty.

A reduction or elimination of this barrier would be significant for our exports.

Mexico has a much smaller pear industry producing around 25,000 MT. Under various trade agreements, the import duty on pears from the United States, Chile, and Argentina is zero. All other countries are 20 percent.

Mexico Apple Imports

	2014		2015		2016	
	NZD	Quantity	NZD	Quantity	NZD	Quantity
World	333,245,891	235,502	396,749,579	306,402	337,949,521	212,678
United States	324,801,383	229,454	391,544,775	303,171	330,035,696	208,044
Chile	6,795,552	4,839	2,725,978	1,809	6,833,767	3,984
Canada	1,281,976	1,045	1,001,563	649	1,038,726	629
New Zealand	366,980	164	1,477,263	772	41,332	21

Source of Data: INEGI

	MT NZD		
	2014	2015	2016
World	1415.04	1294.87	1589.02
United States	1415.54	1291.50	1586.37
Chile	1404.38	1506.51	1715.49
Canada	1226.91	1542.16	1651.55
New Zealand	2234.49	1913.41	1952.59

Columbia

Columbia imports significant volumes of apples from Chile and the US. European exporters also appear to be growing their export volumes.

	2014		2015		2016	
	NZD	Quantity MT	NZD	Quantity MT	NZD	Quantity MT
World	140,640,548	113,383	144,288,634	100,026	138,876,780	97,500
Chile	110,067,740	93,490	108,610,389	77,627	104,678,171	76,773
United States	21,252,658	13,341	23,071,056	14,142	12,561,234	6,835
France	3,468,866	2,362	5,328,778	3,416	9,198,117	5,859
Italy	2,043,731	1,471	3,376,337	2,142	7,259,645	4,527
Spain	3,682,514	2,618	1,817,814	1,242	3,819,767	2,566
Portugal	101,290	81	2,032,780	1,413	799,647	561
Argentina	23,748	20	51,479	44	560,198	378

Source of Data: Direccion de Impuestos y Aduanas Nacionales de Colombia – DIAN
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Peru

	2014		2015		2016	
	NZD	Quantity MT	NZD	Quantity MT	NZD	Quantity MT
World	50,291,718	52,311	57,863,543	50,225	55,955,677	52,012
Chile	40,347,753	46,765	45,783,083	43,644	47,826,530	48,196
United States	9,779,356	5,441	11,909,570	6,480	7,983,601	3,710
Argentina	164,609	106	170,890	101	113,059	84
China	0	0	0	0	32,487	22
Source of Data: Peru Customs - Super Intendencia Nacional de Aduanas						



**NEW ZEALAND CHAMBERS OF COMMERCE
SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE
PROPOSED NEW ZEALAND/PACIFIC ALLIANCE
FREE TRADE AGREEMENT**

OCTOBER 2017

ABOUT THE NEW ZEALAND CHAMBERS OF COMMERCE

The New Zealand Chambers of Commerce (NZCCI) is the umbrella organisation serving the interests of 29 Chambers of Commerce nationwide. These in turn represent over 20,000 businesses around the country. While many of our members are small to medium enterprises, our membership also includes some of the largest businesses in New Zealand.

In broad terms NZCCI is supportive of the Government's intention to negotiate a free trade agreement (FTA) with the Pacific Alliance (Chile, Colombia, Mexico and Peru).

NZCCI is a member of the New Zealand International Business Forum (NZIBF) and we write in support of NZIBF's submission on this matter.

SUBMISSION – IN SUPPORT

NZCCI is supportive of the Government's intention to negotiate a free trade agreement (FTA) with the Pacific Alliance (Chile, Colombia, Mexico and Peru). We believe that the negotiation of a high-quality FTA between New Zealand and the members of the Pacific Alliance would be of real benefit to New Zealand exporters. This would be a strategically important agreement, deepening and strengthening trade flows and supply chains in the region and to promote regional economic integration. It also makes progress on the goal to have 90% of New Zealand's exports covered by free trade agreements by 2030, which NZCCI supports.

NZCCI believes a robust FTA would help to reduce discouraging trade barriers and increase market awareness. We note that New Zealand does not currently enjoy any preferential access opportunities with Mexico, Peru or Colombia. We agree with NZIBF that while "current trade and investment flows are comparatively modest" (current bilateral trade relationships with the four countries of the Pacific Alliance total of NZ\$722 million in exports in 2016), that there is "significant potential for this to grow, thanks to complementarities in both production approaches and sectors".

Looking at the current trade context, NZCCI notes that both the TPP and the Pacific Alliance are both considered pathways to the greater goal of Free Trade Area of the Asia Pacific (FTAAP). We concur with NZIBF and agree that the FTA would help to "reinforce the forward-leaning substantive outcomes of the TPP negotiations and also strengthen the building blocks towards FTAAP." Even if TPP-11 proceeds we believe there are likely to be additional benefits to be gained from the current negotiation given existing trade relationships where New

Zealand has exporters have been disadvantaged. We would hope that the FTA would enable more expansive global value chains to develop spanning from Latin America deep into Asia, given New Zealand's existing FTAs in Asia and likewise the Pacific Alliance countries' extensive trade networks into Mercosur and other regional economies.

NZCCI supports the negotiation of an FTA that not only addresses traditional tariffs but also focuses on behind-the-border issues, non-tariffs barriers as well. The agreement should also have a dispute settlement mechanism and should contain investor state dispute settlement provisions. We agree with NZIBF that the goal of the FTA should be "a comprehensive agreement with a commitment to eliminate all barriers in all goods and services sectors by an agreed deadline".

NZCCI agrees with the recommendations of NZIBF that the New Zealand Government ought to seek to conclude negotiations with the Pacific Alliance as soon as possible on the basis of a substantive and mutually advantageous outcome.

NZCCI supports the following NZIBF recommendations:

- a. **note** the support for the negotiation of a comprehensive FTA between New Zealand and the Pacific Alliance;
- b. **agree** that the goal of the FTA should be the elimination of all barriers in all goods and services sectors by an agreed deadline without *a priori* sectoral exclusions from the ambit of the negotiations;
- c. **agree** that the negotiating agenda should encompass all issues of relevance to both sides including market access for goods and services, investment, competition policy, intellectual property, electronic commerce and cross-border data flows, government procurement, labour and environment issues, seeking to use WTO disciplines as a starting point in the negotiation as appropriate;
- d. **consult** widely with all stakeholders, operating on the basis of a maximally inclusive and transparent process as far as the negotiating parameters and sensitivities allow;
- e. **develop** an active communications and outreach programme aimed at deepening New Zealand business' understanding of the opportunities presented by the FTA negotiation
- f. **agree** to proceed to conclude these negotiations as soon as a substantive and mutually advantageous outcome is to hand.



PACIFIC ALLIANCE Fonterra Submission to MFAT



October 2017

Fonterra supports the New Zealand-Pacific Alliance Free Trade Agreement

Overview

Fonterra strongly supports the proposed Free Trade Agreement (FTA) between New Zealand and the Pacific Alliance. The Pacific Alliance countries are some of the most outwardly focused and open economies in the Latin America region, with a combined population of more than 221 million, GDP of USD3.85trillion, and a growing and increasingly wealthy middle class.

Fonterra is a farmer-owned dairy co-operative owned by 10,500 farmers and their families. We are the largest processor of milk in New Zealand. Fonterra also has significant processing operations and partnerships globally, including with operators in the Pacific Alliance countries. Most notably, Fonterra has more than 30 years of experience in the Chilean dairy industry through our majority shareholding in local dairy company Soprole. In addition to our manufacturing and processing operations in Chile, we also have a range of consumer and sourcing partnerships in other Pacific Alliance countries.

We believe that a high quality, comprehensive, New Zealand-Pacific Alliance FTA that includes the elimination of all tariffs on dairy products and addresses non-tariff barriers will be positive for both New Zealand and the Pacific Alliance countries.

The original Pacific Alliance Agreement negotiated between Chile, Colombia, Mexico and Peru is a high quality Agreement, resulting in deep economic integration and trade liberalisation across the four countries. It is a useful benchmark for the region. Early indications from the group that it would look to engage with, and build linkages into, the Asia-Pacific align closely with Fonterra's strategic interests. The New Zealand Government's decision to be one of the first countries to launch FTA negotiations with the Pacific Alliance alongside Singapore, Australia, and Canada positions us well with this increasingly important economic and geo-strategic region.

In terms of current access, New Zealand has an existing FTA with Chile (through the P-4 Agreement) and is also in the process of negotiating TPP-11 which, if successful, would result in an FTA with Mexico and Peru. While the current market access provisions in TPP-11 provide for some additional tariff quota access into Mexico and Peru, this falls short of full liberalisation and current access for US and EU producers. Colombia remains largely closed to Fonterra due to high tariffs on a number of products. The New Zealand-Pacific Alliance FTA will help level the playing field in the region, by improving New Zealand's existing access, and mitigating the current preferential access arrangements for US and EU producers through their existing FTAs.

In addition to tariffs, non-tariff barriers also have the ability to restrict or impede trade. The Pacific Alliance negotiations present an opportunity to establish robust, WTO-plus, provisions that seek to address specific barriers to trade, as well as establish the relationship architecture to address issues as they arise in the future. To this end, we support the inclusion of strong science-based sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) chapters, that seek to advance equivalence and mutual recognition schemes as the best means of resolving duplicative regulatory requirements. We also support chapters that ensure liberalising Rules of Origin (ROO) and trade-facilitating customs administration procedures.

We believe that New Zealand's involvement in the region is an opportunity to be embraced given the opportunities for collaboration to support local development, increasing the access for local consumers to high quality dairy ingredients and products, and utilising Fonterra's strong links to growing markets across the Latin America and the broader Asia-Pacific region.

Fonterra engagement in the Pacific Alliance countries

Fonterra's engagement with each of the Pacific Alliance countries varies in terms of existing trade and investment, preferences, tariff and non-tariff barriers. The below is a synopsis of the current status quo and priorities for each market.

Chile

Fonterra has been involved in the Chilean dairy industry for more than 30 years and has extensive consumer and manufacturing interests in Chile through our Soprole/Prolesur subsidiaries. Fonterra has a 99.4% share in Soprole, a fully integrated dairy business that sources local Chilean milk to make branded and non-branded dairy products. Soprole represents Fonterra's oldest offshore investment relationship and is a market leader in Chile – it is the number one dairy company and brand. Soprole is a significant player in the Chilean dairy industry: it has approximately 30% market share in Chile, accounts for 22% of the milk collected in Chile, and is first or second in all of Chile's key dairy categories.

In addition, Fonterra owns a majority share of Prolesur, a Chilean manufacturing located in Southern Chile. Prolesur is a manufacturer of dairy products using Chilean milk, and also imports dairy products for further processing and sale to local companies, including Soprole. Prolesur exports dairy ingredients to customers in Latin America, North America, Asia, and the EU.

Chile is also a key 'milk pool' for Fonterra's global sourcing strategy and creates opportunity for exporting into the wider Latin America region, particularly given Chile's extensive FTA network. In 2016, New Zealand was the fourth largest supplier of dairy products to Chile (approximately 15,000MT with a value of USD42 million) and Chile is an important market particularly for cheese, some of which is used to backfill the Chilean market where cheese from Chile is exported to Mexico, Peru (Gouda from Chile enters Mexico and many other countries in Latin America duty free) Russia and China. Other key products include butter and whole milk powder (WMP).

As part of our commitment to supporting the Chilean dairy industry, Fonterra operates Pradesur - two demonstration farms in Southern Chile which seek to improve local milk production through sharing of best practice.

New Zealand has an existing FTA with Chile through the P4 Agreement. Under this Agreement, tariffs and the Special Agricultural Safeguard Measures (SSG) for all dairy products were eliminated in 2017, effectively resulting in free trade on dairy between New Zealand and Chile.

Colombia

The Pacific Alliance provides a significant opportunity to enhance trade access between New Zealand and Colombia. New Zealand's dairy trade to Colombia has, to date, been severely limited by prohibitively high tariff treatment, particularly on SMP (98% duty), WMP (98% duty), whey (94% duty) and MPC (94% duty). As a result, New Zealand's dairy trade with Colombia in 2016 was only around USD1million (approximately 450 MT). However, we see significant opportunity given the size of the market, the growing and increasingly wealthy middle class, and increasing rates of domestic dairy consumption.

New Zealand is also at a disadvantage in Colombia vis-à-vis US producers who enjoy preferential access to the Colombian dairy market through the Colombia-US FTA whereby key products, such as whey powder and MPC, enter duty-free. Remaining products enter through tariff rate quotas (TRQs) but under the terms of the agreement all product will enter duty and tariff quota free by 2026. As a result, the US provides around 30% of all Colombia's dairy imports, followed closely by Mexico which is responsible for around 24%.

Access for many dairy products into Colombia (and also Peru) fall under the “*Sistema Andino de Franjas de Precios*” (Andean Price Band System, APBS) which was introduced by the Andean community in 1995 to buffer the effects of international price fluctuations. When international prices surpass the price band ceiling, tariffs are reduced; when prices drop below the price band floor, tariffs are raised. The APBS is inconsistent with WTO legal obligations and the US and EU successfully negotiated the removal of the price band system under their respective FTAs. While Fonterra understands that the APBS has not been active in Colombia since the entry into force of the Colombia-US FTA, it remains a concern given in theory the price band system can raise duties as high as the WTO bound rate and act as a barrier to trade even if tariff reductions for New Zealand are achieved through the Pacific Alliance FTA.

Mexico

Mexico is large dairy market with high tariffs on most products of interest to Fonterra. SMP, WMP and cheese in particular are highly protected through high MFN tariffs, with some duty-free access for SMP, WMP and nutritional powders within a WTO tariff quota of 80,000MT administered by the government.

Mexico is an important market for Fonterra with over USD275m worth of trade in 2016, making it our 10th largest market. Dairy consumption continues to grow at around 1.5%. TPP-11, once implemented, would provide for some additional access for New Zealand through plurilateral tariff quotas, particularly in SMP, WMP, MPC and cheese. TPP outcomes, however, fall well short of comprehensive tariff elimination and, for dairy, are disappointing overall.

The Pacific Alliance negotiations therefore provide an opportunity to improve on the TPP-11 outcomes while also levelling the playing field with the US (which currently enjoys 65% market share in Mexico) and countering any moves by the EU to improve its access through the modernisation of its FTA with Mexico currently underway.

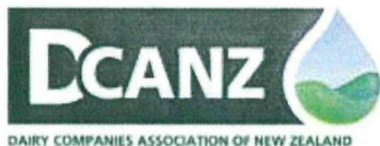
Peru

Peru is an important market for Fonterra (particularly WMP) with approximately USD40m worth of trade in 2016. There is duty free access for the majority of products, with the exception of caseinate and WPC (6% MFN). As noted above, Peru operates under the Andean Price Band System (APBS) which can act as a barrier to trade, undermining tariff reductions and benefitting local producers over imports.

The US and EU will have duty free access across all products under their respective FTAs, and also secured the removal of the APBS. The Pacific Alliance presents an opportunity to eliminate the tariffs for New Zealand on caseinate and WPC, as well as the removal of the Price Band System.

Conclusion

Fonterra looks forward to the high quality and comprehensive New Zealand-Pacific Alliance FTA that includes the elimination of all tariffs on dairy products and addresses non-tariff barriers, and which will create mutually beneficial opportunities for both New Zealand and the Pacific Alliance countries. Fonterra appreciates the opportunity to make this submission and looks forward to working closely with the New Zealand Government as these negotiations progress.



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**DAIRY COMPANIES ASSOCIATION OF NEW ZEALAND SUBMISSION
TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE**

ON

THE NEGOTIATION OF A FREE TRADE AGREEMENT (FTA) WITH THE PACIFIC ALLIANCE

16/10/2017

The Dairy Companies Association of New Zealand (DCANZ) appreciates the opportunity to make a submission **in support of** the proposed free trade agreement between New Zealand and the Pacific Alliance.

DCANZ member companies collectively account for more than 98% of the milk processed in New Zealand and the vast majority of New Zealand's dairy exports. The role of DCANZ is to represent commonly held policy positions of our eleven member companies.

DCANZ supports the continued development of New Zealand's trade architecture, including through the establishment of high-quality and comprehensive FTA agreements. We agree that an FTA with the Pacific Alliance, which when viewed in aggregate is the world's 6th largest economy, would represent an important milestone in New Zealand's 2030 Trade Agenda.

A high-quality and comprehensive FTA with the Pacific Alliance would build on the already implemented P4 agreement with Chile, and the pending TPP agreement involving Peru and Mexico, to further enhance our the trading environment between New Zealand and key countries within the important and growing Latin American region.

The benefits of a high-quality and comprehensive FTA between New Zealand and the Pacific Alliance would be two way. Consumers would benefit from increased access to a broader range of dairy products, without the costs created by tariff and non-tariff barriers whilst trade liberalisation would also support a deepening of globally traded markets, which would help to lessen price volatility and improve food security.

Specific comments:

The target for a negotiation between New Zealand and the Pacific Alliance countries must be a high quality and comprehensive FTA.

DCANZ considers a high quality and comprehensive FTA to be one which results in the complete elimination of all tariffs on all goods, and which addresses non-tariff barriers to trade.

There are strong foundations for a high quality and comprehensive FTA between New Zealand and the Pacific Alliance. The Pacific Alliance Agreement between Chile, Colombia, Mexico and Peru sets a useful benchmark for deep economic integration and trade liberalisation across the four Pacific Alliance economies. It is also notable that New Zealand and Chile have had a high quality FTA



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agreement in place for some time, and that Mexico, Peru and Colombia have already taken steps to lower barriers to dairy trade in agreements with other major dairy exporting countries.

It is important to the New Zealand dairy industry to be on a level playing field with other major dairy exporters in terms of market access. The TPP agreement, if implemented, will be an incremental step towards levelling the playing field for New Zealand dairy products entering into Mexico and Peru, but fully achieving this goal will require a Pacific Alliance agreement that includes full tariff elimination and WTO-plus provisions to address non-tariff barriers to trade.

With respect to non-tariff barriers to trade, DCANZ places priority on the advancement of equivalence and mutual recognition schemes, and rules of origin arrangements that support (and do not impede) the liberalisation of trade. Alongside a comprehensive market access chapter, this agreement should also include high quality, trade liberalisation, chapters on Sanitary and Phyto-sanitary provisions (SPS), Technical Barriers to Trade (TBT), Rules of Origin, and Customs procedures.

A high quality and comprehensive outcome will require some specific barriers to dairy trade to be addressed:

The P4 agreement with Chile reached full implementation in 2017, with tariffs reaching zero and the Special Agricultural Safeguard being eliminated. This free trade arrangement has contributed to a deepening of the long-standing dairy trade relationship between New Zealand and Chile, which extends to New Zealand investment (by Fonterra) in processing and exporting of Chilean milk.

Trade barriers are, however, containing the full potential for trade with other members of the Pacific Alliance:

- **Mexico** imported US \$1.0 billion worth of dairy products in 2016, making it the world's 7th largest dairy importer. 64% of product imported into Mexico was of US origin, and just 14% of New Zealand origin. The high tariffs maintained by Mexico on New Zealand dairy export products (for example the 63% out of quota tariff on milk powders) vis a vie imports from the US is a contributing factor for the modest role New Zealand products play in meeting Mexico's dairy import demand, compared to the US. Even within tariff quotas, tariff administration requirements create a complexity and disincentive for importation of New Zealand product compared with product from the US. The EU is currently negotiating a modernisation of its agreement with Mexico, which could create further disadvantage tariff preference disadvantage for New Zealand exporters;
- **Colombia** has prohibitively high tariffs of over 90% on skim milk powder, whole milk powder, whey and milk powder concentrate. On other products, such as butter and cheese, tariffs of around 20% dampen trade. As is the case with Mexico, New Zealand is at a market access disadvantage into the Colombia market vis a vie US exporters. New Zealand currently supplies less than 1% of the US\$252 million worth of dairy products imported by Colombia each year. In addition to addressing tariff barriers to trade, it is also particularly important that a New Zealand-Pacific Alliance agreement removes the Price Band system which Colombia applies to artificially inflate the price of imported dairy products;
- **Peru** has significantly lower tariff rates than Mexico or Colombia, with products other than WPC and caseinates having an applied tariff rate of zero. However, as in Mexico and Colombia, New Zealand exports are at a tariff disadvantage to other major exporters where



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tariffs apply, and like Colombia, Peru applies a price-band systems as a barrier to imported dairy products.

Conclusion and contact:

DCANZ thanks MFAT for the opportunity to submit our support for a FTA agreement between New Zealand and the Pacific Alliance, and to outline our high level priorities for the agreement. DCANZ looks forward to a high quality and comprehensive outcome from this negotiation, which eliminates all tariffs on all products and which addresses non-tariff barriers to trade. We look forward to further engagement with the New Zealand Government as these negotiations process.

The contact for this submission is:

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NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

Ministry of Foreign Affairs and Trade

on the

**Proposed negotiations for New Zealand to join
the Pacific Alliance**

**P O Box 6645
Wellington
16 October 2017**

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1. Introduction

- 1.1. This submission is made on behalf of the 31 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3. This submission on the proposed negotiations to become an “associate member” of the Pacific Alliance commerce agreement¹ between Chile, Colombia, Mexico and Peru is not intended to be a detailed and exhaustive discussion of our interests and

¹ We refer to this as a ‘commerce agreement’ rather than a “free trade agreement” because the current agreement goes far beyond ‘trade’ as the word is generally understood. It is also the terminology used by the Pacific Alliance on its official website, <https://alianzapacifico.net/en/> (English version). It is formally the “Additional Protocol to the Framework Agreement of the Pacific Alliance”. There is no official translation of the Additional Protocol but MFAT has provided us with a draft translation.

concerns. It lists the areas we have concerns with brief explanations. We do this in the expectation that there will be consultation on a regular and substantive basis if and as negotiations progress. We seek an assurance that this will occur.

- 1.4. We note that the crucial documents are not available in an official English translation. We appreciate the provision to us by MFAT of an unofficial translation of the *Additional Protocol to the Framework Agreement of the Pacific Alliance* (APFAPA) but translation will be an ongoing problem throughout the negotiations adding to the normal concerns about secrecy of negotiations. We would like to hear what steps MFAT is proposing to take to make official English language translations of documents publicly available in a timely way.
- 1.5. We will strongly oppose an agreement that is negotiated behind closed doors like the Transpacific Partnership Agreement (TPPA) or takes a similar approach which prioritises commercial interests over other factors such as health, safety, equity, economic development, financial stability and the environment. We hope that MFAT and the New Zealand Government will take a very different approach to these negotiations.
- 1.6. As the public debate over the TPPA shows, there is a powerful groundswell of mistrust and opposition among working people and citizens more generally in New Zealand and internationally in the light of their experience of international commerce agreements like the TPPA. Radical redesign is overdue, and MFAT and the Government cannot ignore this if they wish to make international agreements that have the support of the New Zealand public and are sustainable politically.
- 1.7. We note that Australia Canada and Singapore are also negotiating to become associate members.

2. General

- 2.1. The TPPA was said by proponents to be a “21st Century Agreement”. In fact it reflects the ideology of the 1980s and 1990s and demands of large commercial interests. The big issues of the 21st century include to reverse the growing inequality, combat climate change (and the deteriorating environment more generally), avert future financial crises, prevent tax avoidance on an enormous scale by the wealthy and international corporations, and stem the erosion of privacy, civil and labour rights. The TPPA either ignores these or is taking its members in the opposite direction.

- 2.2. We recognise that one agreement cannot be loaded with too many demands. But turning around all these damaging trends should be criteria for setting the terms of a truly 21st century agreement. Provisions should be tested as to whether they help or hinder in achieving this. Reining in the finance system and joint action to prevent tax avoidance fit squarely on the agenda of these negotiations.
- 2.3. The matters in paragraph 2.1 should therefore be criteria for any agreement. UN Sustainable Development Agenda and goals contain many objectives that are much more in keeping with these criteria than agreements like the TPPA. We are concerned that instead the APFAPA takes a very similar direction to the TPPA.
- 2.4. Secrecy and poor processes have also been major issues for the public, even among those inclined to support agreements like the TPPA. The predominant impact of such agreements is now domestic ('behind the border'), affecting policy and regulatory approaches that are often the result of preferences that have been democratically and collectively determined. The APFAPA is no exception. Therefore the negotiation of international commerce agreements should be much more like the process of developing and passing legislation, with open circulation and consultation on drafts of the text.
- 2.5. International commerce agreements are too invasive of domestic policy space to be negotiated excluding all but a privileged few. We would never allow domestic legislation to be treated in this way, and international commerce agreements are more significant than most legislation because of their effect of locking in policies against change by future governments: they are almost like a constitution. Ratification should be by Parliament rather than the Executive (essentially Cabinet).
- 2.6. We urge MFAT and the Government to radically revise their approach to both content and process.
- 2.7. We have seen no objectives or Cabinet mandate for the Pacific Alliance negotiations, nor assessment of an agreement's potential impacts. It is very difficult to assess potential costs or benefits in these circumstances. We urge the Government to consult explicitly on the mandate and release it publicly, and to commission an independent assessment of the agreement's potential impacts, economic, distributional, social, environmental, cultural and on human rights before negotiations commence.

3. Goods trade

- 3.1. New Zealand has few operative tariffs. We must ensure that there are strong and enforceable provisions for countervailing measures against dumping and subsidies. The existing APFAPA appears to rely on WTO provisions. These should also apply on environmental grounds. For example if New Zealand were to develop an effective emissions trading scheme or carbon tax, we should be able to prevent imported goods undercutting locally produced ones because of lower standards in any Pacific Alliance state.
- 3.2. New Zealanders should be given a realistic assessment of the possible outcomes at the outset, both in terms of increased access and in terms of possible negative effects of imports on domestic producers, rather than the excessively optimistic and misleading official view of the TPPA given to the public during most of the period of its negotiations.

4. Sanitary and Phytosanitary measures (SPS)

- 4.1. It is vital that New Zealand's border protections against unwanted pests and diseases be maintained. It should not be compromised by excessive pressure on border control processing times for narrow commercial reasons.

5. Technical Barriers to Trade (TBT)

- 5.1. These should not compromise health and safety, including public health measures and food safety. One of our affiliates points out for example the growing threat of antimicrobial resistance (AMR) which is relatively low in New Zealand but can be introduced from countries with higher AMR rates in food and animal imports. We are in particular concerned that labelling requirements should not discourage regulation of labelling for public health purposes (like cigarette plain packaging to reduce smoking). Governments' right to regulate should not be undermined.

6. Investment

- 6.1. We strenuously oppose on the basis of principle and experience any provision for Investor-State Dispute Settlement (ISDS). It is an unnecessary encroachment on sovereignty and gives excessive power to corporate interests. We can give detailed reasons for this and will do so on request. The tide of world opinion is against these provisions with Germany and France opposing them in the TTIP, and South Africa,

- India and Indonesia all extricating themselves from such agreements while Brazil has refused to accede to any.
- 6.2. We therefore oppose agreement to the ISDS provisions in APFAPA in Section B of Chapter 10. We note that it has some marginal improvements to previous ISDS provisions New Zealand is bound by, such as hearings being open to the public unless a Party claims confidentiality (the usefulness of this provision will also depend on which country the hearings are held in among other things), but these do not overcome our substantive objections to these provisions.
- 6.3. We would oppose any further restriction on New Zealand's right to regulate foreign investment. Instead, the negotiations should return increased policy space to future governments for this purpose. One aspect of this is to allow greater freedom to amend and extend the Overseas Investment Act and regulations under it. A second aspect is to roll back constraints on performance requirements for overseas investors. There is strong and increasing evidence that the quality of overseas investment in New Zealand is poor (Rosenberg, 2015 provides a summary). Performance requirements are one way to ensure New Zealand reaps benefits from this investment. The restrictions on performance requirements in Article 10.8 of the APFAPA are excessive.
- 7. Services**
- 7.1. There should be a clear and explicit exclusion for public services which leaves governments free to determine which areas of the economy and society should be in direct public control or ownership. The standard exclusion for "services supplied in the exercise of governmental authority" is defined as any service that is supplied neither on a commercial basis nor in competition with one or more service suppliers, and is used in Article 9.2(3)(e). Given the increased encroachment of private provision on public services, this definition is increasingly inadequate. For example all levels of public education are in competition with private providers, and the borderline between public and private is increasingly difficult to draw. Similar blurred lines result from the contracting out of public services in health and social security. The line should therefore be self-determined by governments.
- 7.2. We would oppose any extension of commitments on private education. It makes regulation of the sector increasingly difficult by for example forbidding economic

needs tests to prevent oversupply and excessive competition that puts stability of institutions and quality of provision at risk.

- 7.3. These are illustrations of the difficulties inherent in liberalisation of services: “barriers” to trade are frequently desirable regulation put in place for social, cultural, equity, environmental or economic development purposes. We do not believe that commercial interests (international trade) should be prioritised over these needs. It certainly has a place, but increasing international trade is not necessarily or always the most important objective for New Zealanders.
- 7.4. We are very concerned that the Services provisions apply to regional and local government.
- 7.5. We note the Professional Services Annex 9.10 includes provision for mutual recognition of licensing and certification. While we recognise this can have benefits, it can also undermine local requirements which may be social, cultural or otherwise specific to New Zealand. We would expect to be consulted on any specific proposal.

8. Financial services

- 8.1. We are particularly concerned at the further liberalisation of financial services present in Chapter 11, and our concerns are even more intense given that it gives financial service providers rights to ISDS. This gives already powerful financial institutions such as banks the power to sue the government for regulatory actions.
- 8.2. The problems of the finance sector highlighted by the Global Financial Crisis (GFC) require more regulation rather than less, and any agreement such as this should focus on reining in the finance sector rather than further liberalisation.
- 8.3. Liberalisation of the finance sector, and particularly international financial liberalisation, is also a transmitter of increasing inequality. Some forms of finance may reduce inequality, but these tend to be ones such as access to credit by low-income households, which are less attractive for overseas investors. These findings have been demonstrated in a number of studies (for example, Furceri & Loungani, 2013; International Labour Office, 2013; Jaumotte, Lall, & Papageorgiou, 2013; Naceur & Zhang, 2016). International liberalisation also allows rapid contagion when financial crises strike, and financial and economic crises in themselves raise inequality and may negate economic benefits from increased goods trade.

International agreements should be focused on finding ways to better control international finance rather than further deregulation (liberalisation).

- 8.4. In particular it is important that New Zealand regains and retains policy space to use capital and currency controls, and to manage the New Zealand dollar exchange rate. These policies should not only be reserved for times of crisis, but also to prevent the factors arising (such as large inward mobile capital flows) which can later lead to crises, to improve the effectiveness of monetary policy and to ensure the New Zealand dollar is not chronically overvalued as it has been for several years. We note that Chile has some specific provisions in APFAPA to main certain types of such controls.
- 8.5. There is also an increasing body of research that suggests there can be “too much finance”, in the sense that too large a finance sector can reduce economic growth and increase instability as well as having negative social effects (Arcand, Berkes, & Panizza, 2012; Cecchetti & Kharroubi, 2012, 2015; Sahay et al., 2015).
- 8.6. Therefore it is inappropriate to be agreeing to increased international involvement in our financial system, making it easier for overseas financial corporations to offer services and risky financial products in New Zealand, and making it more difficult to control the risks in those services. The priority should be better control of international financial systems.
- 8.7. We would also oppose any pressure to offshore financial services such as servers or call centres. There are security, privacy, financial stability and employment reasons to retain full regulatory control over these decisions in New Zealand.

9. Maritime Services

- 9.1. Chapter 12: Maritime Services appears to rule out the maintenance or reinstatement of cabotage arrangements which give preference to local shipping companies and crew in coastal shipping. We seek an assurance that New Zealand will not allow this to occur, and advice as to the implications for non-Parties to the APFAPA gaining such access under Most Favoured Nation (MFN) provisions in other agreements.

10. Labour mobility

- 10.1. The recent case of maintenance workers brought in from China to work on rail rolling stock in inferior conditions and underpaid by New Zealand standards raises a

number of issues. MBIE apparently took the view that they were not part of the New Zealand labour market and therefore not subject to New Zealand labour law. In addition there have for some time been very high net immigration levels raising unemployment and depressing wages. Some of this is driven by previous international agreements on student and working holiday visas.

10.2. We therefore have increasing concern at international agreements raising requirements or expectations for temporary entry for work of various kinds in New Zealand, with decreasing control over numbers, skills and working conditions.

10.3. Any person permitted to work in New Zealand under labour mobility provisions, including Cross-Border Services Mode 4 (ref APFAPA Article 9.2(1)(d)), should be subject to collective agreements and employment law applying to other workers in the same workplace or industry.

11. Government Procurement

11.1. The APFAPA Chapter 8 appears similar in its provisions to the Agreement on Government Procurement in the WTO, to which New Zealand has acceded. We are very concerned that this has limited future New Zealand Governments' ability to assist local firms and to boycott goods from other countries on human rights grounds. We have never had an official response to our concerns that it would prevent or hamper New Zealand governments from placing responsible contracting requirements on suppliers, such as to pay a Living Wage and have above legal minimum health and safety standards.

11.2. The effect appears to be to add at least four more countries (more if others like Australia join the Pacific Alliance) to our Government Procurement commitments.

11.3. We oppose any extension of government procurement commitments and call for clear protections for the use of government procurement for social purposes to raise employment, health, safety and environmental standards.

12. State-owned enterprises

12.1. The agreement should place no constraint on New Zealand's use of state owned entities for non-commercial objectives such as to improve work, social, cultural or environmental conditions, or as vehicles for economic or regional development. Neither should it prevent their procurement practices from favouring local suppliers.

13. Intellectual Property

- 13.1. We welcome the fact that there is no extension of TRIPS in the APFAPA. We would oppose any extension of copyright or patent terms. In particular we would strenuously resist any actual or effective increase in the protection of medicines that would raise their price, restrict their availability or delay the entry of generic or biosimilar products.

14. Labour

- 14.1. APFAPA has no Labour chapter.
- 14.2. We propose that intensive international union participation should be invited in the development of effective labour provisions, including but not limited to a Labour chapter.
- 14.3. A Labour Chapter should include commitments to ratify and implement fully all ILO Core Conventions, as well as other up-to-date conventions. Breaches of such commitments should attract economic consequences. A monitoring mechanism involving the parties' social partners should be instituted and they should be able to initiate complaints.
- 14.4. Labour considerations should not only be dealt with in the labour chapter but in others (such as for government procurement) requiring adherence to the relevant ILO Conventions and Recommendations and permitting policies to achieve or improve upon those Conventions and Recommendations. Similarly investor responsibilities should be included and be enforceable in investment chapters (including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights). These are covered in APFAPA in Article 10.30 but amount to no more than recognising their importance and encouraging certain behaviours and are unenforceable.
- 14.5. All of New Zealand's existing Labour provisions are ineffectual commitments to cooperate and consult, and New Zealand has breached even them. The most egregious breach was in enacting the Employment Relations (Film Production Work) Amendment Act 2010, which stripped numerous labour rights from workers in the film and gaming industries for the express and publicly stated purpose of attracting investment and services. The New Zealand Government therefore has little credibility in this area.

- 14.6. A Chapter similar to that in the TPPA (which in turn is very similar to that in the US-Peru FTA) would be stronger, but it has grave weaknesses. Labour law expert, Victoria University Professor Gordon Anderson has described it as weak and ineffectual (Frankel, Kolsky, Anderson, & Jones, 2016). It does not require adherence to international labour conventions, only to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998). It does not require countries who are not party to important ILO conventions to join them. The minimum standards it mentions are a limited subset of the important ones. Little of the Chapter is enforceable and for the parts that are enforceable, the experience of the AFL-CIO with similar US Labour agreements is that it is impossible in practice to enforce. Workers and unions cannot require or trigger enforcement with respect to the actions of their own governments: it relies on other state parties.
- 14.7. The representations of the international union movement on these matters in the TPPA were largely ignored.
- 14.8. The recent dispute panel finding on US v Guatemala under the CAFTA-DR agreement reinforces our view that this model of Labour chapter is very weak.
- 14.9. We would like to understand what New Zealand is proposing regarding Labour provisions and what MFAT has learned from these various models and the CAFTA-DR precedent.
- 14.10. In addition, there is nothing to prevent labour conditions being the subject of challenge under the investment chapter, and in particular through ISDS. There are cases which provide precedent for this concern.
- 14.11. None of these serious faults should be repeated.

15. Environment

- 15.1. APFAPA has no Environment chapter. Our concerns regarding standard environment chapters are similar to our discussion above of labour chapters. They are weak unenforceable and trumped by investor rights and the threat of challenge, particularly under ISDS. To create an acceptable chapter requires intensive work including the participation of non-governmental environmental organisations.

16. Transparency

- 16.1. We are concerned at provisions under this heading which entitle overseas suppliers and investors to participate in, or be consulted over, law and other rule or policy changes (e.g. APFAPA Article 7.8). This is especially true in an environment where consultation with New Zealanders has become more limited, time and resource constrained, and bodies set up for this purpose have been dismantled or populated with predominantly business representatives.
- 16.2. In addition, many of the consultations made use of under these provisions are likely to be ones which are of high commercial interest to the suppliers or investors but which are sufficiently specialised that most New Zealanders will be unaware of opportunities for consultation or have little relevant expertise, or lack the time and resources to participate effectively. Despite those obstacles, the matters may be important to their well-being. These processes can therefore be very one-sided opportunities for commercial interests to dominate public policy making.

17. Exceptions

- 17.1. We are very concerned that the general exceptions for purposes such as health, safety and conservation of natural resources, are those imported from the GATT and GATS agreements which carry high risks of being successfully challenged and so cannot be relied on. They do not clearly and unambiguously protect human, including labour, rights. All should apply to the entire agreement, and all should to a much greater extent be self-defined and not subject to challenge by other states or investors.
- 17.2. New Zealand's standard Treaty of Waitangi exception requires revising and strengthening.
- 17.3. We support the inclusion of safeguards in case of balance of payment and external financial difficulties or a threat of such difficulties in APFAPA Article 18.6.

18. References

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From: Gregfullmoon * <gregfullmoon013@gmail.com>
Sent: Wednesday, 18 October 2017 12:54 p.m.
To: Pacific Alliance FTA
Subject: Pacific Alliance (Alianza del Pacifico): Chile, Colombia, Mexico, and Peru.
(consultation)

Hi MFAT, and Coordinator, Pacific Alliance FTA, Ministry of Foreign Affairs and Trade,
Please find the people's view of the negotiating content in the attached link.

<https://itsourfuture.org.nz/ten-demands/>

Many thanks from greg.

Greg Rzesniowiecki

02102431632

Values = Compass Points in a Post Truth World:

<https://values-compasspointsinaposttruthworld.blogspot.co.nz/>

Funny/serious 5 minz on 9/11:

<https://www.corbettreport.com/911-a-conspiracy-theory/>

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17 October 2017

SUBMISSION ON NEW ZEALAND- PACIFIC ALLIANCE FREE TRADE AGREEMENT

Submitter: Horticulture New Zealand Incorporated
Submitted by: Richard Palmer, Deputy Chief Executive
Contact Details: Ph +64 4 472 3795
 Email Richard.Palmer@hortnz.co.nz

EXECUTIVE SUMMARY

1. Horticulture New Zealand (HortNZ) represents the interests of New Zealand's 5,500 commercial fruit and vegetable growers. The horticulture industry is valued at over \$5.8 Billion with over \$3 Billion in exports.
2. The industry employs over 50,000 people, occupies some 125,000 ha of land and provides critical regional development opportunities in Northland, Auckland, Bay of Plenty, Hawke's Bay, Marlborough, Nelson, Canterbury and Central Otago.
3. The horticultural industry is undergoing significant change. Key fruit crops, kiwifruit and apples, are growing rapidly, with vegetable production up 10% in 2015 from 2014. Despite volume only growing by 25%, fresh fruit and vegetable exports doubled in value in the decade to 2015. The industry is making a very strong contribution to the Government's '**export double**' goal by 2025.
4. The industry relies on New Zealand's excellent biosecurity status that provides us with significant market access opportunities internationally, and New Zealand (NZ) operates strict biosecurity safeguards to ensure unwanted pests & diseases do not enter NZ. This status is also key to the industry's drive towards Integrated Pest Management (IPM) that reduces agrichemical inputs while maintaining product quality and meeting the exacting standards of our international consumers.

VALUE OF PACIFIC ALLIANCE FREE TRADE AGREEMENT

5. The global trade and economic integration that has been critical to New Zealand's economic success is increasingly under threat. The alignment, with New Zealand's view, by liberal-trade-minded countries as champions for global free trade, must be embraced. A free trade agreement (FTA) with the Pacific Alliance (Chile, Colombia, Mexico, and Peru) is another step to maintaining and furthering this integration.

6. Horticulture New Zealand:

- supports the intention to develop a Free Trade Agreement with the Pacific Alliance
- proposes the agreement is ambitious in elimination of horticultural produce tariffs
- proposes the agreement includes commitment to compliance with international rules and obligations for the consistent application of requirements relating to trade and Sanitary and Phytosanitary (SPS) requirements;
- proposes the agreement includes commitment to eliminating non-tariff barriers;

7. As a general principle the NZ horticulture industry is opposed to the use of domestic subsidies, where products from subsidised horticultural enterprises are exported either to NZ or to other markets in competition with NZ products.

8. Whilst horticultural trade with Pacific Alliance countries is currently very small, in large part due to aligned seasonality, there is opportunity to develop markets and deepen cooperation.

9. The NZ horticulture sector is uniquely positioned to meet Pacific Alliance consumers' needs as a recognised supplier of safe, pest-free, high-quality fresh produce. The NZ industry has:

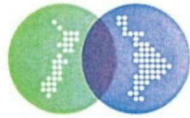
- a. the highest uptake of GLOBALG.A.P certification anywhere in the world,
- b. widespread adoption of excellent agrichemical management programmes,
- c. is continually evolving environmental expectations with low-carbon production,
- d. meets first world expectations on human and labour rights,
- e. continues to deliver high-quality, and innovative new fruit and vegetables.

CONCLUSION

10. HortNZ supports the intent by the New Zealand Government to negotiate a high-quality, comprehensive FTA with the Pacific Alliance. HortNZ, its growers, and associated industries look forward to an FTA that delivers;

- a. tangible new, and tariff-free, market access opportunities
- b. trade underpinned by and aligned to global regulation to ensure effective trade in plant products, and management of plant pests and diseases

11. HortNZ would appreciate being kept closely informed as negotiations progress, and welcomes further discussion with MFAT on horticultural specific interests and outcomes, together with other horticulture industry product groups.



Brad Burgess
FTA Lead Negotiator
Pacific Alliance Free Trade Agreement
Trade and Economic Group
New Zealand Ministry of Foreign Affairs & Trade

20 October 2017

Dear Brad

Re: Pacific Alliance FTA Negotiations submission

The Latin America New Zealand Business Council exists to promote business growth opportunities between New Zealand and Latin America. On behalf of its members, therefore, it wholeheartedly welcomes the launch of negotiations for New Zealand to become an associate member of Latin America's most progressive trade bloc, the Pacific Alliance.

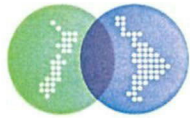
Traditionally, free trade agreements have focused on tariff barriers. In these negotiations, therefore, our members ask that you propose

- a reducing scale of tariffs (as has been the case with Chile over recent years, leading to a market that is now effectively tariff free for dairy)
- the removal of Mexican tariffs (between 20% and 75%) on cheese products that is applied once the current volume allowance or quota is satisfied (as this is a disadvantage compared to other countries selling into Mexico without these impositions)
- the removal of the Andean region price band system (which operates as a barrier tied to commodity prices)
- the opening of Colombia to dairy exports from New Zealand -- tariffs are as high as 90% on some products (e.g. skim milk powder and whey protein concentrate), which poses a significant disadvantage compared to competitors from a USA base (so a level playing field is sought)
- the removal of Peruvian duties on whey protein concentrate and caseinates averaging 6% , and
- the leveraging of Chile's current FTAs with the other three countries as an interim step towards full FTAs with them.

Just as importantly, they argue that non-tariff barriers must also be reduced through the agreement. As FTA's mature and tariffs go to zero, it is these barriers that increasingly create the biggest headaches. Members have said for example that they would like to see a framework that allows MFAT and especially MPI to have better communications with counterpart authorities in the Pacific Alliance to negotiate and resolve zoosanitary and phytosanitary issues. Currently, they advise, systems are slow, expensive and ineffective.

In this non-tariff area, accordingly, they are looking for the agreement to address:

- the speed of regulatory processes
- the integrity of documentation and certification processes



- the protection of intellectual property
- simplification of foreign exchange transactions and the freeing up of currency flows (including repatriation of dividends and royalties), and
- legal systems and dispute resolution.

Given our current and potential trade profile, too, our members would like services exports and investment to feature strongly in the text, and that the final agreement is accompanied by the development of new channels for exchanging information about trade between the negotiating countries. And looking to the future, too, they see that a primary opportunity of this FTA is for Alliance countries to become locations where New Zealand agricultural skills and local resources combine to feed Asia's growing middle classes. This last aspiration will not be well-served however if the expansion of New Zealand primary sector investment incurs significant local labour or environmental costs – so these themes should also be covered off, along with the ongoing development of transportation routes.

The LANZBC thanks MFAT's Trade Negotiations Division for the opportunity to comment. Our members are very supportive of the potential of your negotiations to lead to more open economies for trade, and we look forward to promoting the ensuing agreement to our members and the wider New Zealand business community.

Please do not hesitate to contact me for further information.

Sincerely

Dr Matthew O'Meagher
President



Joint Submission

TO:

Ministry of Foreign Affairs and Trade (MFAT)

ON:

Pacific Alliance Free Trade Agreement

BY:

Beef + Lamb New Zealand Ltd
and
Meat Industry Association Inc

7 November 2017



Summary

1. The purpose of this submission is to outline the New Zealand Sheep and Beef Sectors (herein after referred to as the 'sector') priorities for a comprehensive Free Trade Agreement (FTA) between New Zealand and the Pacific Alliance (Chile, Colombia, Mexico, and Peru), including current access and potential benefits of a FTA.
2. A successful outcome to the FTA negotiations would result in an agreement with the Pacific Alliance that would provide improved access for the sector.
3. The objective is not just about eliminating tariffs, but also about addressing technical and non-tariff barriers that restrict trade opportunities.

Importance of Market Access

4. Trade is the life blood of the sector, where over 90% of all sheepmeat production and 83% of beef production is exported to over 120 different markets around the world. Therefore, the sector places considerable importance on improving the competitiveness of our products in export markets.
5. Improving market access conditions for the sector is a core objective for Beef +Lamb New Zealand (B+LNZ) and the Meat Industry Association (MIA). As part of this, we strongly support the Government's 2030 Trade Agenda, which maintains the focus on addressing remaining high tariffs, while also increasing the focus on tackling Non-Tariff Barriers (NTBs).
6. The returns that sheep and beef farmers receive for their animals are directly related to the returns that processors receive for final products in the market, therefore the sector's business model is based on deriving the maximum value from each animal by identifying the highest returning market for each individual part of the carcass. As such, the sector depends on consistent and predictable access to a wide range of markets.
7. Removing barriers to trade, including both tariff and non-tariffs can improve the competitiveness of New Zealand's meat products in our existing and potential export markets. It also provides New Zealand red meat exporters with more options in the event that New Zealand meat exports are locked out of some markets. Improving market access ultimately helps grow the industry, keep jobs in New Zealand, and increase overall export returns to New Zealand.
8. B+LNZ and MIA engage regularly with negotiators from the Ministry of Foreign Affairs and Trade (MFAT) and the Ministry for Primary Industries (MPI) on the full range of New Zealand's FTA negotiations. This ensures that negotiators are aware of the importance of sheep and beef sector exports, and of the sector's priorities in each export market.
9. An ideal FTA would always remove all tariff and non-tariff barriers to the sector's exports. We therefore engage with government negotiators to ensure that our highest priority goals are addressed to the greatest extent possible.



Potential Benefits of a Pacific Alliance FTA

10. A comprehensive FTA with the Pacific Alliance which liberalises agricultural trade would deliver benefits to the sector and we are hopeful that this will be achieved given that the Pacific Alliance removed 92% of tariffs on goods traded between the existing members in 2016 with the remaining tariffs to be removed by 2020.
11. While New Zealand's sheep and beef exports to the region are currently relatively modest, there is a real potential to grow the presence of New Zealand red meat in the Pacific Alliance countries. Although Mexico is our largest market within this bloc, Chile, Colombia and Peru also offer potential once the trade barriers we currently face are addressed.
12. The Pacific Alliance countries have a population of over 220 million people representing 35 percent of the Latin American economy with some of the fastest growing economies in that region. Sheepmeat and beef is widely consumed in these countries, through currently given their levels of development the prices they are willing to pay do not support strong demand from New Zealand.
13. New Zealand has a highly modern and sophisticated meat production system which is often regarded as best in the world, whereas systems are still being developed in some of the Pacific Alliance member countries – such as Peru. This is an area where New Zealand can start building closer trade ties with the Pacific Alliance and work collaboratively together. The same can be said about New Zealand's high food safety and animal health record with no cases of BSE or Foot and Mouth Disease (FMD).

Sheep and beef exports to the Pacific Alliance Countries

14. Total sheepmeat, beef and associated products exports from New Zealand to the Pacific Alliance totalled \$23 million in 2016 – 50 percent of which were sheepmeat. Exports are relatively modest, but this region is viewed as having good long-term potential.

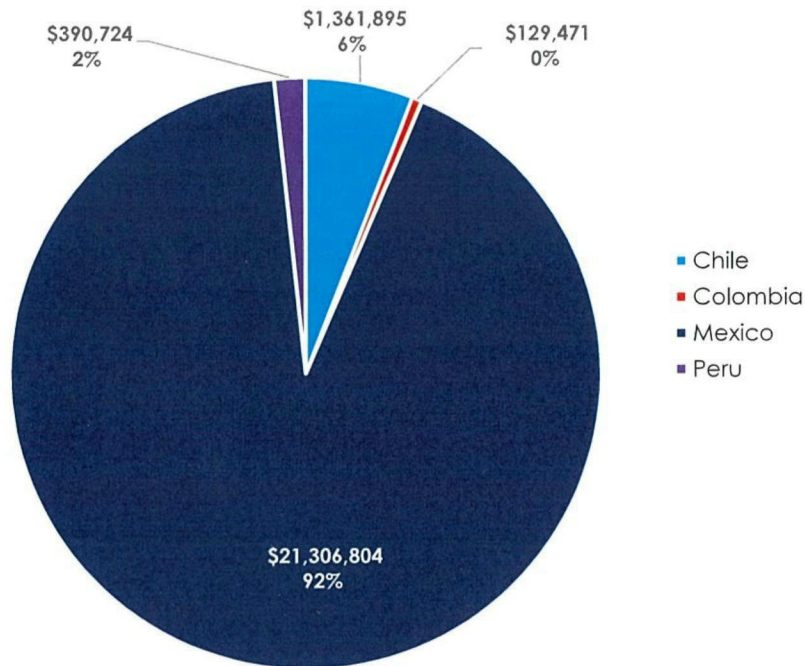
New Zealand Sheep and Beef Exports to the Pacific Alliance							
	2010	2011	2012	2013	2014	2015	2016
Beef	\$4,138,392	\$3,112,738	\$3,108,203	\$2,445,476	\$3,127,047	\$2,883,953	\$2,863,731
Sheepmeat	\$37,717,814	\$32,791,964	\$16,084,022	\$19,806,643	\$20,867,905	\$20,491,145	\$14,430,756
Co-Products	\$2,680,374	\$3,790,866	\$2,691,078	\$3,349,597	\$6,665,588	\$12,925,819	\$5,894,407
Total	\$44,536,580	\$39,695,568	\$21,883,303	\$25,601,716	\$30,660,540	\$36,300,917	\$23,188,894

15. Mexico is our largest market in the Pacific Alliance, with a total of \$21.3 million in red meat and associated co-products exports in 2016, see graph below. Trade to Mexico is dominated by sheepmeat with exports worth over \$14.4 million in that same year. Sheepmeat exports accounted for 68 percent of trade to Mexico last year.
16. Exports to Chile, Colombia and Peru is limited, with only co-products exported in 2016.



- 17. In saying this, Chile is our biggest market for bovine semen with exports totalling over \$1.3 million last year.
- 18. Exports to Peru consisted of offal's and casing and Colombia of only wool. Refer to Annex 1 for a full list of exports to individual Pacific Alliance member countries.

Red Meat and Associated Co-product Exports to the Pacific Alliance Countries



Source: Global Trade Atlas

Current Tariff and Non-Tariff Barriers

- 19. Our sheepmeat and beef exports to the Pacific Alliance member countries is constrained by a range of tariffs and non-tariff barriers. The table below summarises the tariffs and non-tariff barriers faced in the four Pacific Alliance countries.

	Chile	Colombia	Mexico	Peru
Beef	Zero under P4*	80%	25%	11%
Sheepmeat	Zero under P4*	15%	10%	6%
Co-products	Zero under P4*	0% - 80%	10% - 20%	0% - 11%
NTBs	Beef graders must be trained in Chile and must grade to Chilean norms	No import health certificates		

*P4: Trans-Pacific Strategic Economic Partnership



20. **Colombia:** New Zealand is currently unable to export sheepmeat or beef to Colombia because we do not have import protocols in place. We therefore support the current negotiations between MPI and its Colombian counterpart for certification requirements for sheepmeat. These negotiations are focused on sheepmeat as the significant tariff on beef exports, a massive 80 percent, is a major barrier to trade, in what would otherwise be seen as potential market for New Zealand beef. If we were able to reduce or eliminate Colombia's beef tariffs under the Pacific Alliance, then we would be interested in negotiating import protocols.
21. In its existing FTAs, Colombia has agreed to tariff elimination on beef and sheepmeat therefore it is something which the New Zealand sheep and beef sector would expect as a key outcome of the FTA negotiations. In both the Pacific Alliance FTA and the US – Colombia Trade Promotion Agreement (TPA), tariffs and quotas on beef are eliminated over a 10-year period, with tariffs on sheepmeat being eliminated upon entry into force. Mexico (who is part of the Pacific Alliance) and the US are significant beef producing countries. Colombia should have fewer concerns about eliminating its tariffs on imports from New Zealand as we are production constrained and produce a higher value product, particularly compared to Mexico.
22. **Mexico:** For the year ending December 2016, Mexico was ranked 11th on the list of countries in respect of which the sector faced the most tariffs, approximately \$2.2 million. Tariffs on beef are high at 25 percent and 10 percent for sheepmeat. Mexico, our biggest single market within the Pacific Alliance, already has a long standing FTA with the US and Canada (NAFTA) which gives the US and Canada tariff free access to the Mexican market for red meat. This puts New Zealand at a disadvantage with a 25 percent tariff.
23. There is potential to grow our exports to Mexico and this would be aided by the implementation of the Trans Pacific Partnership (TPP) agreement and the Pacific Alliance agreement. Under TPP, Mexico agreed to eliminate tariffs on beef over 10 years; boneless sheepmeat would go to zero at entry into force and the tariff on bone-in sheepmeat and carcasses would be eliminated over 8 years; tariffs on associated co-products over 15 years or less. The TPP outcomes would eventually see New Zealand red meat exports on an even footing with that of New Zealand's major beef competitors in the Mexican market, particularly the US and Canada, as mentioned above.
24. SENASICA (the Mexican competent authority) has recently agreed to negotiate a comprehensive trade focussed SPS Arrangement with MPI, which we fully support.
25. **Chile:** Chile is the 12th largest importer of beef globally therefore a market with significant potential for our sector. Although tariffs on all red meat and associated co-products to Chile have been eliminated under the Trans-Pacific Strategic Economic Partnership (P4), the sector is still unable to export to Chile due to their requirement that beef graders must be trained in Chile and must grade to Chilean norms. Chile will not accept third-party supervision of company meat graders. Complying with this would require a significant and costly change to industry practice with very little benefit for meat grading processes.
26. **Peru:** New Zealand has only been able to export to Peru since 2013 when import protocol were agreed. Since then Peru has been a small market for the sector, with exports of



\$390,000 in 2016. In TPP, Peru agreed to eliminate its tariffs for sheepmeat and co-products on entry into force and for beef over 11 years.

Key Outcomes the sector would like to see

27. The key objectives of the sectors for FTA negotiations between New Zealand and the Pacific Alliance is to ensure a comprehensive, high-quality agreement, and in particular:
 - 27.1 The elimination of all existing tariffs on all red meat and associated co-products products with:
 - 27.1.1 A TPP or better outcome for Mexico where tariffs are eliminated over 10 years for beef, over 8 years for sheepmeat and over 15 years or less for co-products.
 - 27.1.2 A TPP or better outcome from Peru where tariffs are eliminated over 11 years for beef, upon entry into force for sheepmeat and associated co-products.
 - 27.1.3 With respect to Colombia we would be interested in parity with their FTA with the US or Pacific Alliance.
 - 27.2 The adoption of a strong science-based SPS chapter based on recognition of international agreements that effectively eliminate the use of technical barriers to trade;
 - 27.3 The establishment of a bilateral consultative mechanism to facilitate the removal of technical barriers to trade and to improve communication between New Zealand and the Pacific Alliance on such measures.

Conclusion

28. In view of the potential benefits identified above and in the absence of any significant risks, the New Zealand sheep and beef sector strongly support the negotiation of a comprehensive, high-quality FTA between New Zealand and the Pacific Alliance.



About Beef and Lamb New Zealand Ltd and the Meat Industry Association Inc

1. Beef + Lamb New Zealand (B+LNZ) is the farmer-owned organisation representing New Zealand's sheep and beef farmers. B+LNZ is funded under the Commodities Levies Act 1990 through a levy paid by producers on all cattle and sheep commercially slaughtered in New Zealand. B+LNZ's purpose is to help sheep and beef farmers make informed business decisions and promote their collective interests.
2. B+LNZ represent around 11,300 commercial farming businesses, creating around 35,000 jobs (wages, salaries and self-employment) in the sheep and beef sector. Around three quarters of pastoral land and just under a third of New Zealand's total land area is used for sheep and beef farming. Sheep and beef exports are New Zealand's second largest goods export earner.
3. The Meat Industry Association of New Zealand Incorporated (MIA) is a voluntary trade association representing New Zealand meat processors, marketers and exporters. It is an Incorporated Society (owned by members) that represents companies supplying virtually all of New Zealand sheepmeat and beef exports.
4. MIA member companies operate more than 60 slaughter and further processing plants employing 25,000 people throughout the country. The plants slaughtered and processed around 26 million sheep and five million cattle in 2015. Ninety percent of this production is processed into value-added products. Over a million tonnes, or 86% of production, is exported to 120 overseas destinations.
5. The Association advocates on behalf of its members and provides advice on economic, trade policy, market access, employment relations, business compliance costs and technical and regulatory issues facing the industry, with a particular focus on:
 - food safety trends and developments in importing countries
 - economic and trade aspects of market access to key overseas markets
 - major public policy proposals that could impact on industry operations.

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Annex 1: Detailed Exports to Pacific Alliance Member Countries

New Zealand Export Statistics to Mexico - Year Ending: December

HS Code	Description	New Zealand Dollars		
		2014	2015	2016
020442	Meat Of Sheep, Cuts With Bone In, Frozen	\$19,645,798	\$19,679,585	\$14,126,742
5101	Wool, Not Carded Or Combed	\$ 3,007,740	\$ 5,338,467	\$ 3,666,778
020230	Meat Of Bovine Animals, Boneless, Frozen	\$ 3,121,458	\$ 2,883,803	\$ 2,863,731
020629	Offal Of Bovine Animals, Edible, Nesoi, Frozen	\$ 363,729	\$ 2,721,695	\$ 317,856
020443	Meat Of Sheep, Boneless, Frozen	\$ 117,738	\$ 172,427	\$ 162,100
020441	Carcasses And Half-Carcasses Of Sheep, Frozen	\$ 481,792	\$ 617,284	\$ 141,914
160300	Extracts Etc. Of Meat, Fish, Crustaceans, Etc.	\$ 78,803	\$ 121,180	\$ 27,683
020130	Meat Of Bovine Animals, Boneless, Chilled	\$ 5,425	\$ -	\$ -
160100	Sausages, Similar Prdt Meat Etc	\$ 4,541	\$ -	\$ -
	All red meat and associated co-products	\$26,827,024	\$31,534,441	\$21,306,804

Source of Data: Statistics New Zealand

New Zealand Export Statistics to Chile - Year Ending: December

HS Code	Description	New Zealand Dollars		
		2014	2015	2016
051110	Bovine Semen	\$2,652,446	\$2,790,759	\$1,361,895
4102	Raw Skins Of Sheep Or Lambs Nesoi	\$ 28,200	\$ -	\$ -
020430	Carcasses And Half-Carcasses Of Lamb, Frozen	\$ 449,435	\$ -	\$ -
020442	Meat Of Sheep, Cuts With Bone In, Frozen	\$ 172,624	\$ -	\$ -
	All red meat and associated co-products	\$3,302,705	\$2,790,759	\$1,361,895

Source of Data: Statistics New Zealand

New Zealand Export Statistics to Peru - Year Ending: December

HS Code	Description	New Zealand Dollars		
		2014	2015	2016
020629	Offal Of Bovine Animals, Edible, Nesoi, Frozen	\$505,778	\$1,398,981	\$335,399
020622	Livers Of Bovine Animals, Edible, Frozen	\$ 22,231	\$ 256,159	\$ 51,212
050400	Animal Guts, Bladders, Stomachs & Parts	\$ 2,120	\$ 59,736	\$ 4,113
5107	Yarn Of Combed Wool, Not For Retail Sale	\$ -	\$ 1,416	\$ -
020230	Meat Of Bovine Animals, Boneless, Frozen	\$ 164	\$ 150	\$ -
020442	Meat Of Sheep, Cuts With Bone In, Frozen	\$ 518	\$ 21,849	\$ -
	All red meat and associated co-products	\$530,811	\$1,738,291	\$390,724

Source of Data: Statistics New Zealand

New Zealand Export Statistics to Colombia - Year Ending: December

HS Code	Description	New Zealand Dollars		
		2014	2015	2016
5101	Wool, Not Carded Or Combed	\$ -	\$237,426	\$129,471
	All red meat and associated co-products	\$ -	\$237,426	\$129,471

Source of Data: Statistics New Zealand



THE PERSONAL CARE INDUSTRY SUPPORTS THE PACIFIC ALLIANCE AGREEMENT

The Australian Accord Australasia Limited, the Canadian Cosmetic, Toiletry and Fragrance Association (CCTFA), the Chilean Cámara de la Industria Cosmética de Chile A.G., the Colombian Cámara de la Industria Cosmética y de Aseo de la ANDI, the Mexican Cámara y Asociación de la Industria del Cuidado Personal y del Hogar (CANIPEC), the Toiletry and Fragrance Association of New Zealand (CTFA), Comité Peruano de Cosmética e Higiene-(COPECOH-CCL), the Cosmetic Toiletry and Fragrance Association of Singapore (CTFAS), believe that the approach between the Pacific Alliance and Australia, Canada, New Zealand and Singapore - Candidates to become Associated States of the initiative, presents an extraordinary opportunity to facilitate international trade of cosmetics through the alignment of regulatory policies. We are convinced that this approach could be very beneficial for both the industry we represent and for our consumers.

The cosmetic and personal care products industry is a global, highly innovative industry, which requires open markets and transparent, consistent regulatory environments in order place products in the market in the timely manner that consumers demand. International trade is a critical component to the success of our industry, and significantly contributes to our ability to compete globally, to expand manufacturing and employment.

In this context, we believe that the current approach between the Pacific Alliance countries and Australia, Canada, New Zealand and Singapore, can be beneficial for industry and consumers as it goes beyond the reduction of tariffs, and includes a series of chapters to promote the elimination of other types of barriers to trade. Which is why we make the following statements:

- The approach between the Pacific Alliance and the Candidates to become Associated States, is a way to reinforce trade between America and the Australasia Region reducing boundaries between the Pacific Nations and increasing consumer opportunities to access good and services.
- This initiative will assist our industry in our goal of providing consumers with safe products, consistently regulated around the world.
- The inclusion of an Annex on cosmetic products, will help our industry battle regulatory trade barriers that limits the ability to provide safe, innovative products in a timely fashion to consumers around the world.
- Differing national regulations increase the burden on industry and government.
- Regulatory alignment enhances consumer safety and global market growth.
- Regulations should be risk-based and appropriate for industry. Cosmetics and personal care products represent very low risks to consumer health and safety.
- Manufacturers should have primary responsibility to assure the safety of cosmetic and personal care products. The implementation of In-market supervision, the elimination of pre-approval registration or documents such as the Free Sale Certificates, the acceptance of international listings of ingredients for cosmetic products, the harmonization of labelling requirements and the recognition of GMP regional or global standards, and of ISO cosmetic standards are some of the best international regulatory practices for cosmetic products that should be recognized amongst the eight countries.

As industry representatives of the eight countries part of the agreement, we have the intention of proposing a joint text for the analysis and negotiation of an Annex for the Elimination of Technical Barriers to trade for cosmetic products.

We will be submitting such joint proposal as soon an internal industry agreement has been met.