

The Re-freshed Latin America Strategy: One Year Later

Annual Report for the 2010-11 Financial Year

Executive Summary

- With positive results for NZ's economic interests, there has been good progress in the implementation of the re-freshed Latin America Strategy approved by Cabinet in May 2010.
 - Momentum of NZ political engagement with the region was maintained during the year, notably through the Foreign Minister's visit to South America, and Trade Minister's visit to Brazil and Mexico, demonstrating that NZ is a committed partner.
 - But there needs to be a continued focus on building political links in 2011-12, with a particular focus on the new Rousseff administration in Brazil, including at Head of Government level.
 - Targetted inwards visits from the region have supported NZ business links (e.g. dairy, fisheries investments).
 - Major business networking events held in Sao Paulo and Mexico during Minister of Trade's visit, as well as visits to the region by business association representatives used to spread the message at the NZ end of "how to do business" in the region and highlight the opportunities there.
 - NZTE is working with a growing number of NZ businesses that are interested in, and engaging across the region.
 - TPP negotiations, significant support for NZ investments, work on trade access issues (sanitary and phytosanitary as well as technical barriers to trade), as well as "best practice" policy engagement all contribute to addressing barriers to business.
 - Active Rugby World Cup promotion resulted in around 5,000 additional visitors from Argentina and other countries in the region.
 - Air Services negotiations could open opportunities for improving airlinks with the region.
 - Mixed results on the education marketing front –student numbers from Brazil and Chile appear to have slowed after years of strong growth; partly off-set by continued strong growth in student numbers from Colombia.
 - A number of research projects have highlighted NZ's areas of expertise (e.g. geothermal energy, agriculture, biotechnology, carbon footprinting) and provided support for NZ's commercial interests. Our key partners in the region are now all members of the Global Research Alliance.
 - NZAID is developing a new framework for the region which will focus on agriculture and human resource development.
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Report

2 This report outlines key NZ Inc developments in the implementation of the Latin America Strategy approved by Cabinet in May 2010. A range of government agencies (NZ Trade and Enterprise, Ministry of Agriculture and Fisheries, Ministry of Education, Ministry of Economic Development, Ministry of Science and Innovation, Ministry for the Environment, Department of Labour, Ministry of Transport, Tourism NZ, Education NZ) have contributed to this report.

3 The objective of the Latin America Strategy (and its Fund) is:

“to expand and deepen New Zealand’s links with Latin America, especially to maximise the economic opportunities for New Zealand in the region and to strengthen political and foreign policy engagement.”

4 In particular this report evaluates the NZ Inc projects supported by the Latin America Strategy Fund in the 2010-11 financial year.

Underpinning economic links with political engagement:

5 Investment and services continue to drive NZ’s economic relationship with the region. NZ investment is estimated to be worth several billion dollars – although it is difficult to make a precise valuation – and is primarily in the dairy sector, as well as energy and fisheries. NZ exports to the region in the year to June 2011 were worth NZ\$1.367 billion with key markets including Venezuela (NZ\$475 million), Mexico (NZ\$432 million), and Peru (NZ\$95 million).¹

6 A primary focus of the Latin America Strategy is to underpin New Zealand’s economic links with political engagement. There was a positive momentum of political engagement during the 2010-11 year.

7 This included the visit by the Minister of Foreign Affairs to Chile, Argentina and Brazil in August 2010; the Minister of Trade’s visit to Brazil and visits to Mexico, in conjunction with business delegations (Oct/Nov 2010 + March 2011); the visit by the Speaker and parliamentary delegation to Chile, Argentina, Uruguay and Brazil (May 2011); and a lunch between the PM and President of Chile at APEC 2010; as well as inwards visits from the Chile Minister of Agriculture (Nov 2010); Chile Vice Trade Minister (Dec 2010); Brazil Governor of Bahia (Nov 2010); and Colombian Vice Foreign and Vice Trade Ministers (June 2011). Foreign Ministry consultations were held with both Chile and Brazil (March 2010).

8 This high level engagement focused on reinforcing New Zealand’s commitment as an economic partner with the priority countries for NZ in the region. It also sent an important signal to New Zealand businesses that the region holds significant potential as an avenue of economic diversification. During these visits opportunities were taken to promote a favourable view of NZ companies investing in the region.

¹ World Trade Atlas: provisional trade statistics for the year to June 2011. NZ exports to other key regional partners include: Argentina (NZ\$18m); Brazil (NZ\$56m); Chile (NZ\$66m); Colombia (NZ\$12m); Cuba (NZ\$76m); and Uruguay (NZ\$13m). NZ imports from the region totalled NZ\$654 million, including Mexico (NZ\$214m); Brazil (NZ\$152m); Argentina (NZ\$119m) and Chile (NZ\$66m).

9 A number of specific LASF projects helped to reinforce at the political level the positive profile of NZ's economic links with the region.

- The **Prime Minister's Fellow from Mexico**, Jaime Zabludovsky, an influential trade policy commentator, visited NZ to discuss trade policy (May 2011). Zabludovsky was impressed with NZ's trade and economic policies and returned to Mexico keen to advocate for Mexican inclusion in the TPP.
- The visit to New Zealand by the **Argentina Governor of Tierra del Fuego** was an opportunity to showcase NZ investment in fisheries in this state as well as engage on fisheries quota management policy. There was also discussion on mutual interests in Antarctica and governance issues (April 2011).
- The **NZ-Brazil Business Encounter** was a major initiative (Oct, 2010). It was organised by MFAT/NZTE with Sao Paulo's Federation of Industries (FIESP), involving a keynote speech by Minister Groser, presentations by Canterbury Employers and Chamber of Commerce (Peter Townsend) and AgResearch (Ian Boddy), and a delegation of 11 New Zealand businesses (ranging from agri-tech to specialised manufacturing). The event helped to "sell" New Zealand to a Brazilian business audience, leveraging FIESP (the largest and most powerful business lobby in Brazil) to facilitate New Zealand businesses in establishing significant contacts.
- The **NZ-Mexico Business Networking event** was a high profile event organised by MFAT/NZTE during Minister Groser's visit to Mexico, accompanied by a business delegation focused on specialised manufacturing (Nov 2010). The event involved Minister Groser's counterpart, Secretary Ferrari, and around 100 high level Mexican government and business representatives. The format allowed for NZ businesses to highlight their interests in Mexico, with some of their problems directly addressed by Secretary Ferrari. Targeted business networking as part of the event resulted in a number of promising leads for the members of the NZ business delegation. Minister Groser emphasised the government's strategic vision for Asia-Pacific economic engagement.
- As preparation for the proposed visit by Argentina's Minister of Agriculture during the Rugby World Cup (subsequently cancelled), LASF provided support for the visit by **Argentina's Undersecretary of Agriculture**, Oscar Solis (Dec 2010). The programme allowed Solis to get a good handle on NZ's agricultural sector, including the scope for two-way investment and cooperation. A number of NZ agri-tech companies and exporters took the opportunity to engage directly on barriers in Argentina to their businesses. Argentina (and also Uruguay) has expressed interest at senior political levels in developing a strategic partnership with NZ on agricultural issues.

Promoting a Better Understanding of the Region among NZ Businesses

10 There is an on-going need to get Latin America, and the opportunities it offers, as well as risks and challenges, on the radar screen of NZ businesses. The Latin America NZ Business Council intends to hold a business forum on Latin America in early 2012 – agencies will do their best to support this event and ensure it can tap into appropriate business networks. It remains important, however, that we take all other opportunities for outreach on Latin America, including during visits *from* the

region as well as targeted visits to the region by those who can promulgate the message at the NZ end.

11 **NZTE's Beachheads programme** is a key mechanism to advise NZ businesses on doing business in the region. The Chile Beachhead advisors visited NZ in May 2011. The programme included a range of NZ businesses that are interested in, or are doing, business in Latin America, including a presentation to the Latin America-NZ Business Council.

12 NZTE is working with businesses across a range of strategic initiatives and sectors, and delivered a number of market research and promotional initiatives, with a particular focus on agri-business and food and beverage opportunities:

- NZTE's "Global Agribusiness" initiative is an analysis of the opportunities to leverage NZ's competitive advantages in **pastoral farming and supply chain activities within the sheepmeat and dairy industries** in South America.
- Reflecting NZ's strategic agri-tech relationship with Chile, NZTE used its presence at **SagoFisur Agriculture Fair** in Osorno, Chile for the official launch of the **new Pastoral Farming website** www.nzsistemapastoril.com. This website (in Spanish, Portuguese and English) provides profiles and links through to 33 NZ businesses and organisations with interests in Latin America. A number of NZ agri-businesses participated in the fair.
- NZTE commissioned Brazilian consulting firm (Markestrat) to produce an extensive market **research report on Brazil's agricultural sector**, in particular dairy and beef and specific agri-tech niches, to promote a better understanding of the Brazil market amongst NZ agri-tech businesses (available on NZTE's website).
- NZTE completed comprehensive market research on the **Mexican hotel/restaurant food & beverage sector**. The report has been appreciated by several NZ businesses interested in or already exporting to the Mexico market.
- NZTE worked with several NZ businesses or their in-market agents at **Expo ANTAD** (National Retailers and Departmental Stores Association) - the most important **food and beverage trade show in Mexico** and Central America. As a result, a number of new opportunities for NZ businesses are being pursued.
- NZTE delivered an **Infrastructure Brazil Scoping study** to New Zealand businesses in September 2010, highlighting opportunities in this sector as Brazil prepares for the Confederation Cup in 2013, the Soccer World Cup in 2014 and the Olympic Games in 2016. NZTE is currently assisting 13 businesses to pursue opportunities in the following sub-sectors: Airports, Civil Construction, Venues, Security, IT and Sanitation.

13 In addition LASF supported the following projects:

- The LASF-supported visit by **Business New Zealand Chief Executive, Phil O'Reilly, to Sao Paulo and Buenos Aires**, ensured that the head of one of the key NZ business sector organisations is seized of the scale and

opportunities, as well as risks, for NZ companies in South America (Sept 2010). O'Reilly's report is available on the Business NZ website – and he has followed up actively in disseminating advice and raising awareness. The visit underlined the importance of using organisations such as Business NZ to get the message out to NZ companies, with particular emphasis on the need for companies to invest in adequate preparation to operate in these markets.

- As noted above, the FIESP Brazil-NZ Business Encounter, involving a visit to Sao Paulo by the head of **the Canterbury Employers' Chamber of Commerce**, exposed Peter Townsend to the significant business opportunities for NZ in Brazil (Oct 2010). Townsend is now better informed to help promulgate advice about business prospects in Brazil – as well as the importance of understanding “how to do business” in Brazil.

Lowering Barriers to Businesses

14 The negotiation of the **TransPacific Partnership** FTA (involving Peru and Chile from the Latin America region) will serve to remove barriers to trade for NZ exporters. There is potential for the TPP to be expanded to other Latin American APEC members in the future. In addition to this, New Zealand has begun to prepare the ground for an FTA with the **Mercosur** countries of Argentina, Brazil, Paraguay and Uruguay.

15 **Significant support has been provided to businesses with existing investments or considering investment in the region.**

16 There has been considerable work on a number of **trade access issues**. This includes close engagement with Latin America on sanitary and phytosanitary (SPS) issues. Agriculture officials from Mexico (SENASICA) and Chile (SAG) have visited NZ to study our export/import certification systems as a model of best practice – and there is a proposal for Trade Access Support Programme funding to support Peruvian agriculture officials to visit NZ in order to help resolve plant access issues. MAF officials have visited Chile, Peru, Argentina, and Mexico to address SPS issues (e.g. listing of meat, dairy, and seafood premises, Chile beef grading, certification of animal products, as well as plant access to NZ). An SPS Cooperation Arrangement with Mexico is under negotiation. There has been engagement with Chilean authorities over technical barriers to trade affecting certification of electrical products. In addition the negotiation of a P4 Regulatory Cooperation Arrangement is under way.

17 With the support of MFAT's Trade Access Support Programme, the Embassy in Mexico developed a strategy and lobbied relevant Mexican authorities, including the Mexican Minister of Agriculture, for the removal of Mexico's 20% tariff on kiwifruit.

18 In addition, LASF supported the following projects:

- In light of the TransPacific Partnership (TPP) negotiations, LASF has commissioned a report analysing the **market opportunities for NZ businesses in Peru**. This report should enable NZ businesses to have a better understanding of the way to do business in Peru (main regulations and taxes). It highlights key sectors of potential interest for services and goods trade as well as investment. [Available on the MFAT website]

- A representative from the NZ Companies Office of MED visited Peru (and Chile) to focus on the “**ease of doing business**” – specifically NZ’s regulatory experience in establishing companies – building on NZ’s ranking as No.1 in the world for “starting a business”. There have been other examples of such policy engagement with Chile, e.g. presentations by MED officials on small and medium enterprises and productivity.
- Subsequently, another representative from the NZ Companies Office of MED visited Peru to diagnose issues impeding **business start-ups** and to develop an action plan for reform. This project was consistent with NZ’s APEC objectives, including delivering practical assistance to APEC developing economies and cooperating with the US (as a partner in this project) in the lead-up to their hosting of APEC in 2011. In the long run, both of these projects help to develop an improved business environment in the region, including for NZ businesses.
- A workshop promoting the **NZ pasture-based dairy farming model** as a means of building a strategic relationship with the Argentine dairying province of **Santa Fe** in Argentina (July 2010). This workshop was an important means to support existing and potential economic interests. There is good commercial potential for NZ businesses to focus on dairy inputs (e.g. agri-tech, genetics, seeds etc)
- Participation by **Chair of Dairy NZ (and former Agriculture Minister) John Luxton in the high profile Mexico Business Summit** (the “Davos” of Mexico) (Oct 2010). Luxton’s presentation on NZ’s competitive and efficient agriculture sector was part of our on-going strategy to raise NZ’s profile in Mexico as a model for economic competitiveness, sound agricultural policy and to demonstrate the value of a closer economic partnership between NZ and Mexico.
- Participation by Executive Director of Dairy Companies NZ and General Manager of Trade Policy, Dairy NZ, (Simon Tucker) at the **annual conference of the Mexican Dairy Industry (CIGAL) in Jalisco** (August 2010). Tucker’s presentation on the NZ pastoral dairy model, importance of research and extension, NZ’s relative position in the global dairy industry and wide range of markets was well-received, with focused questions, reflecting interest in the lessons that could be learn from the NZ experience. As above, this project is part of our on-going strategy to lift NZ’s profile in Mexico and demonstrate the value of an economic partnership.
- Support for the visit to NZ by the Secretary of Rural Development and the Secretary of Education from the Mexican state of Jalisco (Sept 2010). NZ has developed a **strategic relationship with the state of Jalisco** in order to demonstrate the value of a closer economic partnership between NZ and Mexico. This visit was an opportunity to take forward several commercial initiatives and education cooperation.
- To help better prepare NZ businesses to succeed in Brazil, MFAT’s Investment Promotion Fund supported separate publications about **Brazil’s tax system** and its **intellectual property protection regime**. [Both reports are available on the MFAT website]

Promoting New Zealand Tourism in the Region:

19 Tourism New Zealand has continued to focus on growing the capability of travel sellers in the South America region. Activities include a training road show to the region in November 2010; attending a tourism trade fair (FITUR) in Buenos Aires to support the selling of travel packages for Rugby World Cup; Rugby World Cup partnership marketing with the Argentina Official Travel Agent; and additional tactical marketing support of travel sellers and ongoing dialogue (including the provision of product advice) with airlines and travel sellers. There were 23,363 visitors from Brazil, Argentina and Chile in the year to 30 June 2011 (+5.5% compared with YE June 2010), of which 12,134 visited for the purpose of a holiday (+3.2% compared with YE June 2010).

20 Over the 2010-11 year, NZ Inc has supported a number of activities which, while not necessarily dedicated NZ tourism promotion, have contributed to the promotion of NZ as an attractive destination.

21 A number of very high profile **Rugby World Cup promotion activities** were organised in Buenos Aires - including during Minister McCully's visit (Aug 2010) - involving prominent Argentine (and NZ) rugby personalities and high level business representatives. More than 5,000 visitors from Argentina visited during the Rugby World Cup. There are potential dividends not just for NZ tourism but the broader economic/investment relationship.

22 With the support of the Cultural Diplomacy Fund, BNA organised a **NZ film festival** – as a contribution to the Argentina Bicentenary – which served as an excellent means of raising NZ's profile, including among potential tourists and Rugby World Cup visitors (May 2011). It also reflected the prospects for closer NZ-Argentina connections in the film co-production area.

23 Specific LASF projects included:

- In 2009-10, the LASF sponsored a visit to New Zealand by two journalists from the Latin American office of **National Geographic Magazine**, based in Mexico. The result of the visit was a 17 page illustrated cover story on New Zealand, which appeared in the October 2010 editions of the magazine published in Colombia, Ecuador, Venezuela, Chile, Argentina and Mexico.
- A LASF project under the NZ-Brazil Conservation Cooperation Arrangement, focusing on **eco and adventure tourism**, could provide opportunities for NZ operators and Tourism NZ to engage with Brazil including to promote NZ as a tourism destination (e.g. through participation in the Brazil Adventure Tourism Summit). The visit by Brazilian conservation officials enabled dialogue on pest management and sustainable tourism development in national parks (Oct 2010).

Improving Airlinks between New Zealand and the Region:

24 Recognising the importance of enhancing air links between New Zealand and South America, and in positioning Auckland as a hub to capture traffic flows between South America and East Asia/Australia, Cabinet has authorised a **mandate for air services negotiations with Brazil** and other countries in the region.

Deepening Education Links with the Region

25 Latin America is an important education market for New Zealand, with recruitment of English language and secondary school students primarily from Brazil, Chile and Colombia. LASF supported a series of education forums on Brazil in key centres in August 2011.

26 The medium-term goal is to attract a greater number of tertiary students from the region, building on the secondary school and English language student foundation. In the year to December 2010, there were 4,404 students from the region studying in NZ. This is a growth of 48% since 2006.

27 NZ has been working with the Chilean Government to attract scholarship students at PhD, Masters and technical levels under Becas Chile. There is also on-going support for NZ education institutions working with the Chile Government and industry organisations (Chile's Agricultural Innovation Foundation and Agricultural Research Organisation) on agricultural training. The signing of a MOU between Colombian scholarship/loan agencies and Universities NZ provides scope for increased numbers of students from Colombia.

28 A number of NZ tertiary education institutions visited the region over the last year, including Auckland, AUT, Massey and Waikato Universities. 15 providers from a range of sectors participated in Education NZ's South American mission in April 2011. Education NZ regularly organises or participates in student promotional events in Brazil, Chile, and Colombia, and manages a group of 80 NZ specialist agents in the region.

29 The **Working Holiday Scheme** with Brazil was approved by Brazil's Congress in the lead-up to MFA's visit in August 2010. Amendments to the WHSs with Chile, Argentina, and Uruguay during the year (announced during MFA's visit in August 2010) will enhance both the work and study options as well as expand the age limits for these schemes. The WHSs are very effective mechanisms for people-to-people links but we need to consider ways to be more targeted in our attraction of young workers/students from the region.

30 There is scope to allocate further LASF support for education promotion in 2011-12. In 2010-11, the following LASF projects focused on education:

- The visit to NZ by the manager of **Chile's Centre for Wood Technology Transfer** (CORMA) (Enrique Escobar) focused on the scope for cooperation in **wood construction vocational training** and building standards (Dec 2010). There may also be commercial opportunities for NZ wood construction companies (e.g. Lockwood, Pinecone) to explore partnerships in Chile. Wood re-construction is a priority for the Chile Government in the aftermath of their earthquake.
- Together with Education NZ, LASF contributed to the re-print of **promotional NZ education booklets** in Portuguese and Spanish for distribution to key education agents and institutions in the region. The booklets have enjoyed a positive response and been a useful tool to raise NZ's profile as an education market.

Expanding Research and Science Links

31 There are excellent prospects for science collaboration, reflecting our common interest in agriculture and related technology, as well as issues linked to climate change, conservation and renewable energy – a number of these avenues could lead to commercial opportunities (as well as education links).

32 Eight² of the 37 members of the **Global Research Alliance** are from the region and many of these countries have also been active in the LEARN context (Livestock Emissions Abatement Research Network). Under the Science Promotion Fund, Scion and Landcare representatives visited Chile to participate in a seminar on carbon footprinting. This was followed up by a MAF official presenting at a regional carbon foot-printing conference in Santiago.

33 In addition, New Zealand, the Inter-American Development Bank, and the Regional Fund for Agricultural Technology (FONTAGRO) signed an Administration Agreement to provide funds and technical assistance to a **livestock emissions research project led by Uruguay**. The project also includes Argentina, Chile, Colombia, and the Dominican Republic.

34 Under the **P4 Environment Cooperation Agreement**, New Zealand has worked closely with Chile on a number of environment cooperation activities. This includes joint projects on invasive species management, freshwater management (e.g. wetland management), renewable energy including marine energy, energy efficiency (e.g. a NZ secondment to the Chile energy agency) and climate change (e.g. a presentation by NZ Ministry of the Environment official on NZ's Emissions Trading Scheme).

35 LASF has supported the following science and research activities:

- The LASF-funded **seminar on “Geothermal Energy: the New Zealand experience and its relevance for Chile”** was a highly successful means of promoting NZg eothermal expertise, opportunities for research and training and positively underpinning commercial interests in Chile (Nov 2010). The seminar was attended by more than 130 representatives of Chile government agencies and businesses and institutions, received favourable media coverage. An on-going energy cooperation programme with Chile has been agreed to build on these commercial and research links.
- Representatives from **AgResearch, Plant and Food, Scion, Landcare, and Massey University, visited Brazil** to gain an overview of Brazil's agriculture science system with the support of LAS (June 2011). While this was an exploratory visit, it enabled representatives to develop a better understanding of the Brazil science system, including areas of good fit and points of connection for research collaboration, contract work or student exchanges. There may be specific opportunities in post-harvest agricultural research, plant and animal genetics, biomass, and nutri-genomics amongst other areas.
- LASF, together with MAF, funded the visit to Uruguay (and Chile) of AgResearch Principal Scientist (Stuart Ledgard) to **engage on carbon foot-printing of agricultural products**, particularly red meat and dairy. This

² Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Uruguay.

project was consistent with NZ's links with Uruguay in the LEARN and Global Research Alliance contexts and followed the Minister for International Climate Change's discussions with Uruguay counterparts in April 2010. It is in NZ's interests to ensure that other agriculture-producing countries adopt a similar carbon foot-printing methodology.

- Support for an AgResearch visit to Argentina to attend the Argentine Forum of Biotechnology and, specifically, to **engage with a leading Argentina biotechnology company**, Biosidus, on a transgenic cattle technology research with the aim of producing therapeutic human hormones. This project has significant commercial potential – and is consistent with the references to the potential for mutually beneficial engagement on biotechnology in the Joint Statement between NZ and Argentina Foreign Ministers.

New Zealand's Development Assistance Programme

36 NZ AID is developing a new Strategic Framework for Development in the region which will focus on sustainable economic development through agriculture and human resource development.