



TERMS OF REFERENCE New Zealand, Latin America, and Supply Chain Futures

About this document

1. This document specifies the Terms of Reference for delivering research services into the ways New Zealand's trade with Latin American economies can increase in response to geopolitically-driven changes to global supply chains.

Background

2. In June the New Zealand Ministry of Foreign Affairs and Trade published a Strategic Foreign Policy Assessment to help New Zealanders understand the “global conditions, circumstances and influences” affecting them. The Assessment identified three “Big Shifts” occurring in the international order that could “fundamentally alter” their engagement with the world over the next twelve years. The third of these shifts, it observed, is “from efficiency to resilience”, and in it “countries and corporations are increasingly concerned about the resilience of markets and supply chains and access to strategic resources”.¹
3. With almost 650 million people and a combined GDP of US\$6.3 trillion, Latin America holds enormous potential for New Zealand exporters. It is also relevant to three aspects of this third Big Shift:
 - a) the move of businesses away from “‘just-in-time’ efficiency” to “just-in-case caution” – because the COVID-19 pandemic, Ukraine invasion and “increasing risk of economic coercion” have revealed the “vulnerabilities of both an overreliance on complex ... supply chains and the risks of relying on strategic competitors” for access to resources like “water, energy, rare earth minerals, and lithium batteries”;²
 - b) the need to scale up the production and trade of raw materials which are critical for a “green transition” from a global economy “dominated by fossil fuels to one led by renewable energy technologies”;³ and
 - c) the development of trade strategies that focus on sustainability and the environment.
4. The potential for Latin America to contribute more substantially to New Zealand's supply chain future was first explored by the Latin America CAPE through its support for a study by the New Zealand China Council into the feasibility of a ‘Southern Link’ air route between Asia and South America that placed “New Zealand in the middle of a new Global Value Chain”.⁴ After COVID hit, the CAPE also hosted a webinar on ‘New Zealand, Mexico and North American supply chains’ that presented insights from New Zealand companies reaching the US market through Mexican

¹ MFAT, [Navigating a shifting world – Te whakatere i tētahi ao hurihuri](#), June 2023, pp. 3, 6, 23.

² MFAT, [Navigating a shifting world](#), p.24.

³ OECD, [Raw Materials Critical for the Green Transition](#), Trade and Policy Paper no.269, April 2023, p.1.

⁴ <https://nzchinacouncil.org.nz/category/southern-link/>.

production platforms.⁵ Last year, too, our first commissioned research into the trade relationship, barriers, and opportunities between New Zealand and Latin America commented further on the potential for Mexico to be a commercial gateway into North America for New Zealand manufacturers.⁶ Nevertheless, no study has yet systematically investigated the likelihood of trade between New Zealand and Latin America growing or reducing through the trends towards “decoupling”, “de-risking”, “near-shoring” or “friend-shoring” that are increasingly taking root in the global economy.⁷ Given the disruption to global air routes since COVID hit, furthermore, development of the Southern Link concept has inevitably been constrained.

5. The Latin America CAPE has assessed that studies of Latin America’s potential contributions to New Zealand’s shift from economic efficiency to resilience are now needed to grow New Zealanders’ awareness of the importance of Latin America to their future – and to uncover new opportunities for New Zealand exporters, officials or organisations to work with Latin American counterparts, third-country companies or other actors on common approaches to supply chain challenges and openings. As the MFAT Assessment suggests, shortening supply chains could negatively impact countries like New Zealand that find themselves at the end of current supply chains; conversely, friend-shoring could bring opportunities, including for the Māori economy.⁸

Scope of Research

6. The research being commissioned will explore the opportunity for New Zealand trade with Latin America and/or investment in that region to grow as a result of geopolitical and geoeconomic developments driven by the world’s largest economies, and the ensuing need of New Zealand businesses to reflect on the viability of traditional export markets and import sources.
7. The research would first be presented to the CAPE in draft form, and once approved would be released as a report to the public in full or partial form through a launch event or events.
8. The report will be informed by consultations by the chosen contractor with the CAPE and an Advisory Group of academic, business, official and other stakeholders. Its target audiences include businesses, business organisations, industry groups, politicians, government agencies, economic commentators, international affairs commentators, iwi, and the academic and scientific community. It will not make specific recommendations about policy settings or trade agreement prospects.
9. The report’s focus will be on the first shift noted in Paragraph 3: the changes global supply chains are experiencing as a result of growing competition between the superpowers, and the opportunities this presents for enhanced activity in Latin America from New Zealand exporters

⁵ <https://cape.org.nz/webinar-recording-new-zealand-mexico-and-north-american-supply-chains/>.

⁶ Sense Partners, [New Zealand and Latin America: Update on the trade relationship, barriers, and opportunities](#), June 2022.

⁷ MFAT, *Navigating a shifting world*, pp.24-25.

⁸ MFAT, *Navigating a shifting world*, p.25.

and investors. In doing so it will contribute to debates within the New Zealand business community and supporting organisations on how they can respond to government calls to diversify their trade.

10. The report will:

- (i) Introduce its audiences to the latest developments in international supply chains that are relevant to both New Zealand and Latin America, and the implications of these developments (and diversification plans) for New Zealand's Trade Recovery Strategy;⁹
- (ii) Update these audiences about the ways New Zealand exporters could respond to evolving US industrial and trade policies by using Mexico or other Latin American nations to reach North American consumers;
- (iii) Update them on the prospects for the Southern Link and the conditions needed to advance that concept;
- (iv) Assess the implications of Chinese Belt and Road Initiative investment in Latin America (including the Chancay port being built in Peru)¹⁰ for New Zealand's trade with that region;
- (v) Comment on the potential for New Zealand's trade with Latin America to grow or reduce if traditional supply chains are disrupted by an international crisis or trade coercion, and the affect this could have on New Zealand's economic security and ability to withstand external shocks; and
- (vi) Conclude with suggestions on how greater business, scientific and public discourse around these themes can be encouraged.

Outputs

1. A report suitable for publication and public release by December 14th 2023 which meets the prior approval of the CAPE and responds to feedback from an Advisory Group.
2. Data underpinning the findings annexed or otherwise supplied to the satisfaction of the CAPE.
3. Contributions to promotional material and events launching the report between January 23rd to February 9th 2024.

Timeline

1. *Selection and orientation of author*

- a. The Latin America CAPE sends this document to prospective authors and announces this research opportunity online and in the CAPE's newsletter (August 25th-September 14th).
- b. Prospective authors submit their bids by September 28th.
- c. The CAPE selects the project author and Advisory Group by September 29th.

⁹ MFAT, [Trade Recovery Strategy 2.0](#), 2022.

¹⁰ Economist Intelligence Unit, [China Going Global Investment Index 2023: The Belt and Road Initiative's second decade](#), September 2023; AP News, [Chinese-backed port project in Peru to be the "gateway from South America to Asia", official says](#), August 2023.

- d. The author meets the CAPE and Advisory Group members between October 2nd and 6th.

Production and consideration of first draft

- e. The author submits their draft report to the CAPE and Advisory Group members by November 10th.
- f. Advisory Group members send their feedback to the CAPE and the author by November 17th.
- g. The CAPE meets with the author by November 21st.

2. Submission and approval of final report

- a. The author sends a revised draft to the CAPE by December 5th.
- b. The CAPE requests any final changes by December 7th.
- c. The author responds to the final requests and submits the final report on December 14th.

3. Launch

- a. The CAPE launches it publicly (with author involvement) between January 23rd and February 9th 2024.

Budget

The Latin America CAPE seeks costed proposals which should not exceed **NZ\$35,000** plus GST. Joint submissions from more than one organisation are welcome.

Deadline for receipt of proposals

The deadline for receipt of proposals is **4pm, Thursday September 28th**. Proposals should be sent to matthew.omeagher@vuw.ac.nz

For further information

Further information may be obtained from Dr Matthew O’Meagher, the Latin America CAPE Director – cell 022 067 0322 or email matthew.omeagher@vuw.ac.nz