

# **Actual and potential trade relations between The Netherlands and Chile, Mexico, and New Zealand**

Background research to serve as input for assessing  
the potential impact of Draft EU Free Trade Agreements  
with Chile, Mexico, and New Zealand

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### **Commissioned By**

Ministry of Foreign Affairs

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## THIS REPORT EXPLORES THE POTENTIAL IMPLICATIONS OF THREE EU DRAFT FTAS USING DESCRIPTIVE ANALYSIS AND LITERATURE REVIEW

- This report aims to explore the potential opportunities of the draft FTAs between the EU and Chile, New Zealand, and Mexico on the Netherlands
- This is done by presenting an overview of previous studies on the potential impacts of each draft FTA, and a descriptive analysis of trade data between the Netherlands and each country
  - Sectors highlighted by the descriptive analysis are motivated by 1) current trade between the Netherlands and each country, 2) sectors in which the Netherlands specialises in or exports a lot in, and 3) sectors highlighted by previous studies
  - Therefore, this study is not a comprehensive analysis of all potential sectors that could be affected, but rather highlights potential key sectors
  - Unless otherwise stated, the descriptive analysis was based on COMTRADE data
- It must be noted that this is not a rigorous or econometric analysis, and does not study the potential effects of the draft FTAs on the Netherlands. Instead, it only provides a sense of potential opportunities for the Netherlands as a result of the draft FTAs.

## WE USE THE CONCEPT OF 'REVEALED COMPARATIVE ADVANTAGE'

- In our analysis we use the concept of **Revealed Comparative Advantage (RCA)** to assess the relative export strengths of each country (Yu, Cai & Leung, 2009)

RCA calculation:

$$RCA = \frac{\left( \frac{\text{Export of product } X \text{ by country } A}{\text{Total exports of country } A} \right)}{\left( \frac{\text{Other countries' exports of product } X}{\text{Other countries' total exports}} \right)}$$

If  $RCA > 1$ , then country  $i$  has an apparent comparative advantage in commodity  $j$

Technical detail:

- To make RCAs comparable across countries we calculate the **Normalized RCA ('NRCA')**, which corrects for differences in country size and sector size
- A positive NRCA implies that country  $i$  has a comparative advantage in commodity  $j$

NRCA calculation:

$$NRCA = \frac{\text{export of country } i \text{ in commodity } j}{\text{total world exports}} - \left( \frac{\text{total exports of country } i}{\text{total world exports}} \cdot \frac{\text{total world exports in commodity } j}{\text{total world exports}} \right)$$

**CHILE**

## DECISION-MAKING ON CHILE-EU DRAFT FTA EXPECTED TO START THIS YEAR

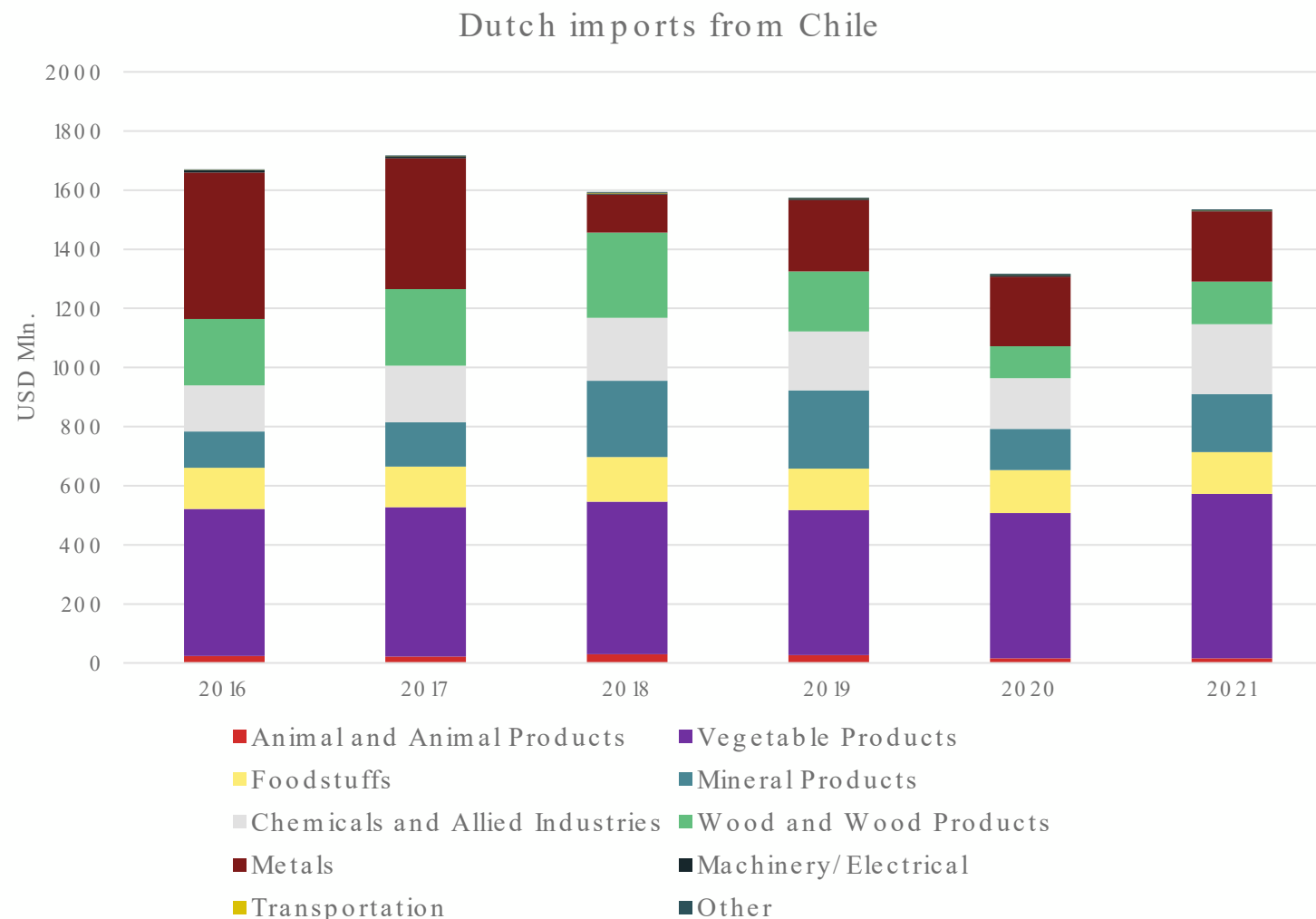
- The EU and Chile concluded an Association Agreement in 2002, which included a Free Trade Agreement (FTA) that entered into force in February 2003
- In December 2022, negotiators from the EU and Chile reached a draft agreement on modernising the trade and investment parts of their existing agreement
- The draft EU-Chile Advanced Framework Agreement:
  - cuts most trade tariffs on goods;
  - further liberalises trade in services;
  - includes a new chapter on trade and sustainable development
- The draft agreement is expected to be put forward to the Council for decision making in 2023

## KEY PROPOSED CHANGES IN MODERNIZATION OF CHILE-EU FTA

- Further liberalisation of trade in agriculture and food products
- Improved market access for services sectors, including financial services
- Further liberalisation of services and investment, in particular:
  - Establishing a coherent investment protection framework
  - More efficiently addressing non-tariff measures (including technical barriers to trade)
  - Increasing regulatory adherence
  - Providing higher standards of Intellectual Property Rights
  - Improving access to public procurement markets (including for SMEs)
  - Including commitments on sustainable trade (e.g., on multilateral environmental and labour standards, climate, energy, and raw materials, as well as gender equality and sustainable food systems)
  - Providing an Investment Court System to improve transparency and accessibility to the dispute settlement mechanism.

Source: [EC - Summary of the trade part of the EU-Chile Agreement](#)

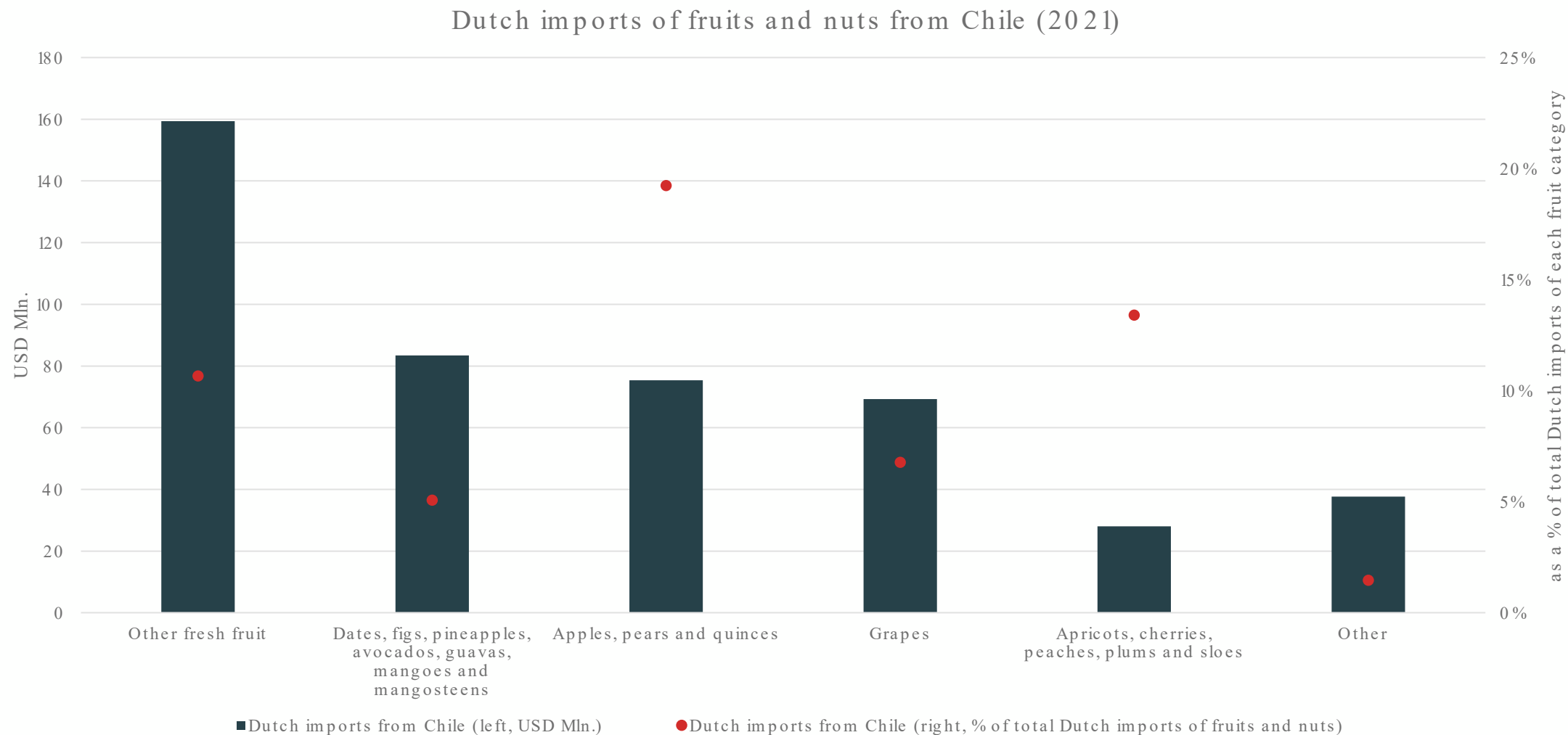
## THE LARGEST DUTCH IMPORTS FROM CHILE HAVE BEEN VEGETABLE PRODUCTS (MOSTLY FRUITS) AND METALS (MOSTLY COPPER)



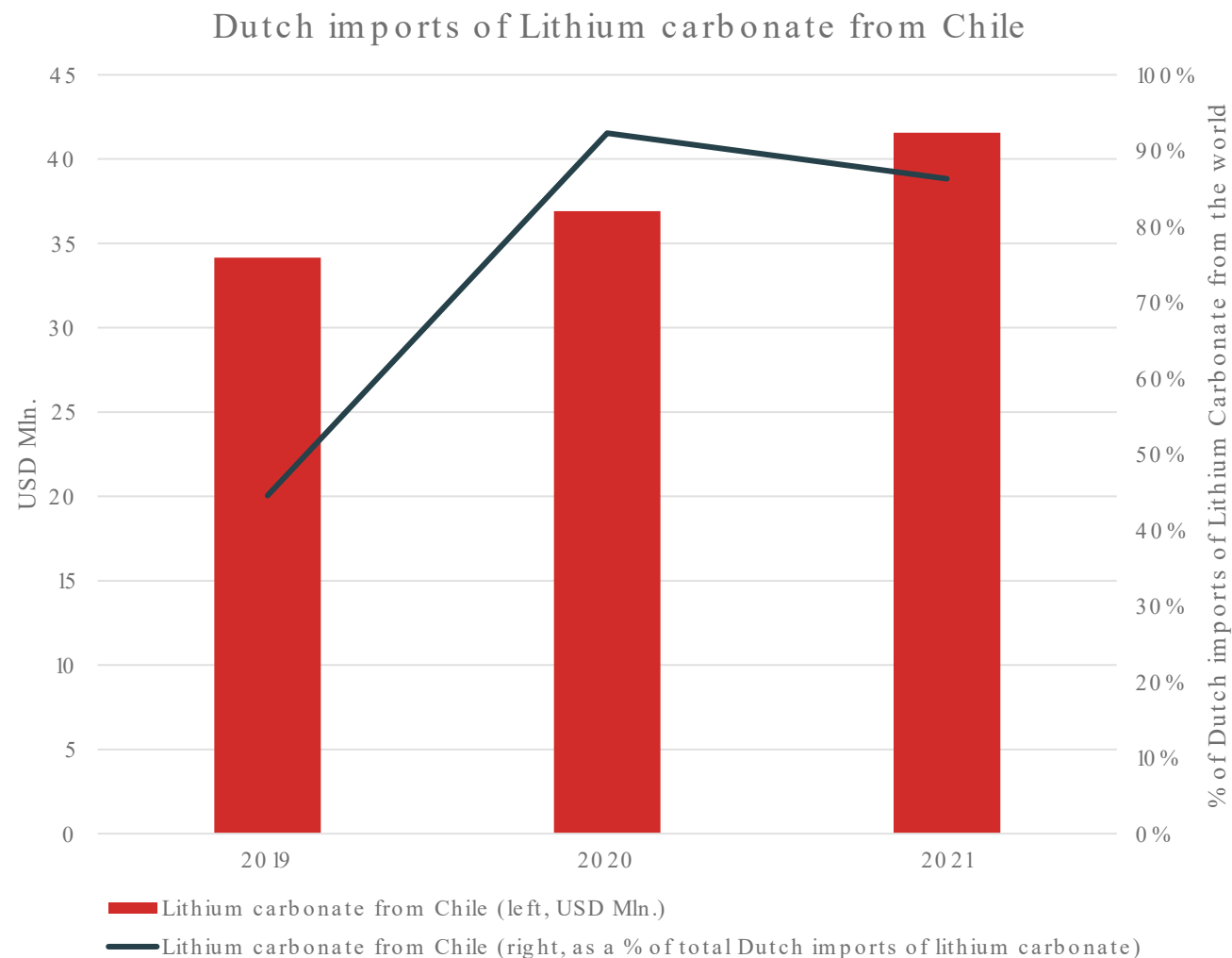
- The largest category of Dutch imports from Chile is vegetable products, which largely consists of fresh fruits
- Other important imports are minerals (lithium) and metals (copper).
- In 2021, Chile was responsible for 5% of Dutch copper and 90% of Dutch lithium imports.
- Chile has an NRCA in both copper and lithium.



IN 2021, 5% OF TOTAL DUTCH IMPORTS OF FRUITS AND NUTS CAME FROM CHILE (MOSTLY FRESH FRUITS)



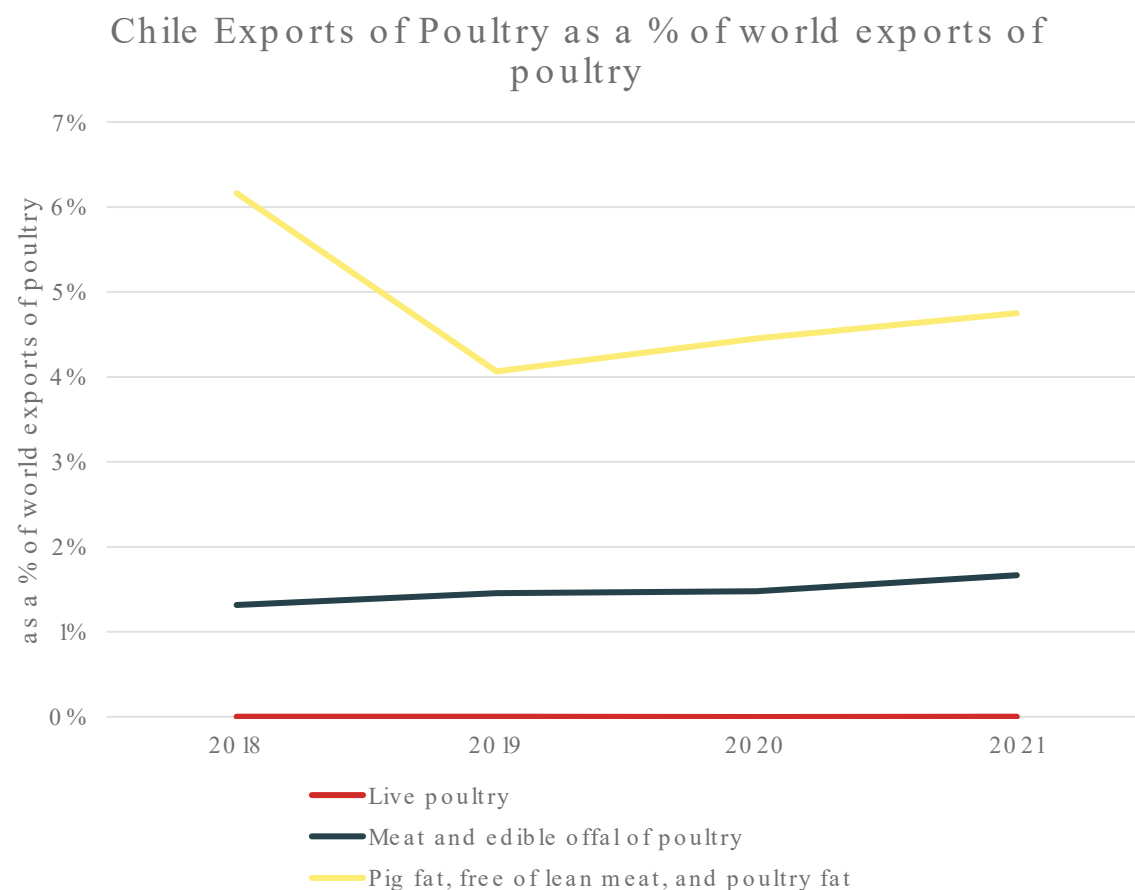
IN 2021, OVER 90% OF TOTAL DUTCH IMPORTS OF LITHIUM CARBONATE ALREADY CAME FROM CHILE



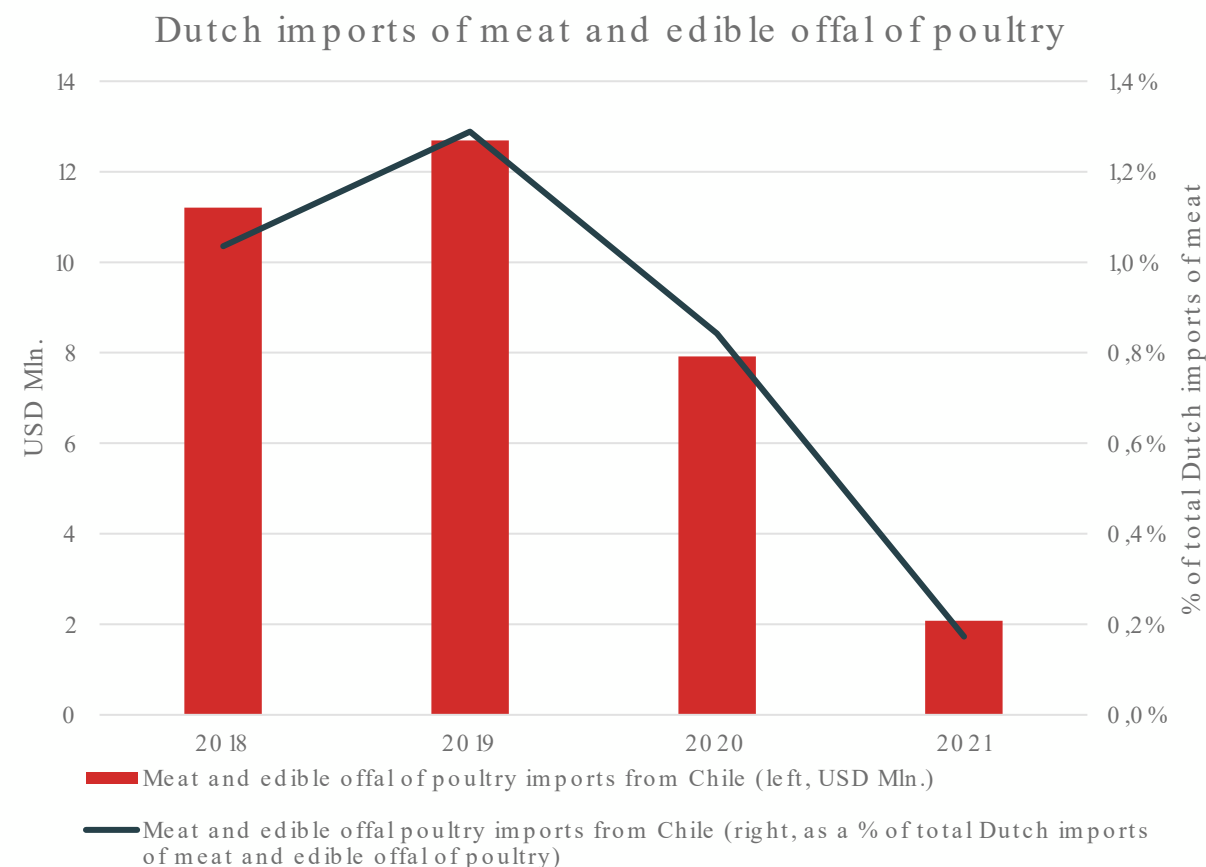
- Chile was the world's largest exporter of lithium carbonates in 2021
- According to WITS (WB), the Netherlands was one of the fastest growing export markets for Chilean lithium carbonates between 2019 and 2021
- Further research is needed to assess whether there is potential for the Netherlands to further increase its lithium imports under this draft FTA

## CHILE EXPORTS A SIGNIFICANT SHARE OF WORLD POULTRY EXPORTS (MOSTLY PIG AND POULTRY FAT, WHICH NETHERLANDS DOES NOT IMPORT)

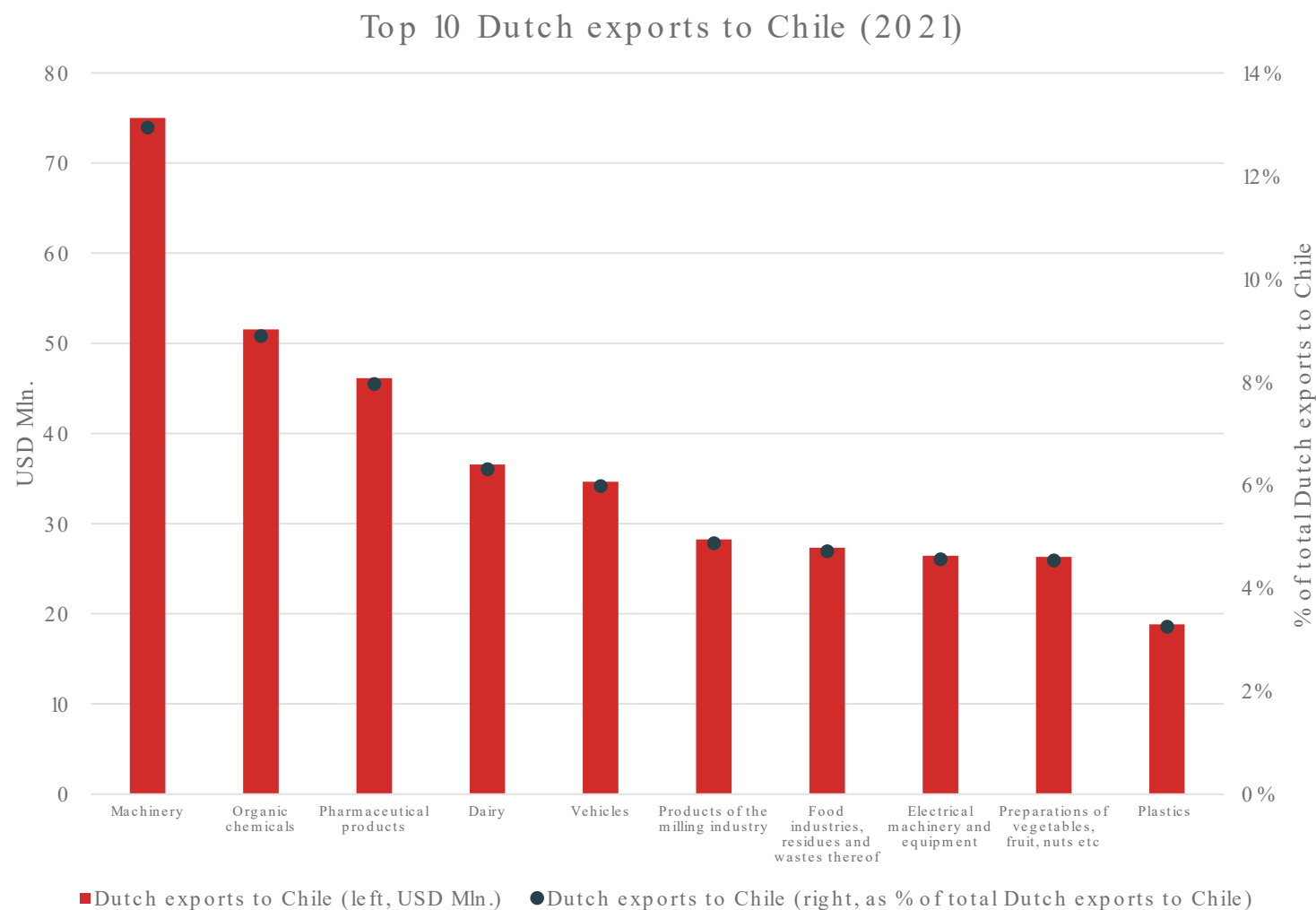
- Chile has an NRCA in poultry



- In 2021, only 1.2% of Dutch poultry imports were from Chile



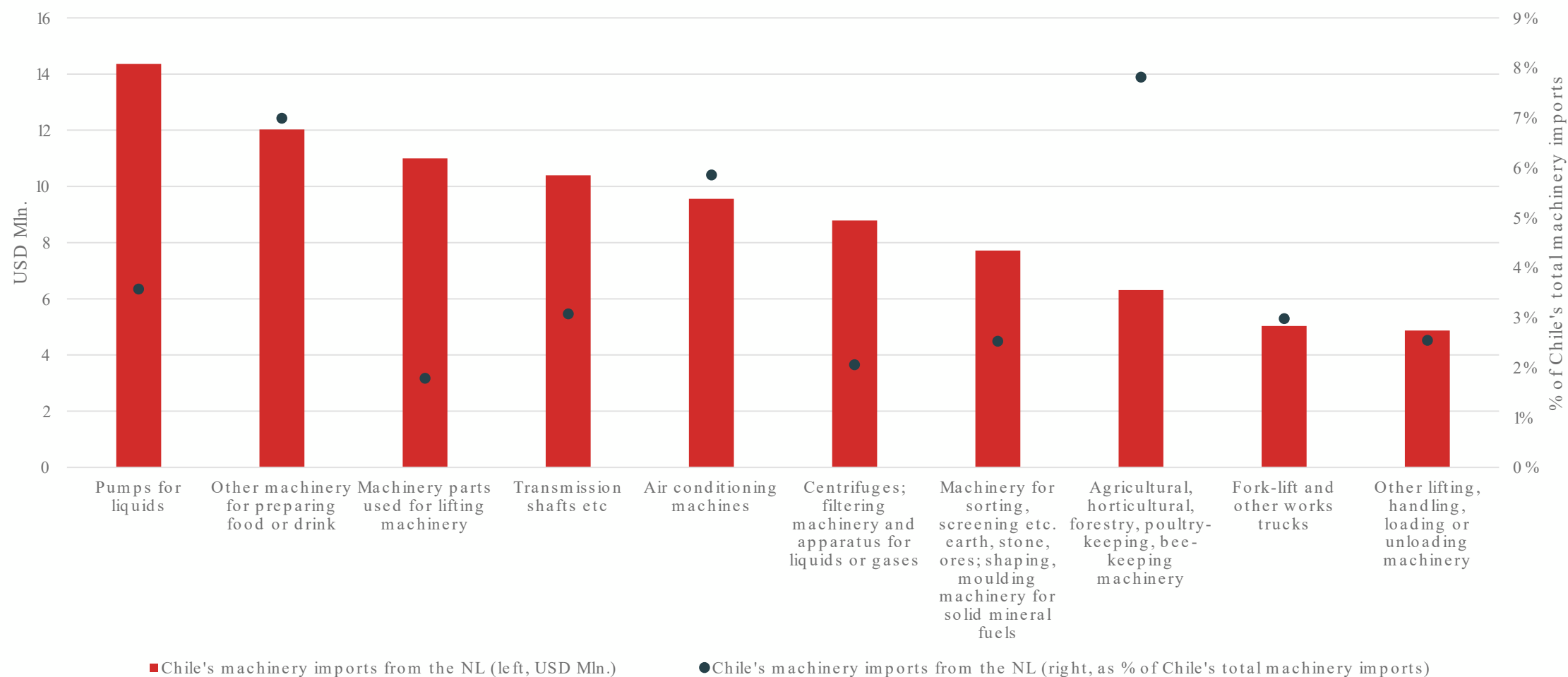
## THE TOP 3 DUTCH EXPORTS TO CHILE INCLUDE MACHINERY, ORGANIC CHEMICALS AND PHARMACEUTICALS



- 13% of Dutch exports to Chile are machinery exports, 9% are organic chemical exports, and 8% are pharmaceutical products

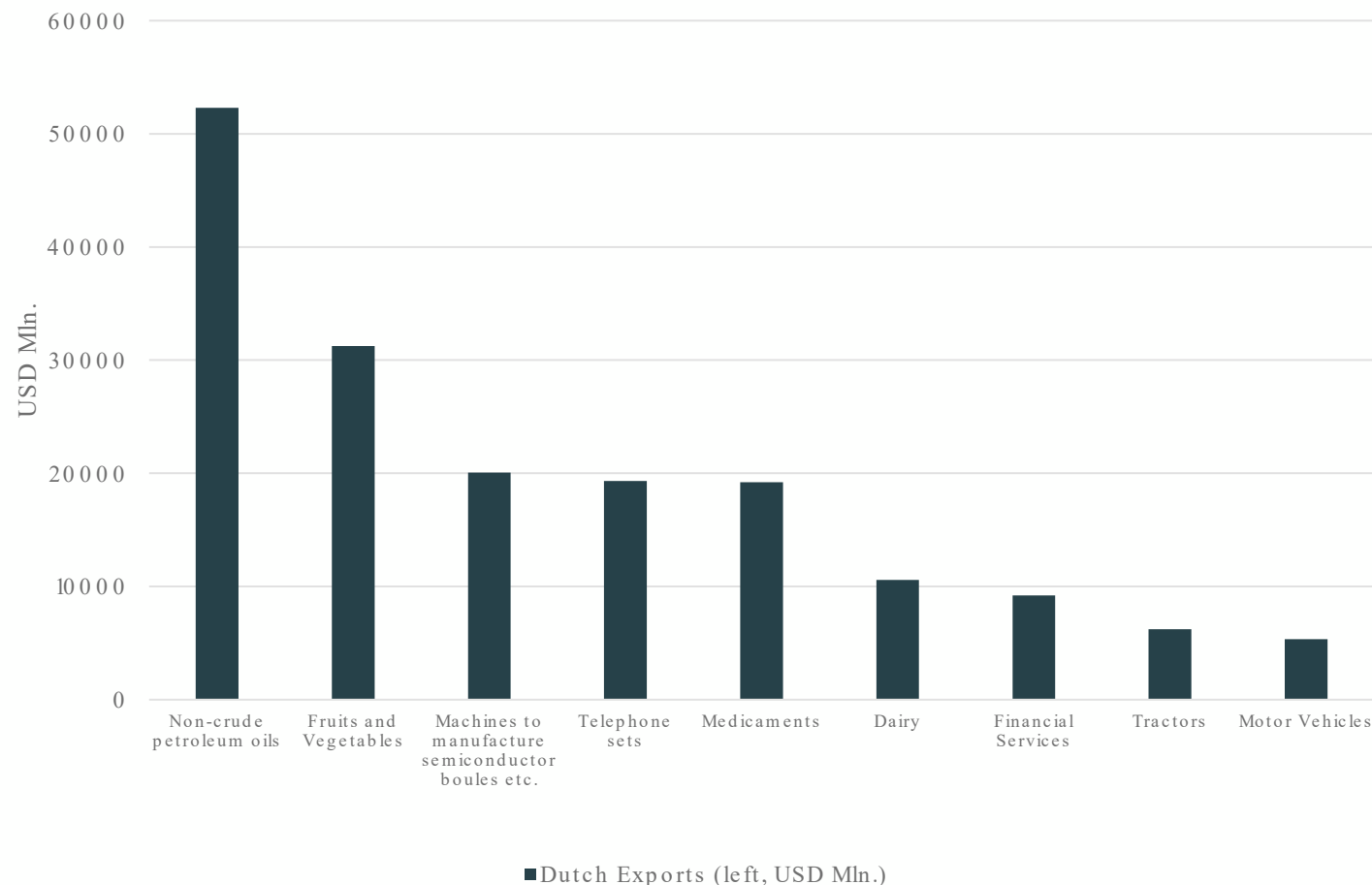
IN 2021, AROUND 5% OF CHILE'S MACHINERY IMPORTS CAME FROM THE NETHERLANDS

Chile's top 10 machinery imports from NL (2021)



## THE NETHERLANDS HAS A 'NORMALISED REVEALED COMPARATIVE ADVANTAGE' (NRCA) IN SEVERAL SECTORS POTENTIALLY RELEVANT FOR EXPORTS TO CHILE

(Selected) top Dutch exports in 2021\*



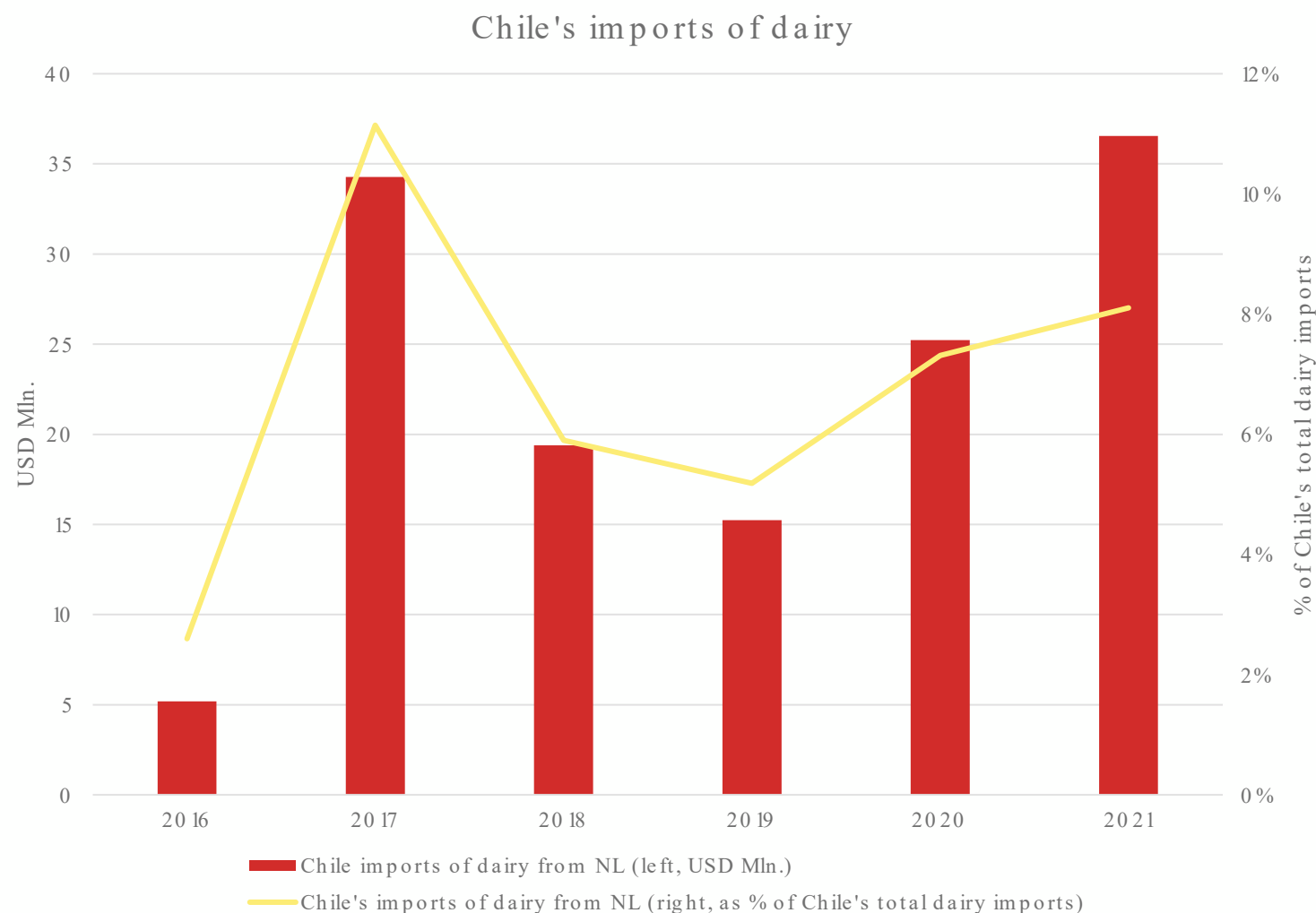
While more research is needed to assess the potential impact of the FTA on Dutch exports to Chile, the Netherlands has a 'normalized revealed comparative advantage' in certain sectors:

- Dairy
- Fruits and vegetables
- Medicaments
- Tractors
- Machines to manufacture semiconductors
- Non-crude petroleum oils\*\*

\*These products were studied because they were among the top biggest Dutch export products (but they do not cover all top Dutch exports)

\*\*Non-crude petroleum oils are largely re-exports as the Amsterdam and Rotterdam ports act as transshipment hubs for Western Europe

## THE NETHERLANDS IS THE FIFTH LARGEST EXPORTER OF DAIRY TO CHILE



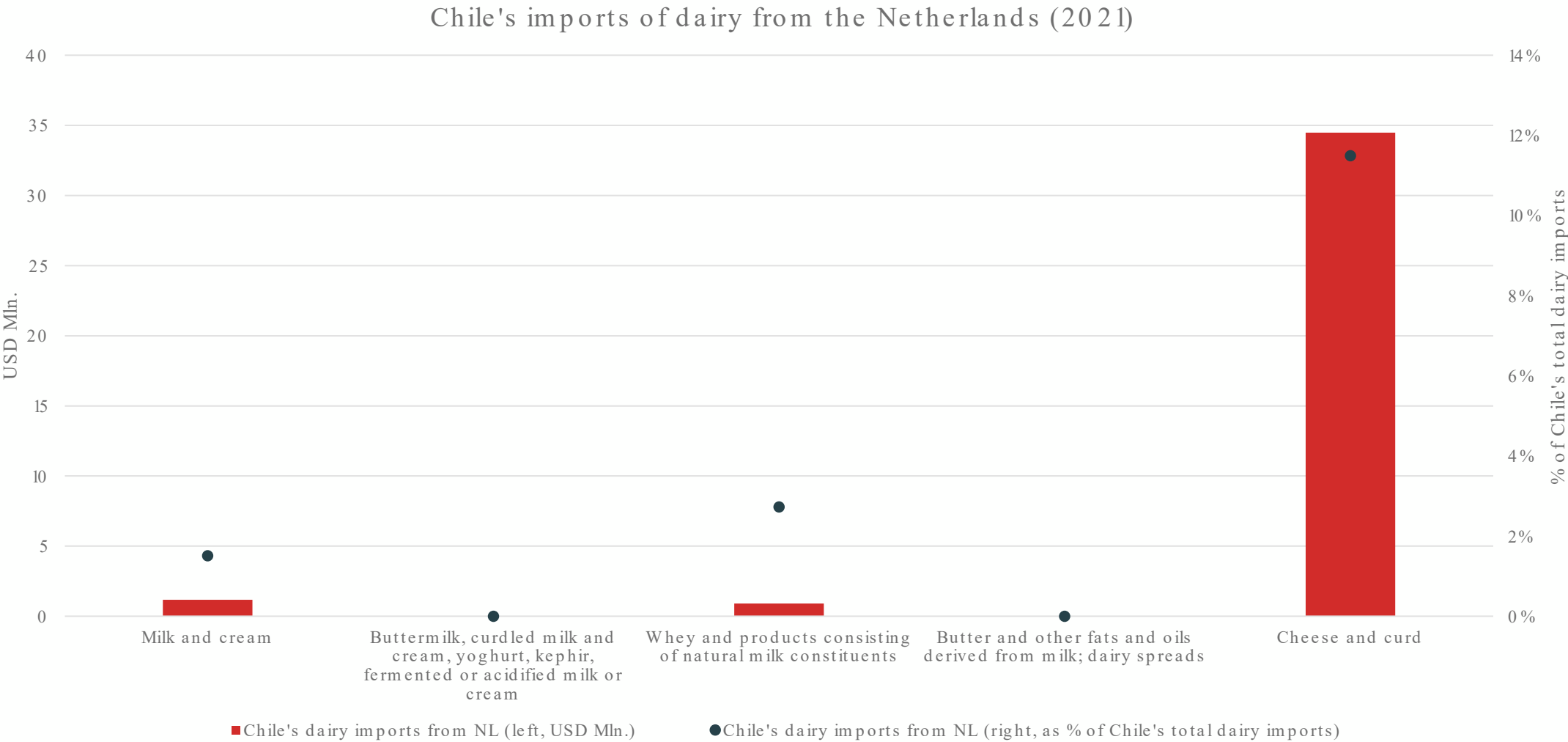
■ The top 5 exporters of dairy to Chile (in 2021) were:

1. USA
2. Argentina
3. New Zealand
4. Germany
5. The Netherlands

■ Further research is needed to assess whether the draft FTA could result in more Dutch (and German) dairy exports to Chile

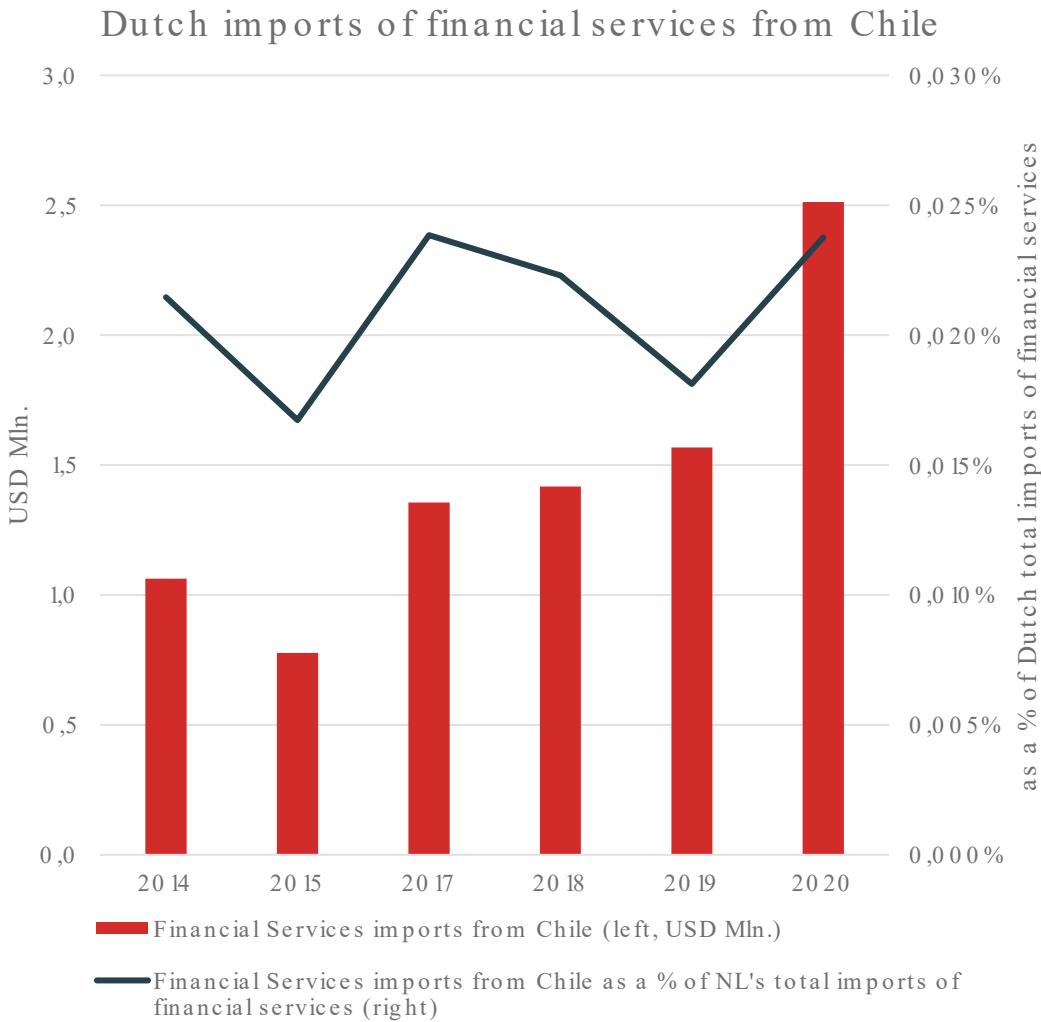
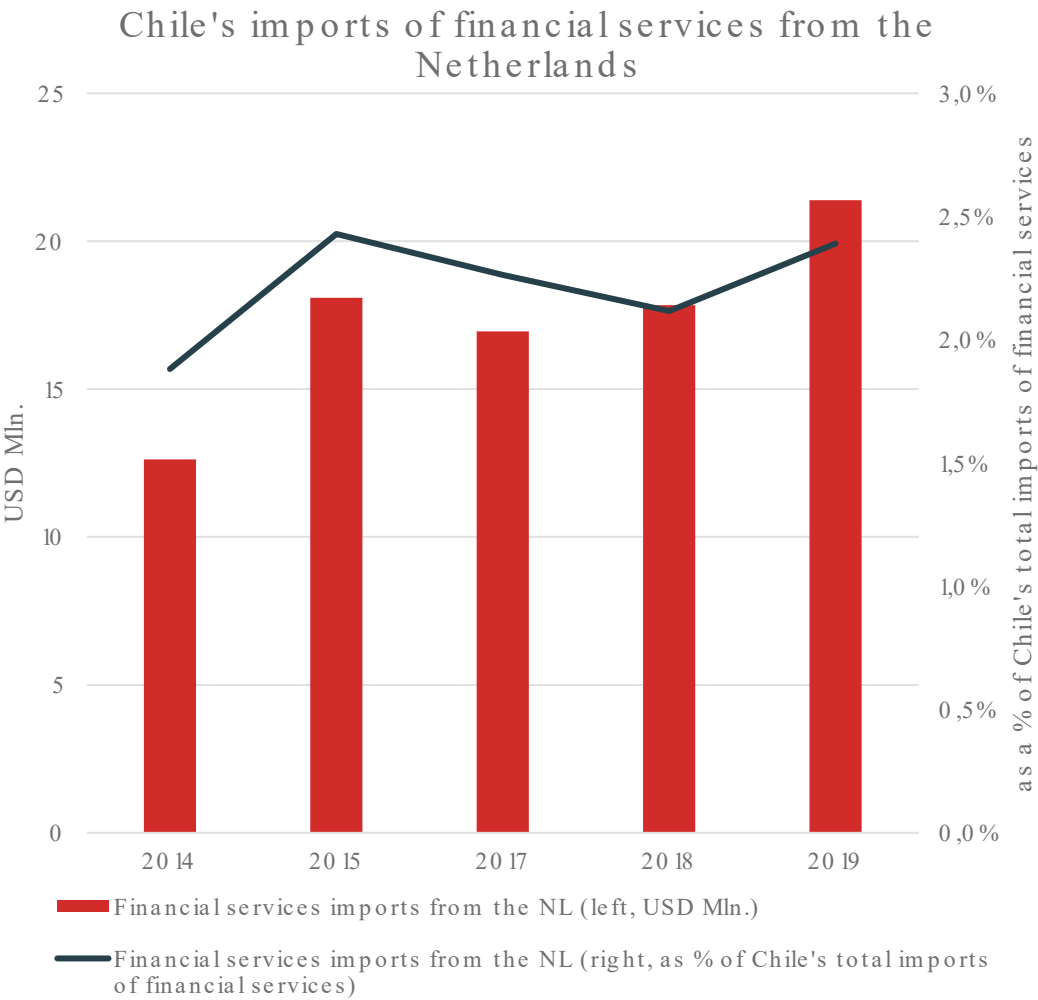
Note: 'Dairy' here includes honey and some other edible animal products, but they are a very small %

CHEESE HAS BY FAR BEEN THE LARGEST DAIRY EXPORT PRODUCT FROM THE NETHERLANDS TO CHILE



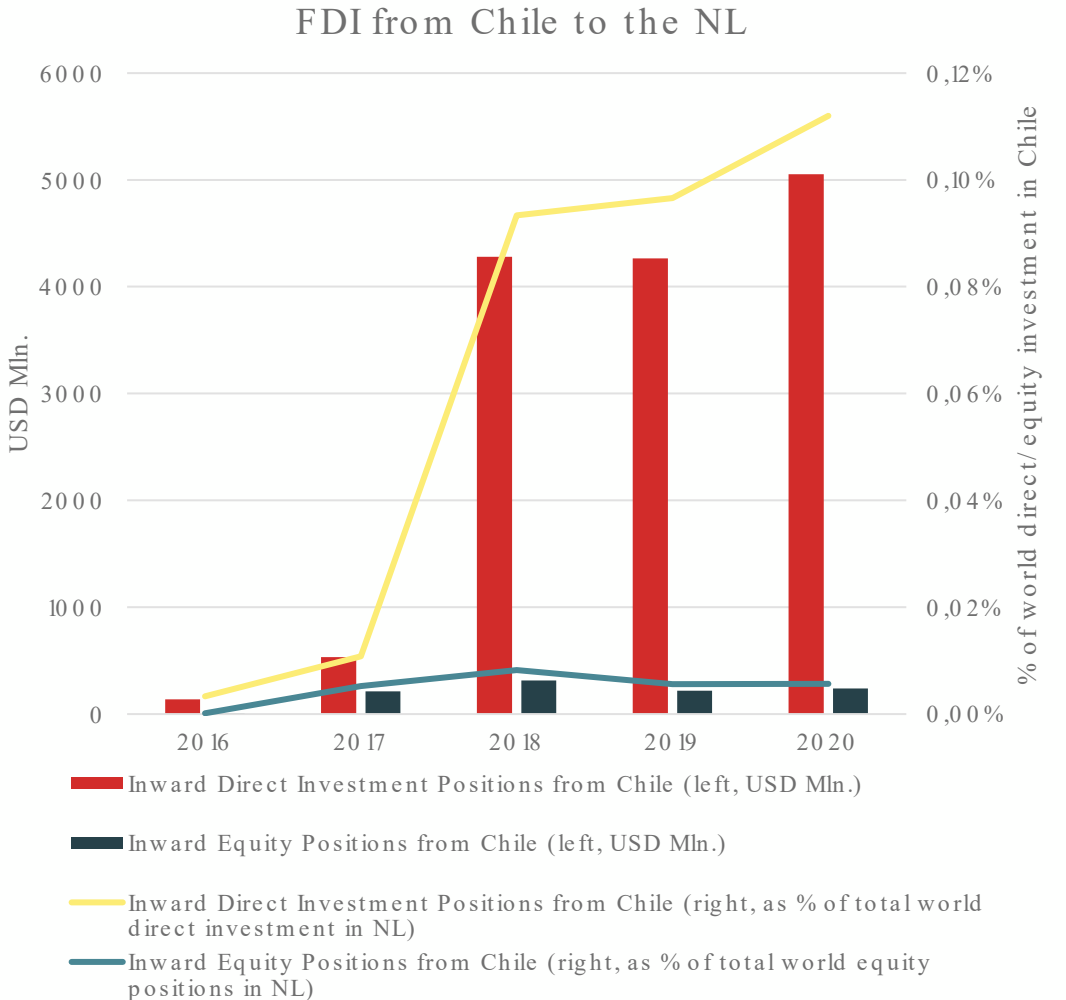
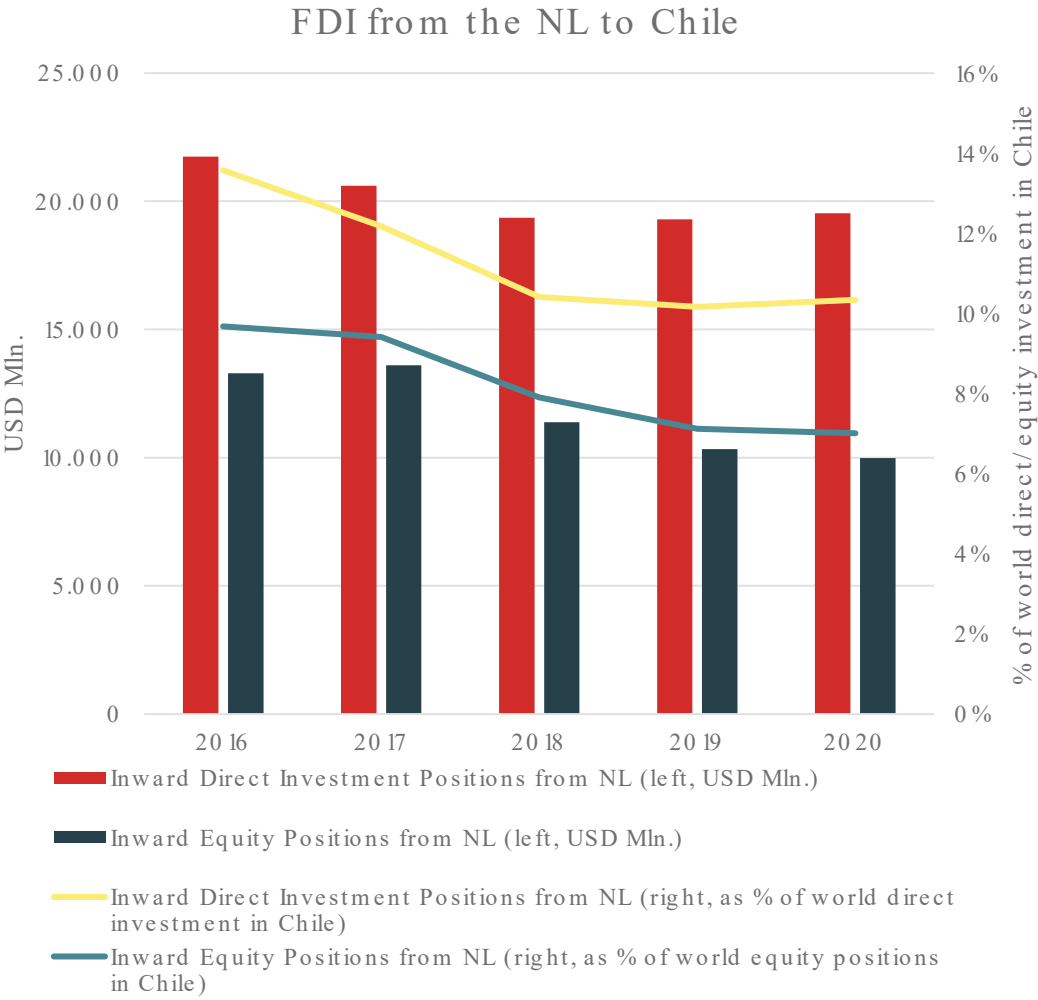


NL IS A TOP 3 EXPORTER OF FINANCIAL SERVICES TO CHILE =>  
POTENTIAL TO INCREASE FURTHER WITH LIBERALISATION OF TRADE IN  
FINANCIAL SERVICES



\*Note: The potential for increase in trade in financial services was studied as the Netherlands is among the top 10 biggest exporters of financial services

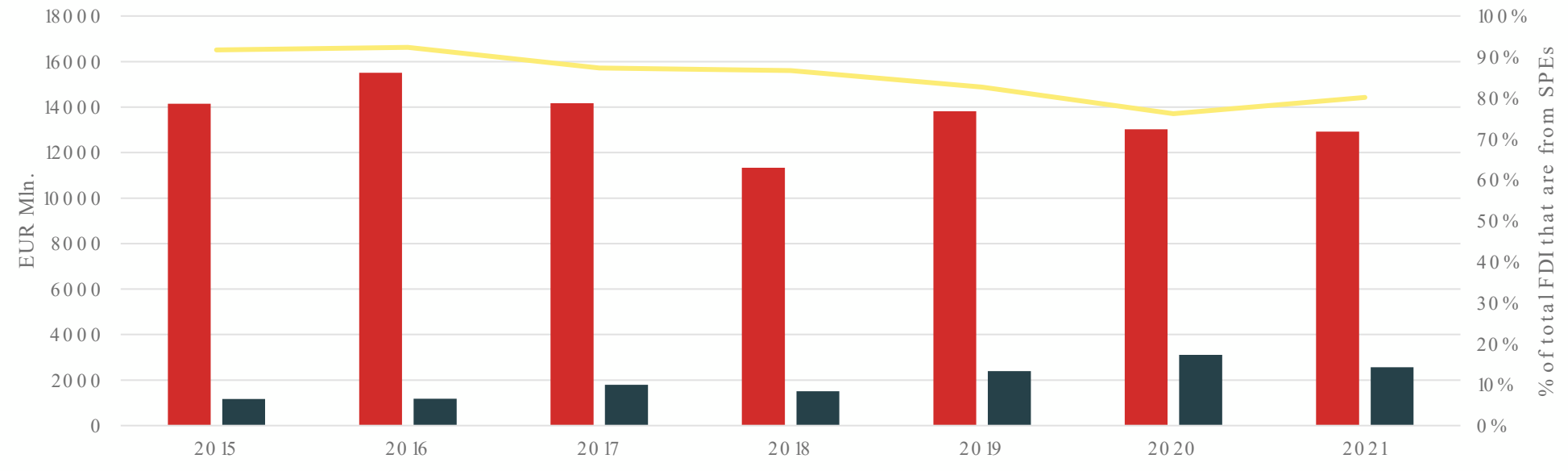
AROUND 10% OF FOREIGN DIRECT INVESTMENT (FDI) INTO CHILE COMES FROM THE NETHERLANDS (WHILE REVERSE FLOWS ARE SMALL)



Source: IMF

HOWEVER, DUTCH FDI IN CHILE ORIGINATES MOSTLY FROM 'MAILBOX COMPANIES' (SPEs\*) - POTENTIALLY LINKED TO FINANCIAL SERVICES TRADE

Dutch Direct Investment in Chile



- DI including SPEs (left, EUR Mln.)
- DI excluding SPEs (left, EUR Mln.)
- DI from SPEs (right, % of total Dutch DI in Chile)

Source: DNB

Source: DNB

\* Special Purpose Entities (SPEs) are companies that have little to no contribution to the Dutch economy with a maximum number of 5 employees (also referred to as 'mailbox companies')

SEO (2016)\* PREDICTED A MODERNISED EU-CHILE FTA TO RESULT IN MORE NL-CHILE TRADE, BUT NO SIGNIFICANT EFFECT ON DUTCH GDP OR PRICES

	Estimated effects for the Netherlands resulting from EU -Chile draft FTA	
	Change in percentage	Change in million EUR
Dutch exports to Chile	18.58%	98
Dutch imports to Chile	16.67%	1475
Real GDP	0.01%	42
Domestic price level	-0.02%	-

EC SUSTAINABILITY IMPACT ASSESSMENT SUGGESTED 10-21% INCREASE IN EU EXPORTS TO CHILE

The 2019 sustainability impact assessment\* commissioned by the European Commission (EC) assumed two liberalisation scenarios:

- Conservative scenario: Full liberalisation by EU of remaining tariffs in agricultural goods (except for sugar, beef, lamb, pig, turkey and poultry), full liberalisation by Chile of all remaining tariffs in agricultural goods; reduction rate NTBs in agricultural products 5% and 1% in services by Chile
- Ambitious scenario: Full trade liberalisation by both parties of remaining agricultural tariffs; reduction rate NTBs in agricultural products 10% and 3% in services by Chile, 1% NTBs in services reduction by EU

The draft agreement between negotiators reached on December 9, 2022 is most in line with the conservative scenario, as selected agricultural products are exempt from the EU liberalisation.

	Conservative scenario		Ambitious scenario	
Predicted effects by 2025	Chile	EU	Chile	EU
GDP, in EUR million	293	355	580	852
GDP (% change)	0.084%	0.001%	0.168%	0.002%
Bilateral exports (% change)	1.4%	9.75%	2.3%	21.3%
Wages, %, unskilled labour	0.235%	0.003%	0.498%	0.006%
Wages, %, skilled labour	0.146%	0.003%	0.325%	0.006%

\* BKP (2019), Sustainability Impact Assessment in Support of the Negotiations for the Modernisation of the Trade Part of the Association Agreement with Chile. Link: [Sustainability Impact Assessment in Support of the Negotiations for the Modernisation of the Trade Part of the Association Agreement with Chile - Final Report, 07 May 2019 \(europa.eu\)](#)

SIA (2019) PREDICTED AN INCREASE IN EU EXPORTS OF AGRICULTURAL PRODUCTS (INCLUDING DAIRY) AND MACHINERY

In relative terms, the SIA (2019) predicted EU exports to Chile to increase mostly in oil, dairy and coal, but % change can sometimes be misleading as baseline exports were relatively small. In absolute terms, exports were predicted to increase mostly for machinery and motor vehicles

Selection of most impacted sectors	Baseline (in EUR million)	Conservative (% change)	Ambitious (% change)
Oil seeds, vegetable oils & fats	22.1	17%	18 %
Dairy products	19.7	39%	41%
Wood and paper products	713.2	15%	35%
Oil	500.6	23%	51%
Textiles, apparel and leather	186.3	15%	33%
Chemicals, rubber and plastics	1,824.5	8%	16%
Metal products	957.5	9%	19%
Motor vehicles & transport equipment	3,727.5	11%	24%
Machinery	4,148.2	17%	35%
Electronic equipment	251.3	23%	51%

## THE SIA (2019) PREDICTED SEVERAL OTHER EFFECTS OF FTA MODERNISATION

- Conservative scenario:
  - Marginal reductions in EU employment for vegetable/fruits/nuts sector (0.052%) and oilseeds, vegetable oils and fats (0.033%). Even smaller job losses for coal, gas, textiles and electronic equipment sectors.
  - Limited job creation in the EU for the oil sector (0.164%). Small employment increases further found for machinery and for motor vehicles and transport.
- Ambitious scenario:
  - Marginal decrease in EU employment in vegetable/fruits/nuts (0.06%) and oilseeds, vegetable oils and fats (0.053%)
  - Limited job creation in the EU for the oil sector (0.075%). Small employment increase for machinery and motor vehicles and transport.
- Slightly positive impact of draft trade agreement on participation in global value chains
- Small decrease in Chilean income inequality
  - Real wages expected to increase by 0.5% for unskilled workers and 0.3% for skilled workers
  - Relatively high wage growth in manufacturing, agriculture, hunting and forestry.
- Marginal changes in consumer prices (EU prices expected to increase by only 0.01%)
- Improved CSR policies by enterprises in both Chile and the EU

## SIA (2019) PREDICTED SEVERAL OTHER EFFECTS OF FTA MODERNISATION

### ▪ **Human rights impact**

- Minor positive effects in Chile for labour rights of vulnerable population groups, right to work (through creation / loss of positions in different sectors), access to essential medicines

### ▪ **Environmental impact**

- Limited effect on GHG, increase where draft agreement is leading to more production (e.g., vegetables, fruit in Chile, motor vehicles, machinery in EU)
- Small environmental concerns about agricultural activity and increased copper mining in terms of nitrogen run-off and contaminated water (larger in some regions)
- Potential increase in waste (utility and construction sectors)



## SIA (2019) PREDICTED MIXED EFFECTS FOR CERTAIN SECTORS

### ▪ **Dairy:**

- Increased bilateral trade in both directions:
  - Increased EU exports to Chile by 40%
  - Increased Chile exports to the EU by 76%
- Negligible social, environmental and human rights effects

### ▪ **Mining:**

- Economic impact on trade and output negligible for both EU and Chile
- Potential to contribute to addressing outstanding issues through provisions regarding measures and policies on health and safety at work, as well as labour inspection

### ▪ **Construction:**

- Potential to increase sector output in Chile by 1.1% (ambitious scenario)
- Increase in sectoral employment in Chile by 0.6% (unskilled labour) and 0.8% (skilled labour)

## SIA (2019) PREDICTED MIXED EFFECTS FOR CERTAIN SECTORS

- **Tourism and hospitality services, wholesale and retail trade:**
  - In Chile potential for small decrease in employment of unskilled workers
  - Minor negative impact on the right to an adequate standard of living of the unskilled workers
  
- **Communication and business services:**
  - Increase in bilateral trade
  - Total sector output growth in the EU marginally positive in both the EU and Chile
  - Employment effects in EU negligible; small in Chile

FURTHER RESEARCH IS NEEDED TO ASSESS THE FOLLOWING  
POTENTIAL TRADE OPPORTUNITIES ARISING FROM THE DRAFT FTA

Potential opportunities for Chile (Chile -> NL)	Potential opportunities for the Netherlands (NL -> Chile)
<ul style="list-style-type: none"><li>▪ <b>Lithium:</b><ul style="list-style-type: none"><li>- Chile is one of the largest exporters of Lithium carbonate, and the Netherlands already exports most of its Lithium carbonate from Chile</li><li>- As the draft FTA covers the liberalisation of Lithium, Lithium exports from Chile to the Netherlands could increase</li></ul></li><li>▪ <b>Fresh Fruits:</b><ul style="list-style-type: none"><li>- Historically, a large share of Dutch imports from Chile have comprised fresh fruits.</li><li>- More than 20% of Dutch fresh fruit imports already come from Chile</li><li>- Given the expected liberalisation in agriculture by the draft FTA, fresh fruit imports from Chile could increase</li></ul></li><li>▪ <b>Copper:</b><ul style="list-style-type: none"><li>- Chile is a large exporter of copper and has an NRCA in it</li><li>- Currently, copper makes up a large percentage of Dutch imports from Chile, but Chile only accounts for 5% of Dutch copper imports. This could have potential to grow with the draft FTA (which covers the liberalisation of copper)</li></ul></li></ul>	<ul style="list-style-type: none"><li>▪ <b>Dairy (Cheese):</b><ul style="list-style-type: none"><li>- The Netherlands is currently the fifth biggest exporter of dairy to Chile - mainly exporting cheese</li><li>- Given the expected liberalization in food products and estimates of previous studies, Dutch imports of dairy to Chile have potential to increase with the draft FTA</li></ul></li><li>▪ <b>Financial Services:</b><ul style="list-style-type: none"><li>- Chile currently only exports around 3 percent of its financial services from the Netherlands</li><li>- However, the Netherlands is among the top 3 exporters of financial services to Chile</li><li>- With the expected liberalization in financial services, there is potential for increased exports of financial services to Chile</li></ul></li><li>▪ <b>Machinery:</b><ul style="list-style-type: none"><li>- Most Dutch exports to Chile currently comprise of machinery</li><li>- Given the estimates of previous studies, there is potential for an increase in Dutch exports of machinery to Chile</li></ul></li></ul>

**MEXICO**

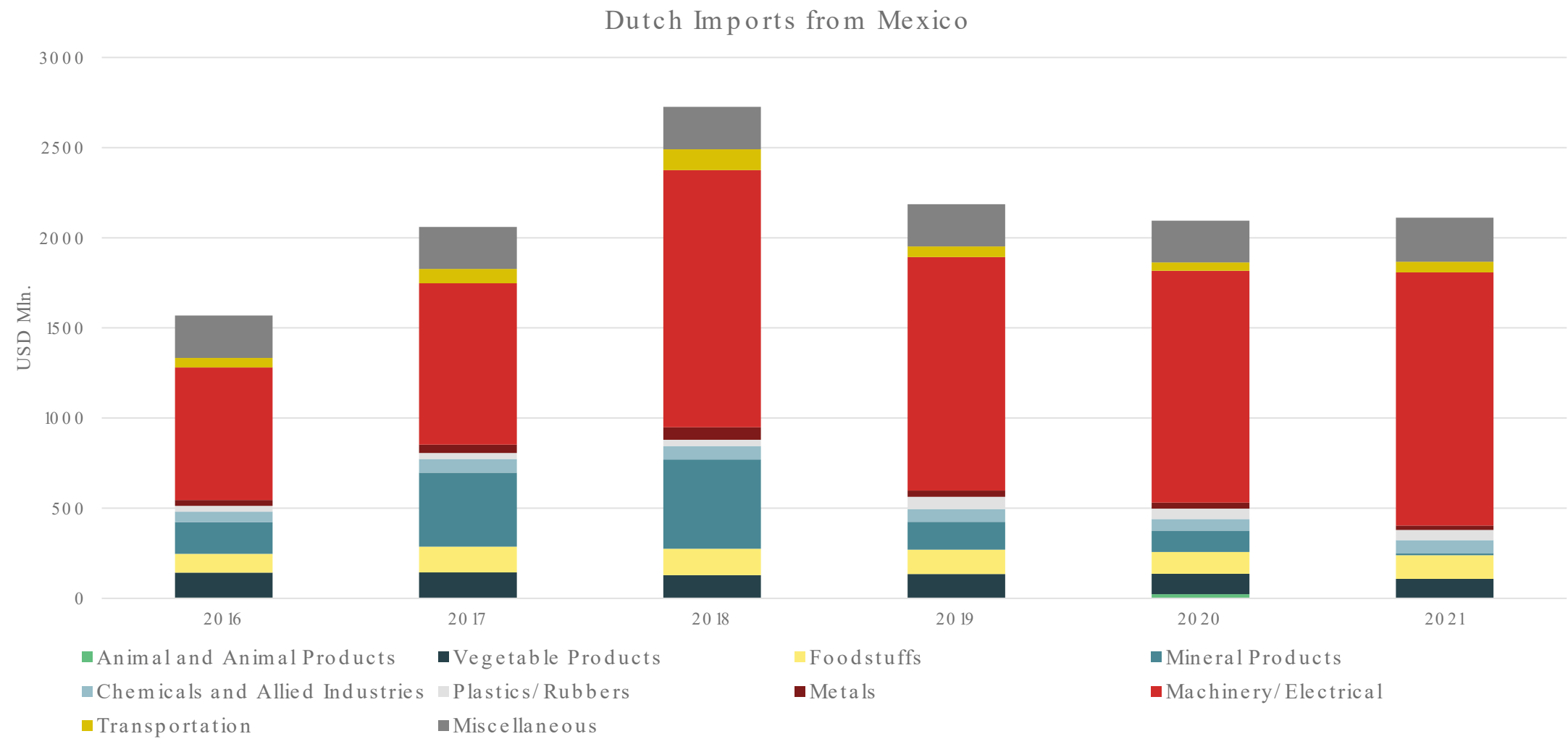
## MEXICO-EU DRAFT FREE TRADE AGREEMENT

- In April 2018, the European Union and Mexico have reached an "agreement in principle" on the main trade parts of a new EU-Mexico association agreement.\*
- The new draft agreement, once ratified, is expected to replace the existing EU-Mexico Global Agreement, which entered into force in 2000.
- The draft FTA is envisaged to:
  - liberalise agricultural tariffs beyond the tariff lines covered in the existing GA,
  - remove non-tariff barriers (NTBs)
  - protect geographical indications (GIs)
  - cover several additional provisions:
    - State Aid; Investment; Capital Mobility; Environment; Labour; and Duration and Termination
  - remove remaining customs duties, making customs procedures easier, reducing formalities for trade
  - open Mexican public contracts to EU companies and ensuring fair trade and business conditions, with enforceable rules through State-to-State dispute settlement mechanism
  - encourage investment and ensuring a transparent and accountable resolution of disputes through an Investment Court System
  - cover additional provisions on areas related to intellectual property rights, technical regulations and sanitary and phytosanitary measures, SMEs, sustainable development, and the fight against corruption in both trade and investment\*\*

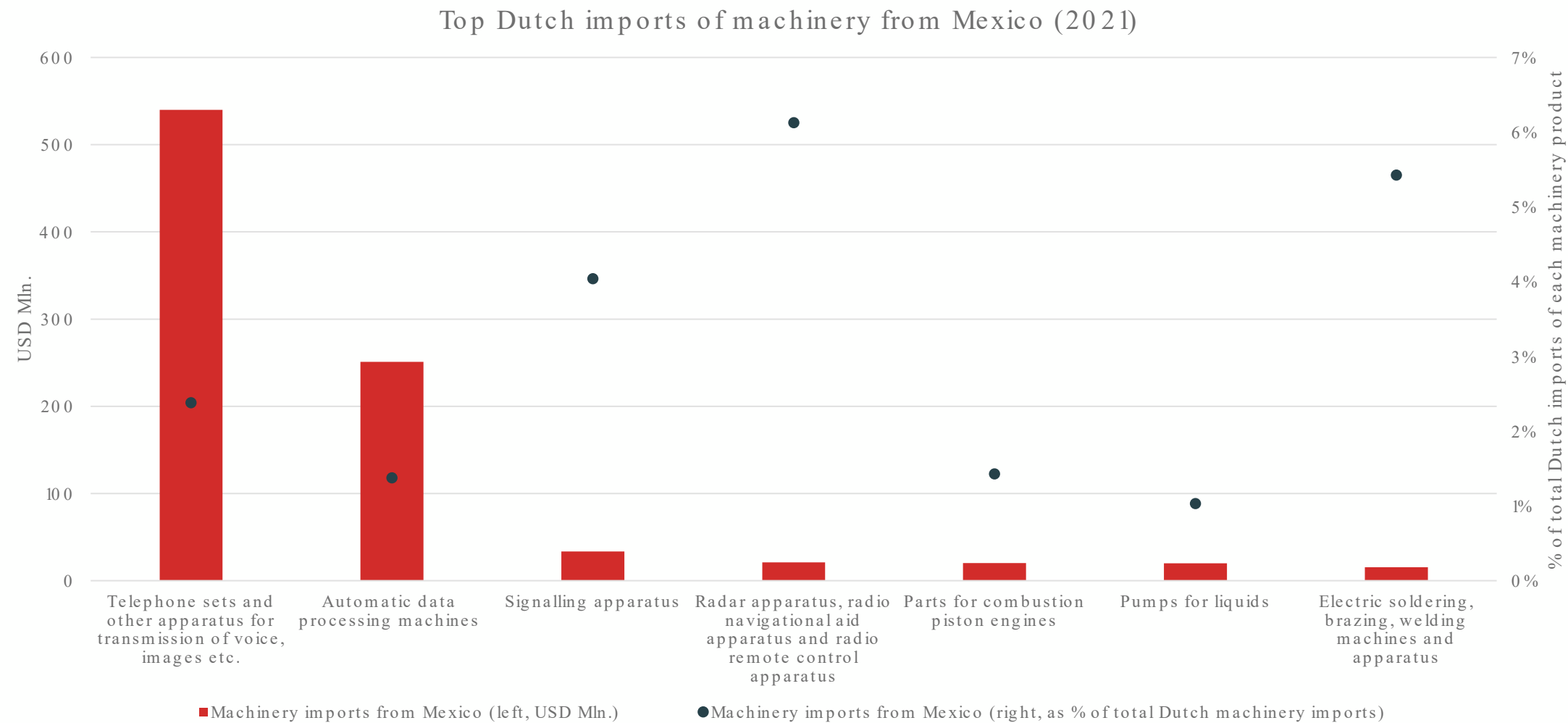
\* [EU-Mexico agreement: The agreement in principle](#)

\*\* LSE Consulting (2019). [Sustainability Impact Assessment \(SIA\) of the modernisation of the trade part of the global agreement with Mexico](#):

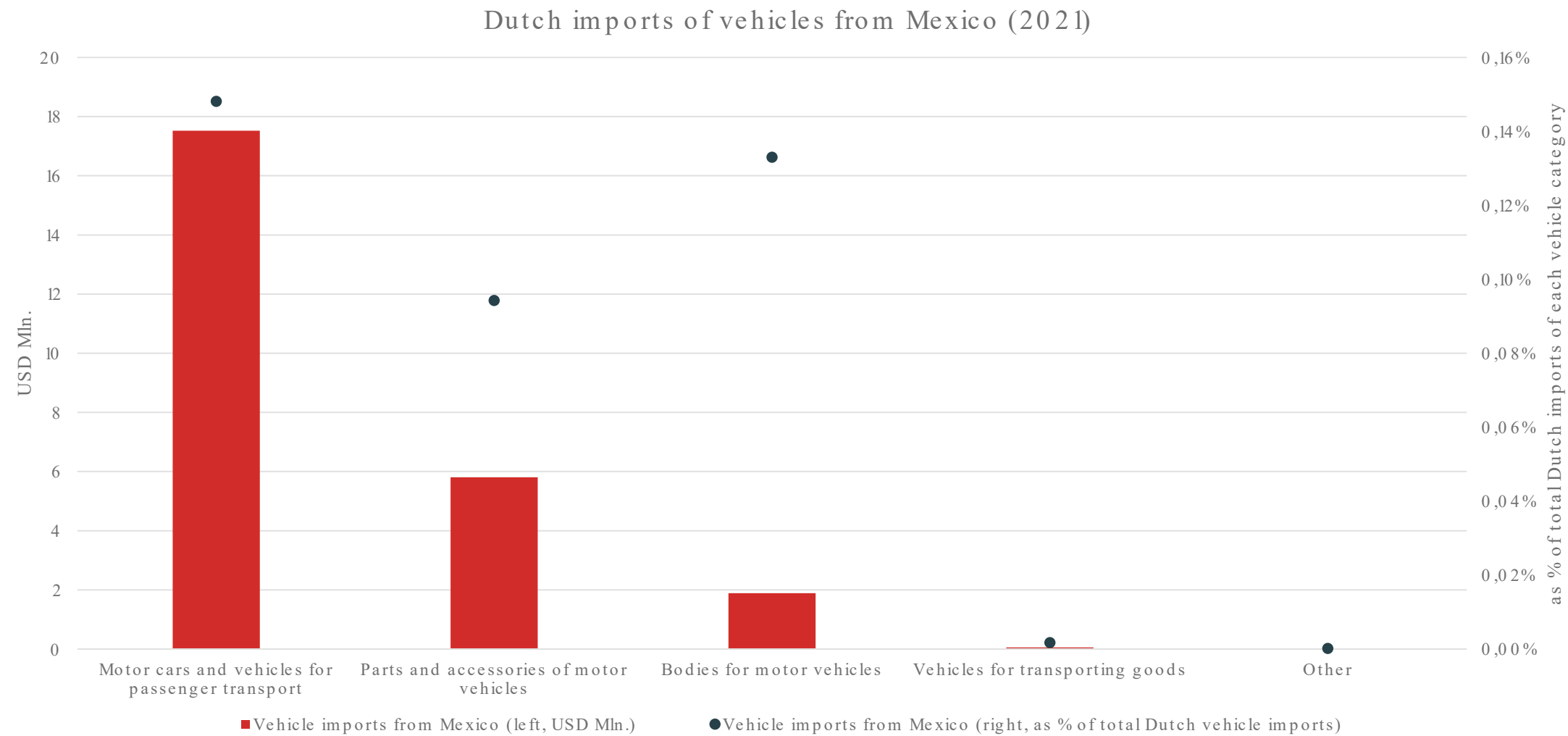
THE NETHERLANDS LARGELY IMPORTS MACHINERY FROM MEXICO



THE NETHERLANDS LARGELY IMPORTS TELEPHONE SETS AND DATA PROCESSING MACHINES FROM MEXICO

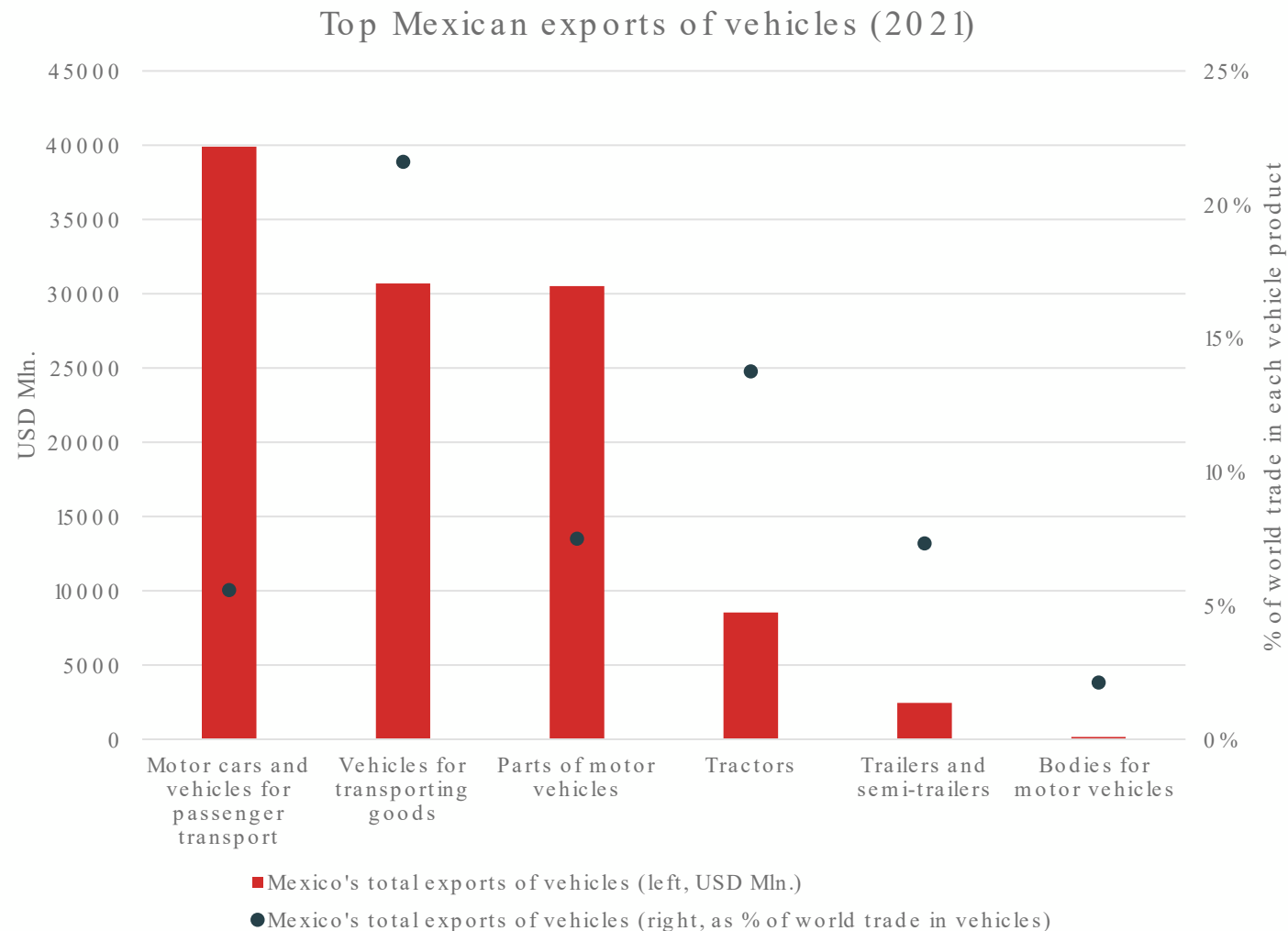


THE NETHERLANDS IMPORTS MOTOR VEHICLES FROM MEXICO BUT ONLY 3% OF DUTCH IMPORTS FROM MEXICO ARE VEHICLES)





## (MOTOR) VEHICLES ARE AMONG MEXICO'S TOP EXPORT PRODUCTS



- Mexico is the world's fifth biggest exporter of motor cars/vehicles
- Almost three-quarters of motor car and vehicle exports from Mexico go to the USA
- Although the NL does not currently import a lot of vehicles from Mexico, more research is needed to assess whether this could increase with the draft FTA, as Mexico has an NRCA in motor vehicles
- Since the NL is also a large exporter of vehicles (mainly tractors and motor vehicles); it is possible that competition for this sector could increase (but more research is needed)

## IN 2021 MEXICO EXPORTED MORE MOTOR CARS AND VEHICLES FOR PERSONAL TRANSPORT TO NL THAN VICE VERSA

- Mexico already exports personal transport vehicles to NL, as well as auto parts and accessories.
- The Netherlands also exports tractors and auto parts to Mexico.
- Total Mexican exports of new passenger vehicles and light trucks in 2021 amounted to \$55.7 billion.
- Total Mexican exports of medium & heavy-duty trucks in 2021 amounted to \$6.1 billion.

Vehicle sector	2021, in USD million	
	Mexico exports to NL	NL exports to Mexico
Motor cars and vehicles for transporting persons	28.88	6.71
Parts and Accessories of the Motor Vehicles	14.56	14.33
Motor vehicles for transport of goods	2.55	1.95

## MEXICAN AUTOMOTIVE INDUSTRY

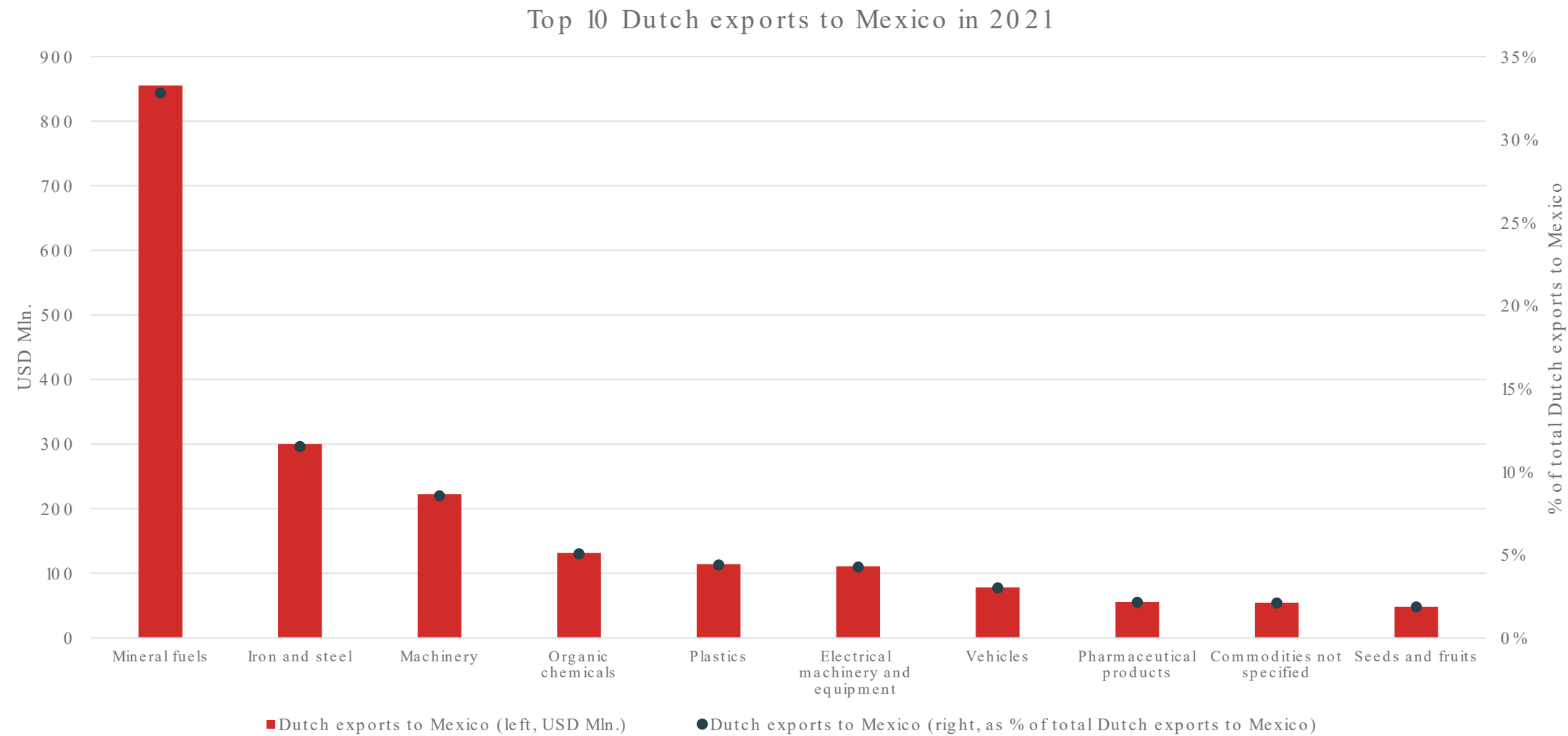
- Mexico is a major market for U.S. passenger vehicles, light vehicles, trucks, buses, auto parts, and supplies.
- The automotive sector in Mexico comprises 3.5% of the nation's GDP, 20% of the manufacturing GDP, and employing over one million people nationwide.
- Mexico is the sixth-largest manufacturer of heavy-duty vehicles for cargo, with 11 manufacturing plants and more than 24,000 jobs nationwide.
- Mexico is the leading global exporter of tractor trucks, 95.1% of which is destined for the United States.
- Also the fourth-largest exporter of heavy-duty vehicles for cargo, and the second-largest export market after Canada, for U.S. medium and heavy-duty trucks.
- Over 40 auto brands are produced by the world's leading OEMs, with Nissan, General Motors (GM) and Volkswagen being the largest players in the country.
- Based on a profile of the Dutch automotive industry, the following specific opportunities for Dutch companies interested in entering the Mexican automotive industry are identified:
  - Innovation and solutions to support the transition to becoming an advanced manufacturing hub, R&D
  - Supply to Tier 2 suppliers and lower tiers, both traditional and advanced manufacturing solutions
  - Customization of vehicles
  - Light weighting and sustainability
  - Market share for European truck brands and heavy vehicle supply chain

Sources:

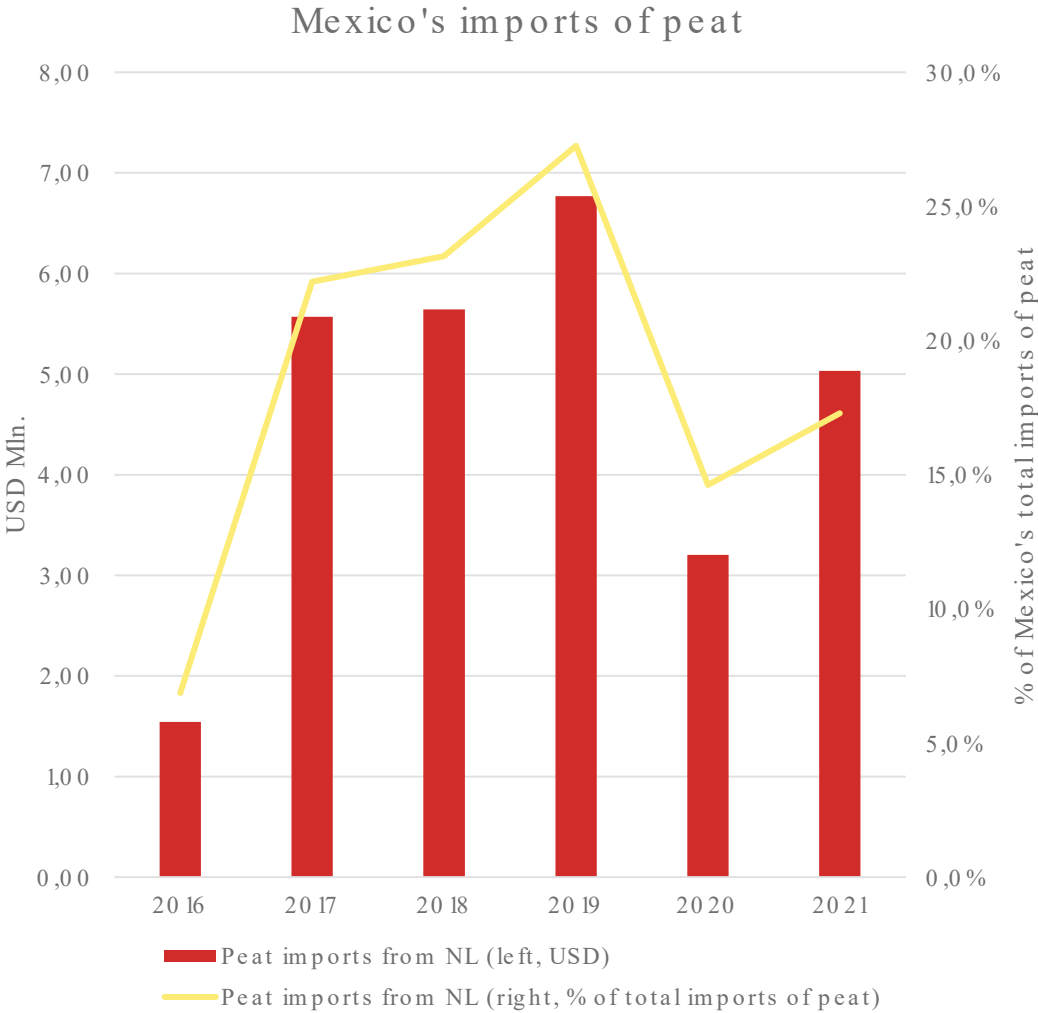
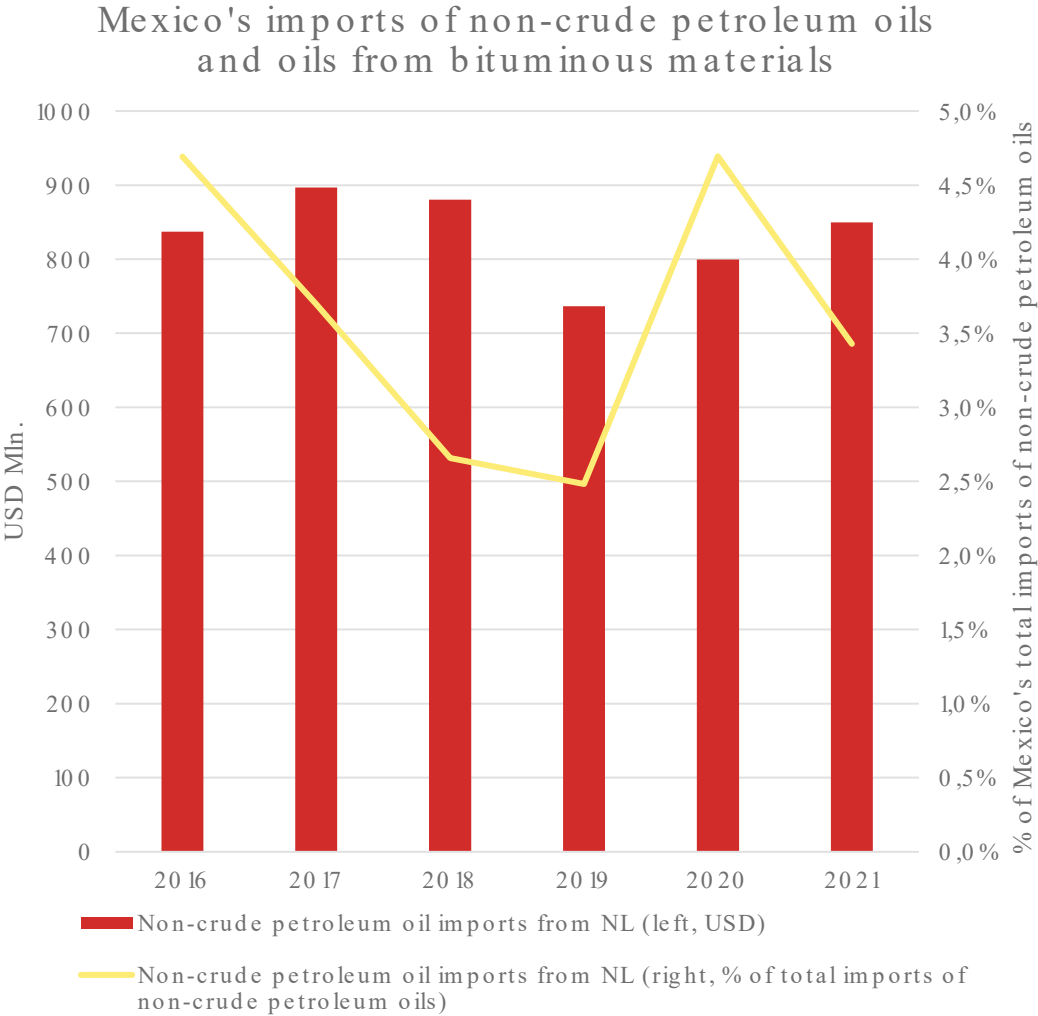
[Mexico - Automotive Industry \(trade.gov\)](https://www.trade.gov/mexico-automotive-industry)

[Mexico's Automotive Industry is Ready for the Digital Age \(mexicobusiness.news\)](https://mexicobusiness.news/mexico-automotive-industry-is-ready-for-the-digital-age)

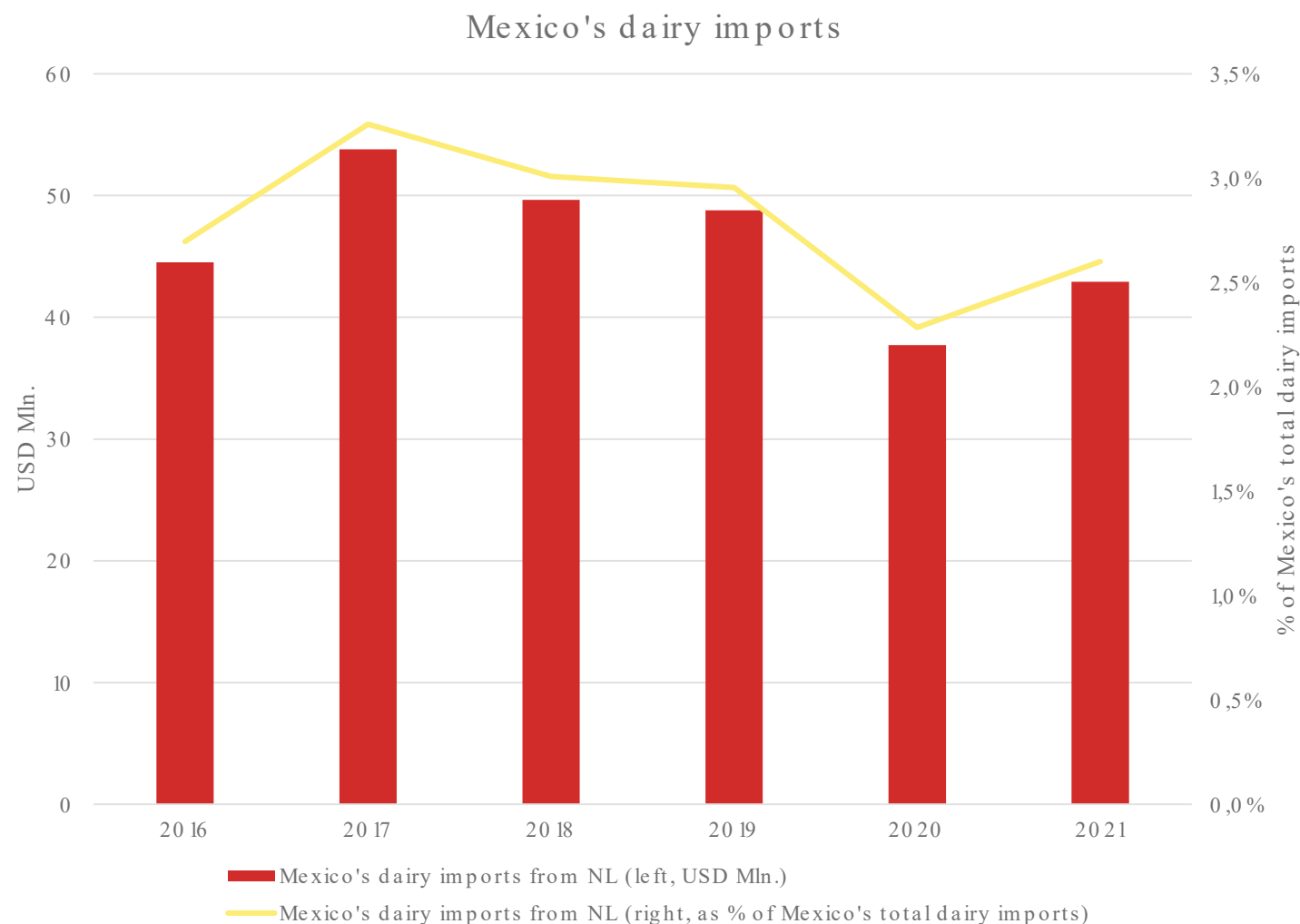
THE TOP EXPORT PRODUCT FROM NL TO MEXICO IN 2021 WAS MINERAL FUELS (MOSTLY NON-CRUDE PETROLEUM OILS)



IN 2021, 3% OF MEXICO'S NON-CRUDE PETROLEUM OIL IMPORTS AND 17% OF ITS PEAT IMPORTS CAME FROM THE NETHERLANDS



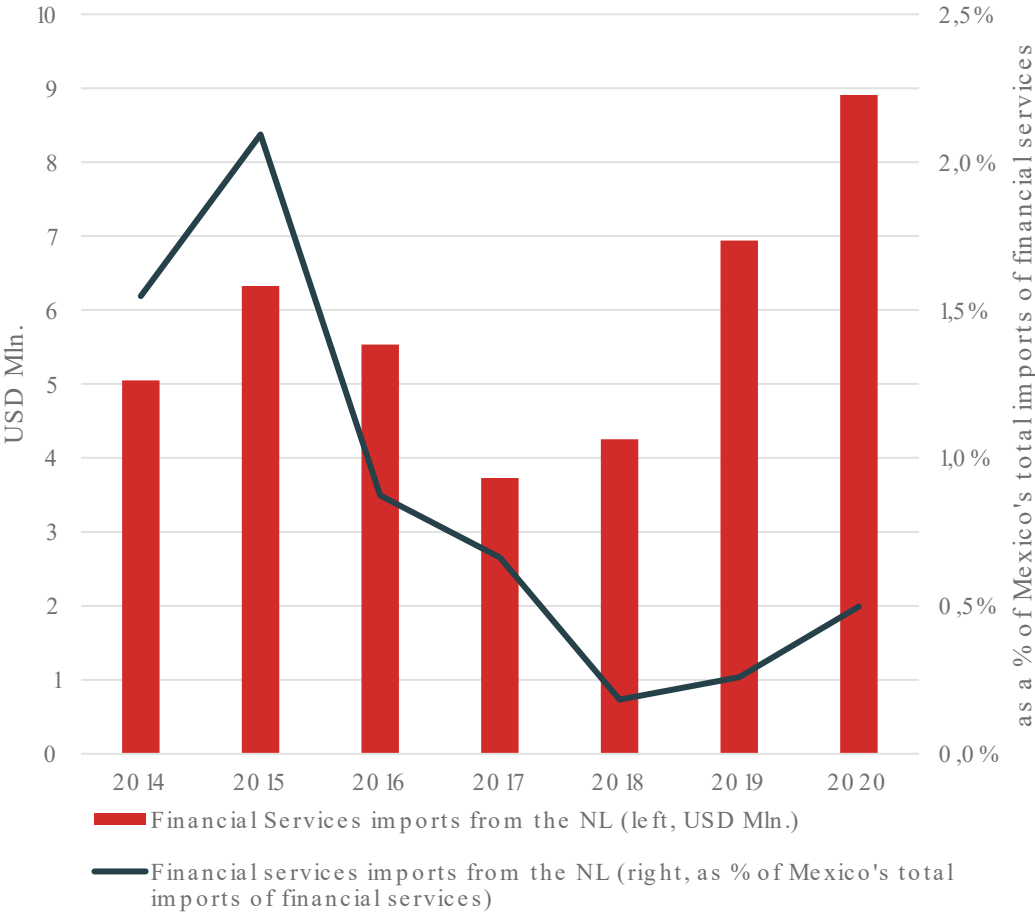
NL IS CURRENTLY THE THIRD LARGEST EXPORTER OF DAIRY TO MEXICO BUT ONLY MAKES UP AROUND 2% OF MEXICAN DAIRY IMPORTS



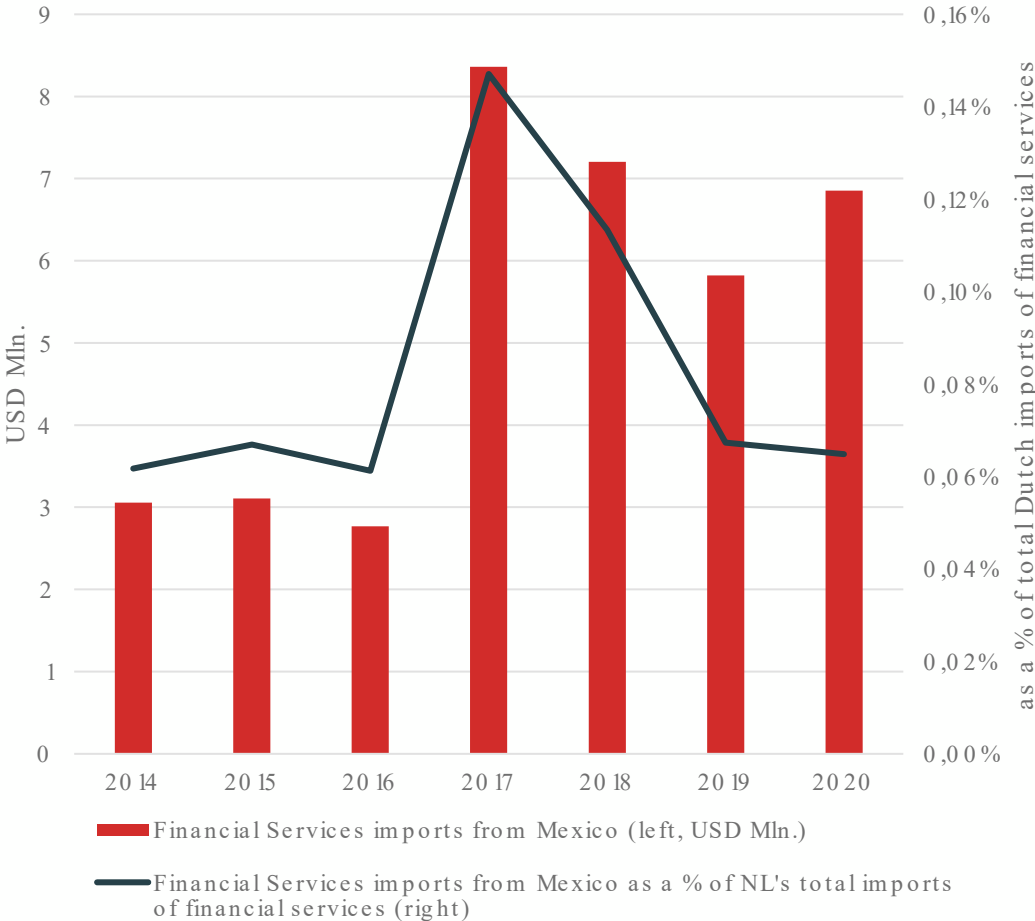
- The main Dutch dairy export to Mexico is cheese and curd (also the main Dutch dairy export)
- In 2021, the top 5 exporters of dairy to Mexico were 1) USA; 2) New Zealand; 3) NL; 4) Uruguay; and 5) Chile
- Almost 70% of Mexico's dairy imports are from the USA
- More research is needed to assess whether further liberalisation under the draft FTA could increase the competitiveness of NL dairy exports to Mexico

THE NETHERLANDS IS A TOP 10 EXPORTER OF FINANCIAL SERVICES TO MEXICO (BUT THERE ARE OTHER EU COUNTRIES THAT EXPORT MORE)

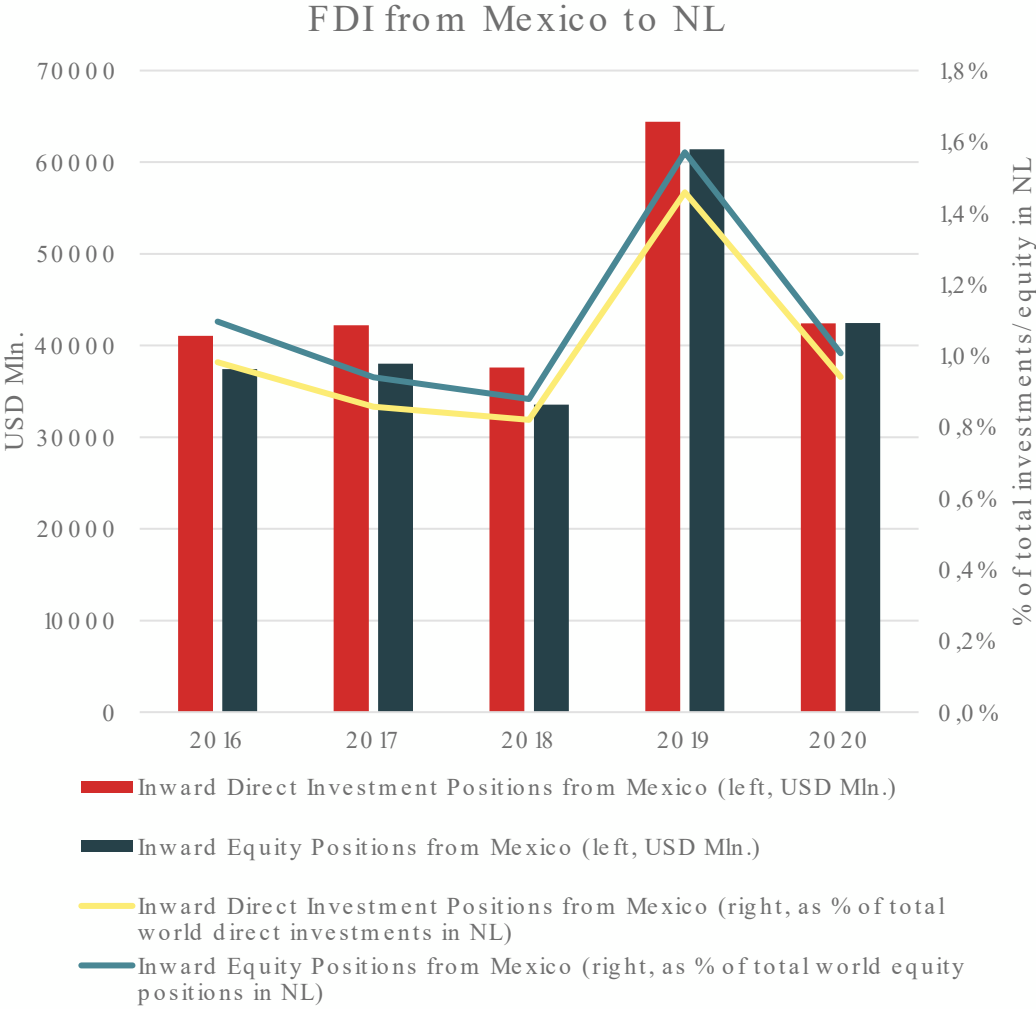
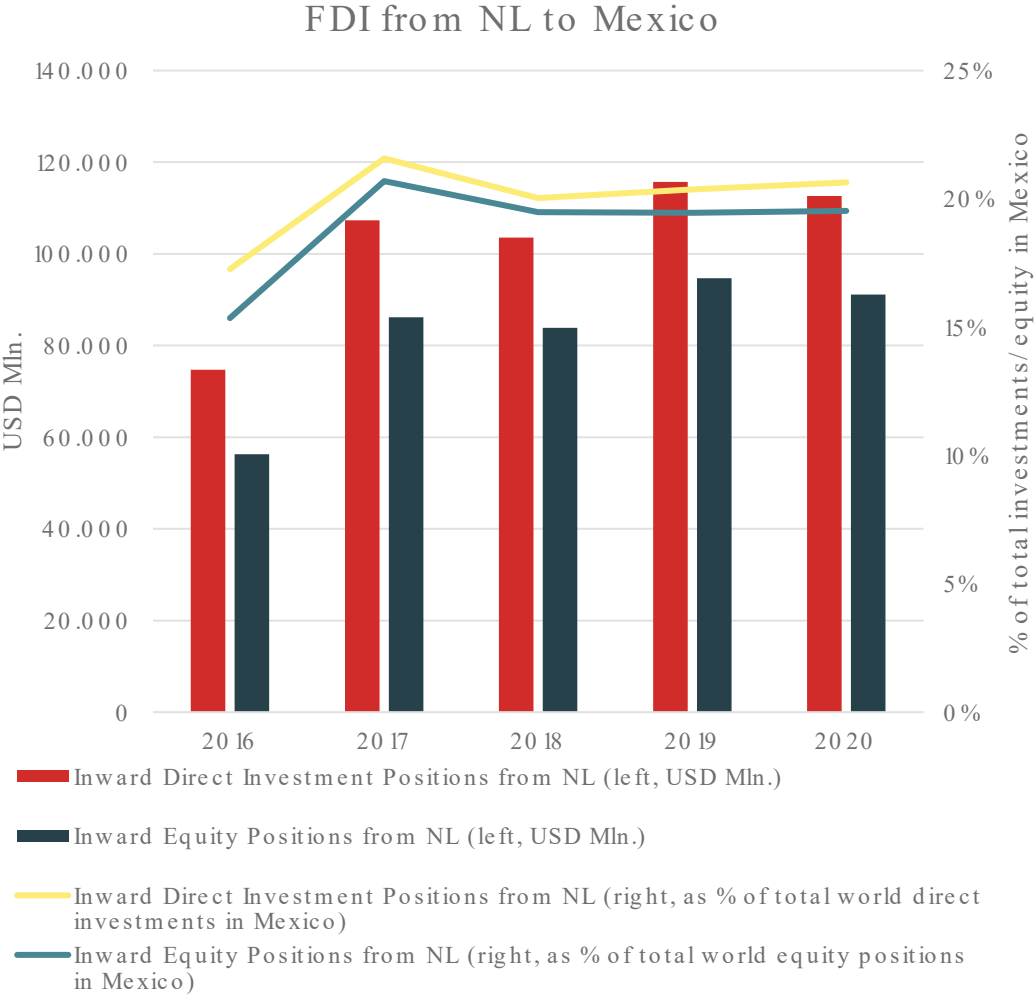
Mexico's imports of financial services from the Netherlands



Dutch imports of financial services from Mexico



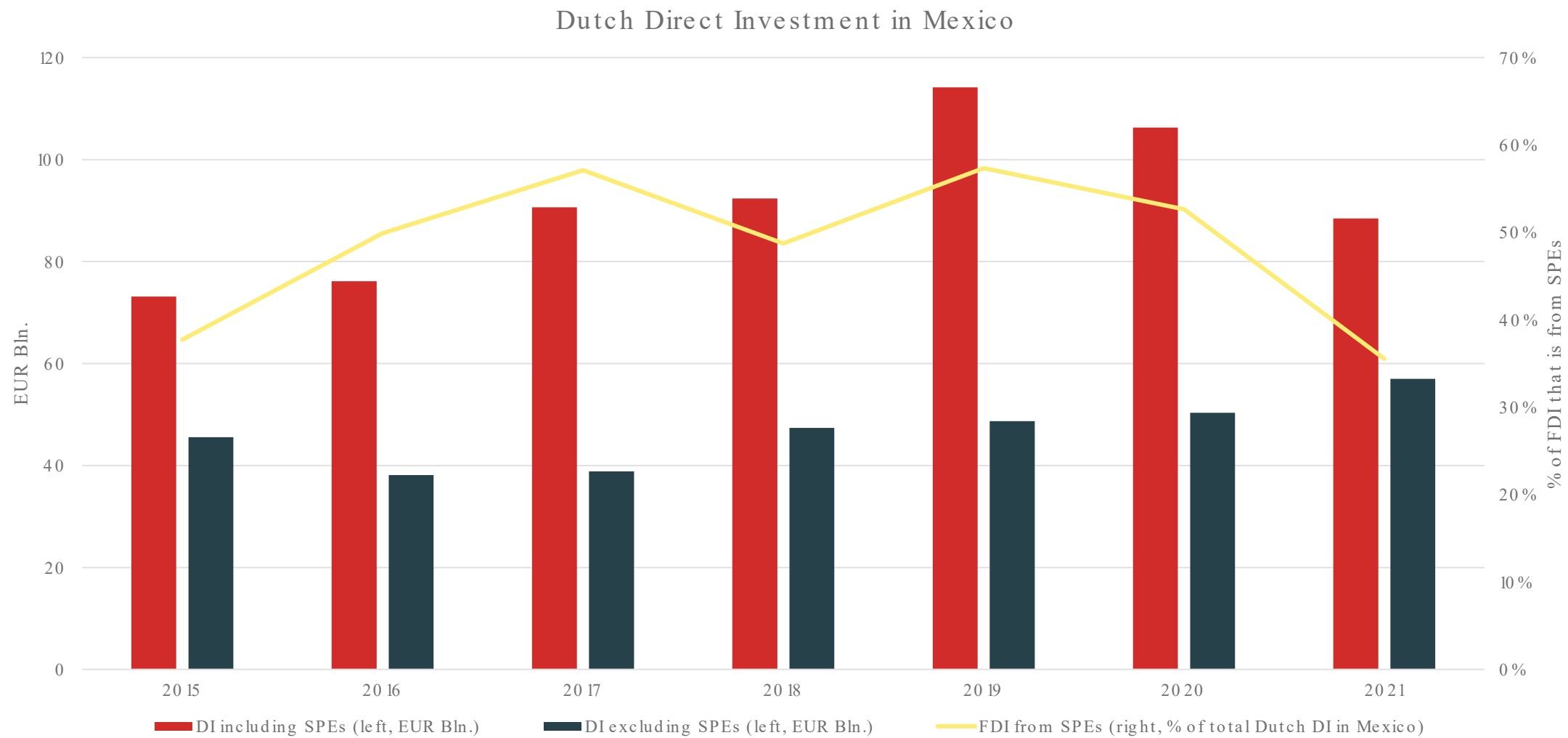
20% OF FDI IN MEXICO IS FROM THE NETHERLANDS



Source: IMF



HOWEVER, AROUND HALF OF THE 'DUTCH' FDI INTO MEXICO ORIGINATED FROM MAILBOX COMPANIES (SPEs)



Source: DNB

SEO (2016)\* PREDICTED A MODERNISED EU-MEXICO FTA TO INCREASE NL-MEXICO TRADE, BUT NO SIGNIFICANT EFFECT ON DUTCH GDP OR PRICES

	Estimated effects for the Netherlands resulting from EU - Mexico draft FTA	
	Change in percentage	Change in million EUR
Dutch exports to Mexico	24.88%	608
Dutch imports to Mexico	29.80%	493
Real GDP	0.02%	110
Domestic price level	-0.07%	-

\* SEO (2016), Impact of Six EU Free Trade Agreements on the Dutch Economy, Amsterdam: SEO Amsterdam Economics, SEO report number 2016-96. Link: [2016-96 Impact of Six EU Free Trade Agreements on the Dutch Economy.pdf \(seo.nl\)](https://www.seo.nl/publicaties/2016-96-Impact-of-Six-EU-Free-Trade-Agreements-on-the-Dutch-Economy.pdf)

EC IMPACT ASSESSMENT (2016)\* PREDICTED SIGNIFICANT INCREASE IN TRADE BETWEEN EU AND MEXICO

- An impact study commissioned by the EC and published in 2016\* predicted a significantly positive economic impact of the FTA modernisation for both Mexico and the EU, especially in terms of exports.
- According to this study's estimates,
  - Total EU exports to Mexico would increase by 75% in the 'ambitious scenario'
  - Total EU imports from Mexico were predicted to increase by 32.5% in the 'ambitious scenario'
- The 'ambitious scenario' assessed in this study is closest to the 2018 draft agreement reached by negotiators, as it assumes the removal of NTBs for manufacturing, services, and other non-agricultural goods and services

	Conservative Scenario		Ambitious Scenario	
Predicted effects by 2028	EU	Mexico	EU	Mexico
GDP, millions EUR (% <i>calculated by SEO</i> )	500 (0.00%)	1800 (0.00%)	1800 (0.00%)	6400 (0.00%)
Bilateral export, %	17%	9.3%	75.1%	32.5%
Wages, %, unskilled labour	0.02%	0.15%	0.10%	0.53%
Wages, %, skilled labour	0.02%	0.19%	0.09%	0.74%

\* EC (2016). Impact Assessment Accompanying the document Recommendation for a Council Decision authorising the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to open negotiations and to negotiate with Mexico a modernised Global Agreement. Link: [Final Impact Assessment report for Mexico \(europa.eu\)](#)

SUSTAINABILITY IMPACT ASSESSMENT (SIA 2019)\* PREDICTED  
SUBSTANTIAL INCREASES IN EU EXPORTS TO MEXICO FOR KEY SECTORS

Selection of most impacted sectors	Baseline (% share of total bilateral exports)	Ambitious (in % change)
Air transport	3.7%	0.3%
Business services	4.5%	2.8%
Chemicals	21.1%	141.1%
Metals and metal products	5.0%	143.2%
Milk and dairy products	4.0%	462.4%
Motor vehicles	19.2%	104.7%
Other machinery	13.3%	64.2%
Other services	4.5%	3.0%
Other transport equipment	3.7%	207.4%
Petrochemicals	3.8%	220.6%
Wood and paper products	3.0%	112.0%

\* LSE Consulting (2019). Sustainability Impact Assessment (SIA) in support of the negotiations for the modernization of the trade part of the Global Agreement with Mexico. Link: [Sustainability Impact Assessment \(SIA\) of the modernisation of the trade part of the global agreement with Mexico](#)

## SIA (2019) PREDICTED LIMITED IMPACT ON EMPLOYMENT AND POVERTY

### Employment

- Conservative scenario:
  - 5,000 unskilled and 2,800 skilled labour jobs expected to be created in the EU (largest gains expected in the milk and dairy, chemicals and construction industries).
  - Nearly offset by EU job losses estimated at 3,900 and 2,200 respectively (mainly in other manufacturing, other machinery, other transport equipment, electrical machine industries, and finance sectors).
- Ambitious scenario:
  - Expected creation of 21,000 unskilled and 12,000 skilled labour jobs in the EU, mainly in milk and dairy, petrochemicals and chemicals (over 50%), food products, motor vehicles and construction sectors.
  - Limited EU job losses (4,000 unskilled and 2,000 skilled labour) expected in sectors of other electrical machines, other machinery and other manufacturing.
    - NB: machinery, electrical machines and office machine parts are among the top imports of Mexico.

### Wages, inequality, poverty

- Limited effects on wages, inequality and poverty.
- Domestic reforms play a more important role in poverty and inequality reduction compared to trade.

## SIA (2019) PREDICTED MIXED EFFECTS ON HUMAN RIGHTS AND ENVIRONMENT

### Human rights

- Limited direct effects on the already high EU ability to protect, respect, and remedy human rights in the EU
- Potentially positive effects on the Mexican government's willingness to respect specific human rights and citizens' ability to demand their rights under domestic and international law (particularly for women and labour rights and data protection).

### Environmental impact

- The impact assessment voiced only limited concerns about the potential impact on GHG emissions; moderate concern about the increased use of pesticides in Mexican agriculture.
- The modernised GA is likely to favour a relocation of economic activity towards less energy and carbon intensive sectors:
  - Mexican commitment to introduce higher emission standards for new heavy-duty vehicles
  - More trade in certain goods and services with beneficial effects for the environment.
  - Specialisation of the EU and Mexico in the development of green technology in distinct pollution and climate change-related areas

## IMPACT ASSESSMENT OF FTA MODERNISATION: AGRICULTURE

For agriculture, the SIA report (2019) summarised its findings as follows:

- The modernised draft agreement may imply an overall reduction of the costs of production and trade in agricultural products for all EU exporters. Production costs would decrease due to the expected elimination of tariffs. Trade costs would further decline following a reduction of non-tariff barriers (NTBs), reducing transaction costs.
- It is likely that this will particularly benefit SMEs: whilst large exporters may find it costly, but possible to meet existing NTBs, for SMEs these often represent very high if not prohibitive barriers. The reduction of these barriers will enable SMEs to start exporting to Mexico.
- With respect to the agricultural sector the draft agreement is not expected to have significant environmental impacts. The effects on consumers are expected to be minimal as a result of a low share of agricultural trade with Mexico and the small share that food represents in their total consumption.

## IMPACT ASSESSMENT OF FTA MODERNISATION: MANUFACTURING

The SIA (2019) predicted the draft FTA to impact the manufacturing sector in several areas.

- The discussion on key challenges for the manufacturing sector touched on cross-sectional topics such as the regulatory framework, rule of law, and environmental impacts that apply to the many subsectors within manufacturing.
- **The untapped opportunities section emphasised motor vehicles: the subsector for which the greatest impact was expected**, and for which there was most information available relative to other subsectors (energy commodities, chemicals, machinery, and metal parts).
- Specifically, the analysis indicated that the modernisation of the GA should centre on two strategic areas: **reduction of NTBs and protection of intellectual property rights**.
  - Based on the challenges posed by NTBs, the GA modernisation should focus on fostering regulatory coherence between the EU and Mexico, improving domestic efforts to institute efficient, transparent, and inclusive regulatory measures.
  - By improving the regulatory environment and granting governments and investors increased legal certainty, the Modernised GA will facilitate bilateral trade and investment, in particular by enhancing the implementation of IPRs in Mexico, but also establishing the necessary mechanisms for the country to comply with its IPR commitments as per international agreements.



## IMPACT ASSESSMENT OF FTA MODERNISATION: TRADE IN SERVICES

The SIA (2019) predicted the draft EU-Mexico FTA to have positive spill-overs to trade in services:

- **Business services often play an enabling and facilitating role for economic activity & trade.**
  - Business services, like financial services, provide direct inputs that are crucial for manufacturing when it comes to productivity growth and competitiveness in exporting manufactured commodities.
  - EU-Mexico trade in business services increased since 2010, with a significant EU surplus.
- **EU and Mexican SMEs could both benefit from increased liberalisation of trade in business and professional services**
  - Many EU SMEs are strong exporters in transportation and storage services, wholesale and retail trade, as well as professional and scientific services.
  - Both EU and Mexican SMEs often lack in-house services and could therefore potentially benefit from increased trade in services

## FURTHER RESEARCH IS NEEDED TO ASSESS THE FOLLOWING POTENTIAL TRADE OPPORTUNITIES ARISING FROM THE DRAFT FTA

### Potential opportunities for Mexico (Mexico -> NL)

- **Machinery:**
  - Most Mexican exports to the Netherlands are machinery goods (especially telephone sets and data processing machines)
  - These goods are also among Mexico's top exports to the world
  - Therefore, it is possible that Mexican machinery exports to the Netherlands could increase with the adoption of the draft FTA
  
- **(Motor) Vehicles**
  - Mexico is the world's fifth biggest exporter of motor vehicles, accounting for more than 20 percent of world trade in motor vehicles (in which it also has an NRCA).
  - However, currently, less than 1 percent of Dutch imports of motor vehicles come from Mexico, and almost three quarters of Mexican exports of motor vehicles go to the USA
  - With the adoption of the draft FTA, Mexican exports of motor vehicles to the EU (and the Netherlands) could increase

### Potential opportunities for the Netherlands (NL -> Mexico)

- **Dairy**
  - The Netherlands is currently only makes up around 2 percent of Mexican imports of dairy (mostly cheese), while the US is responsible for around 70 percent of Mexican dairy imports (including cheese).
  - Given the Netherlands' comparative advantage in dairy, the adoption of the draft FTA might increase the competitiveness of Dutch dairy exports to Mexico
  
- **Vehicles**
  - The Netherlands is also a major exporter of vehicles (mainly tractors and motor vehicles)
  - Previous studies identify a potential increase in motor vehicle exports from the EU to Mexico as a result of this draft FTA (which could partly come from the Netherlands)
  
- **Services**
  - The Netherlands is already a top 10 exporter of financial services to Mexico
  - Previous studies predicted an increase in trade in business and professional services with the adoption of the draft FTA

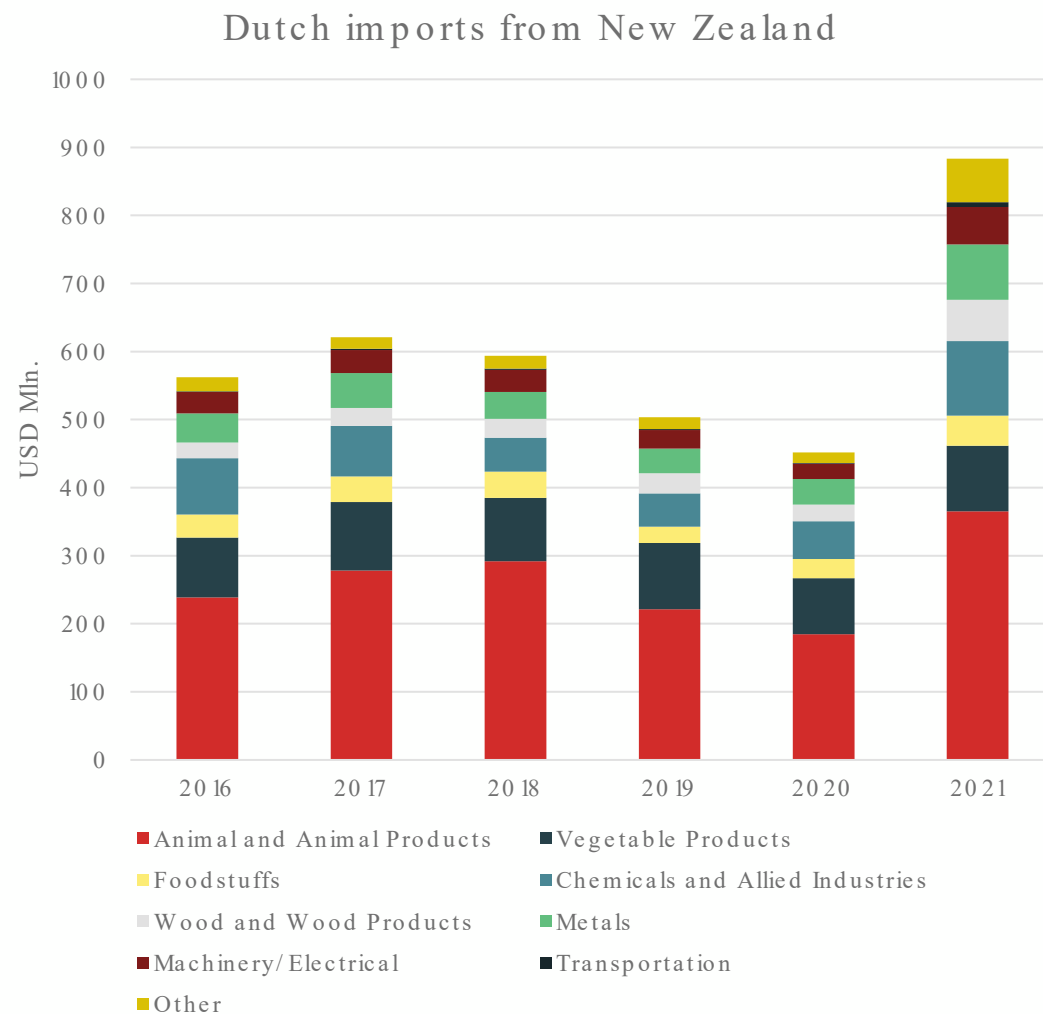
**NEW ZEALAND**

## NEW ZEALAND-EU DRAFT FREE TRADE AGREEMENT

- On 30 June 2022, the European Union and New Zealand concluded their four-year negotiations on the first full-fledged draft trade agreement.
  - Negotiations began in June 2018 and took place over 12 negotiating rounds.
- Key aspects of the draft FTA:\*

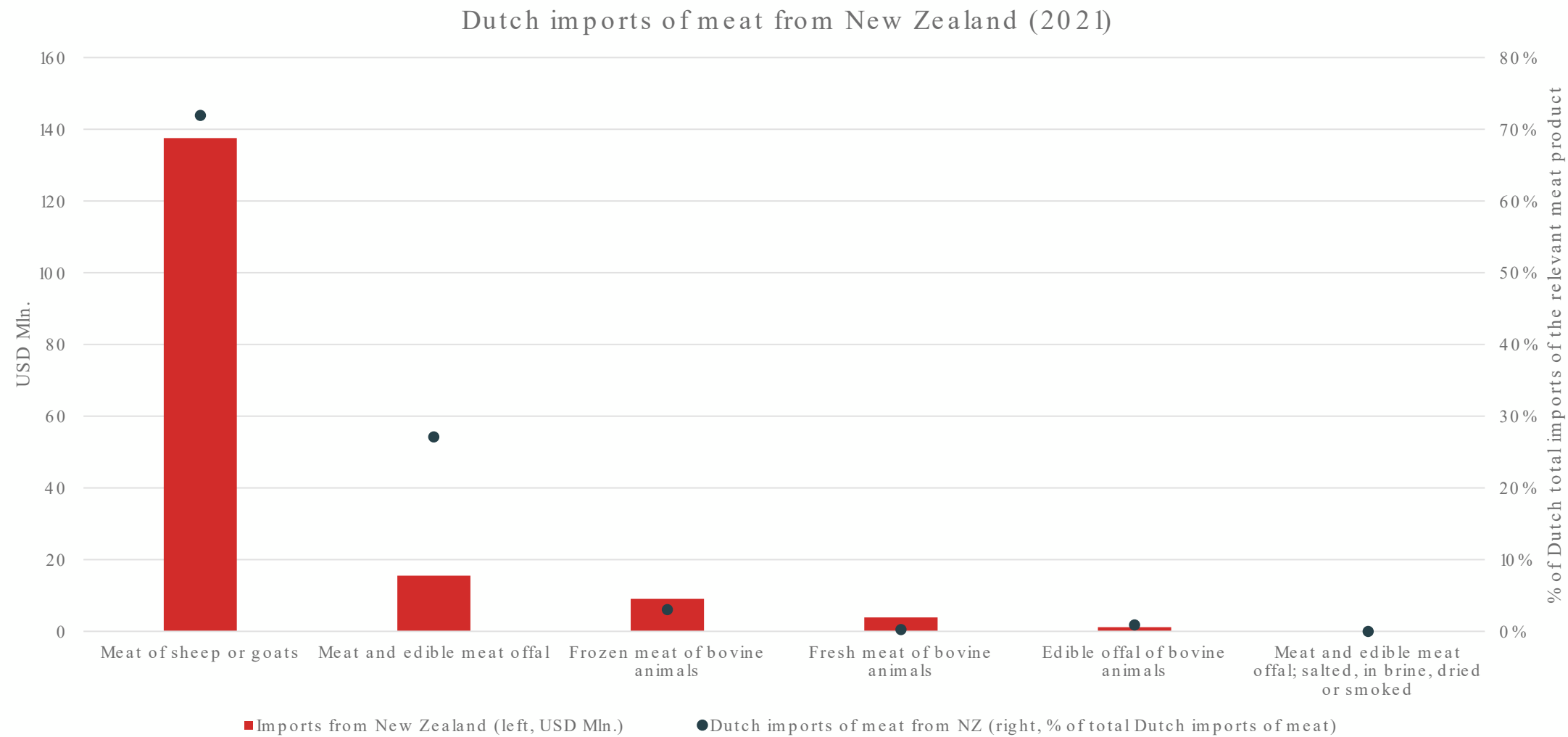
\* Sources: European Commission, [The EU-New Zealand trade agreement \(europa.eu\)](https://ec.europa.eu/economy_finance/eu-nz-trade-agreement) ;  
[EU-NZ Trade Agreement: Unlocking sustainable economic growth \(europa.eu\)](https://ec.europa.eu/economy_finance/eu-nz-trade-agreement)

## THE LARGEST DUTCH IMPORTS FROM NEW ZEALAND ARE ANIMAL PRODUCTS

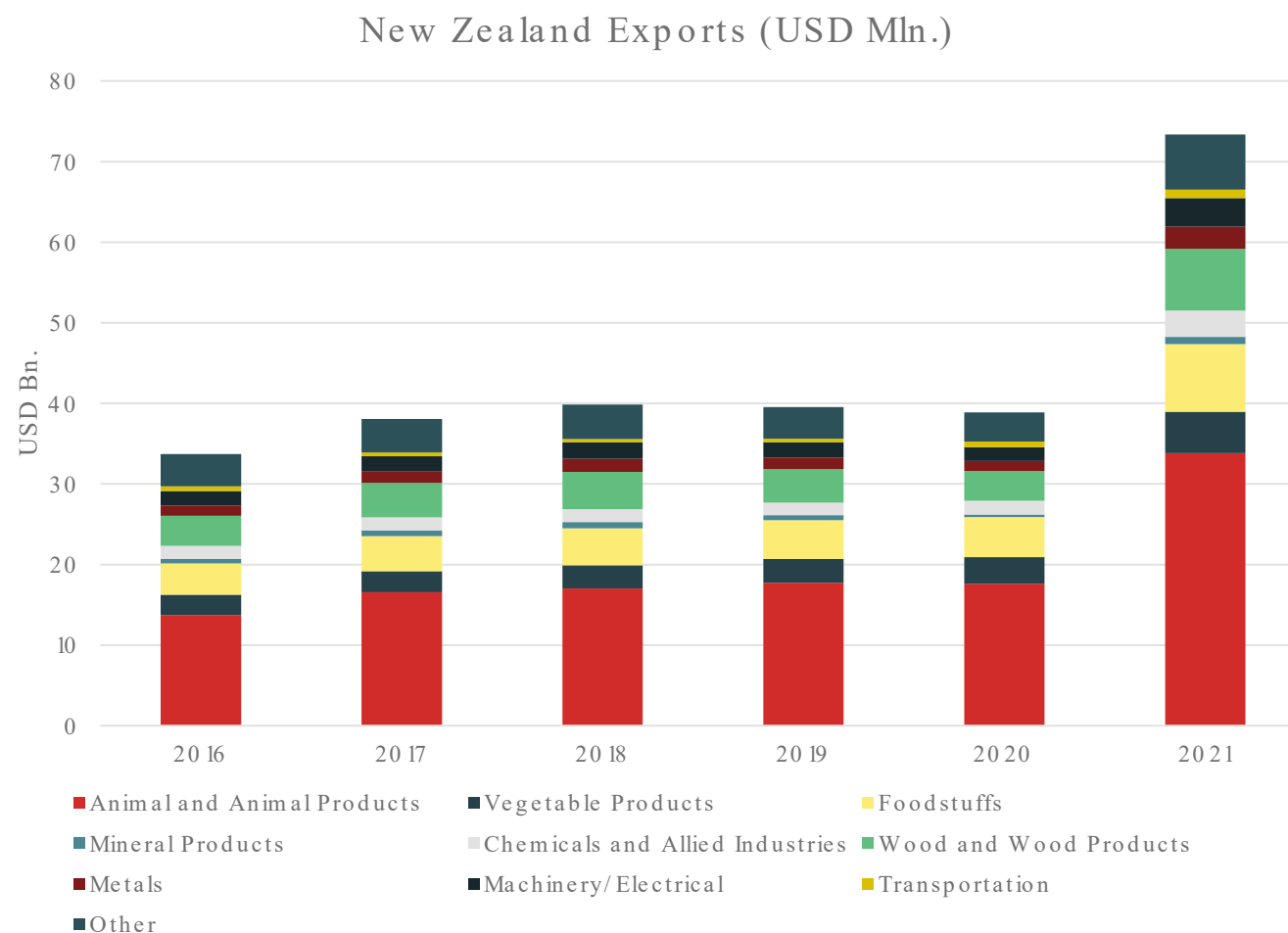


- Almost half of Dutch imports from New Zealand consist of animal products
- 34 percent of Dutch imports from New Zealand in 2021 were meat
- Dutch imports from NZ substantially increased from 2020 to 2021. This was largely driven by higher export prices for meat

IN 2021, 72% OF DUTCH IMPORTS OF SHEEP/GOAT MEAT CAME FROM NEW ZEALAND

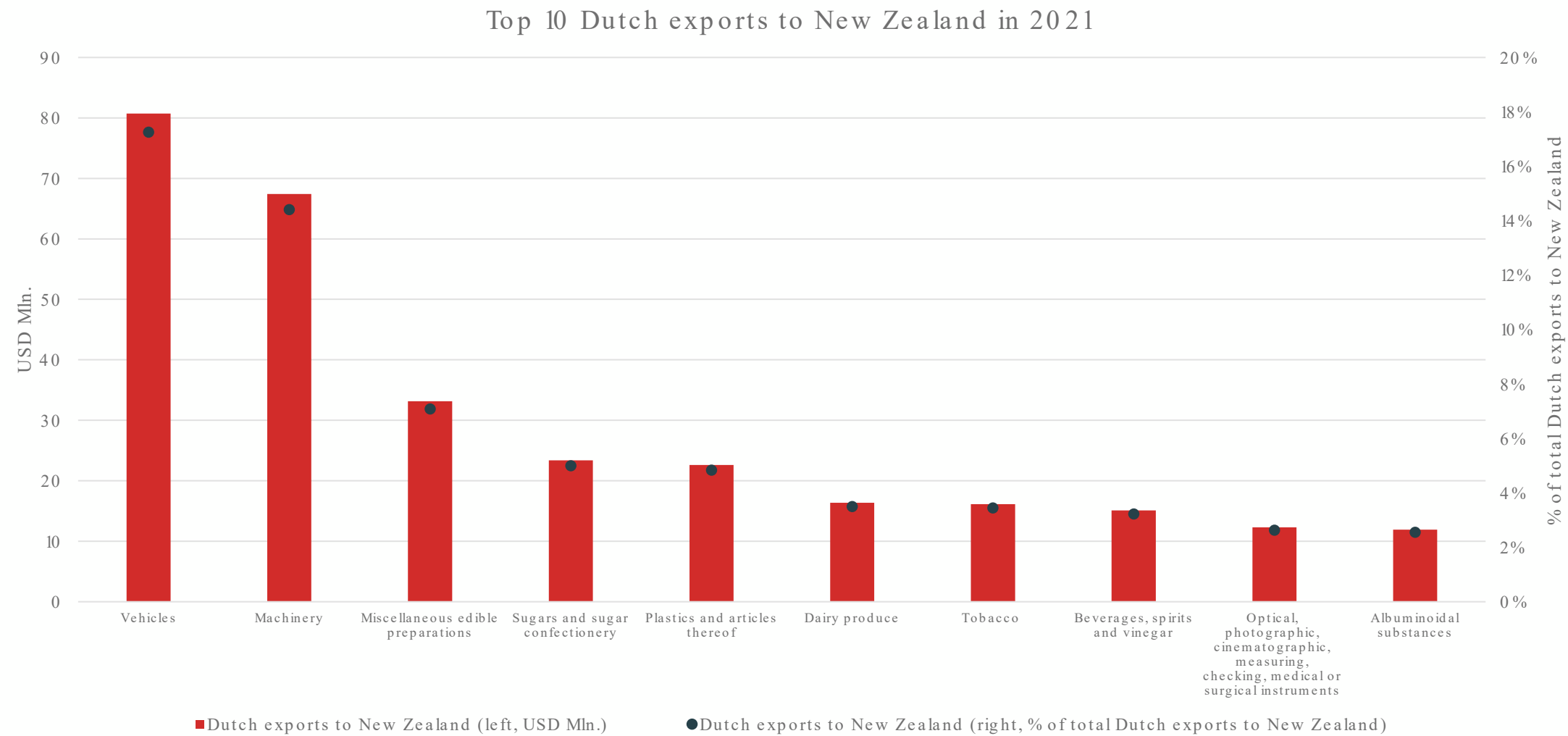


ALMOST 50% OF NEW ZEALAND'S EXPORTS TO THE WORLD ARE ANIMAL PRODUCTS (MEAT AND DAIRY PRODUCTS) WHICH ALSO CONSTITUTE A LARGE PART OF DUTCH EXPORTS TO THE WORLD



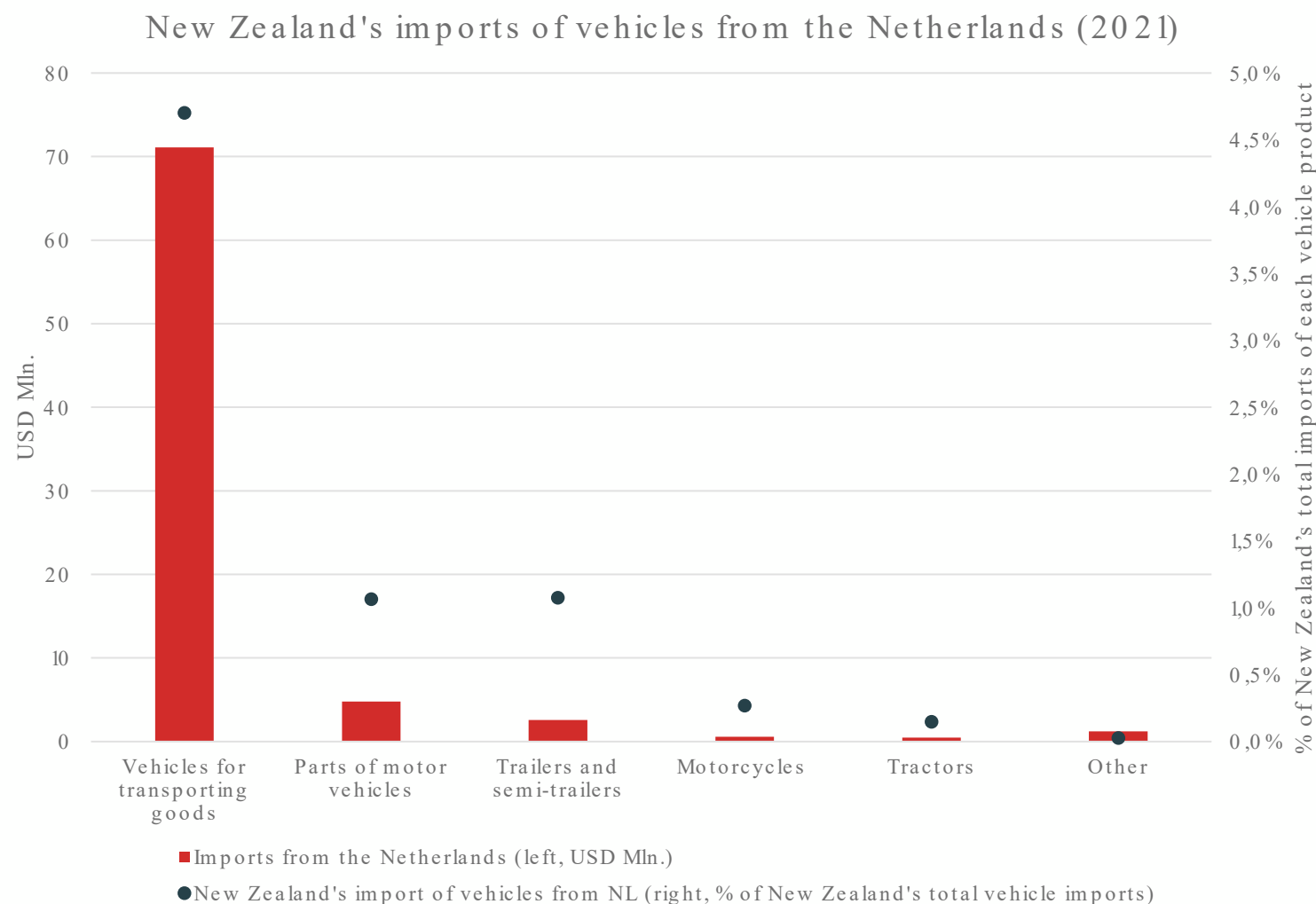
- Meat already makes up a large part of NZ exports to NL, but dairy does not  
-> both could potentially increase with the draft FTA (NZ has an NRCA in both meat and dairy)
- Although meat and dairy make up a large share of Dutch exports, increased NZ exports of meat may not cause competition as NZ and NL largely export different products:
  - The main meat exports of NL are pork and poultry products (while NZ mainly exports sheep and bovine animals)
  - The main dairy exports of the NL are cheese and curd (while the main NZ dairy exports are milk and cream)

THE TOP DUTCH EXPORTS TO NEW ZEALAND ARE VEHICLES AND MACHINERY





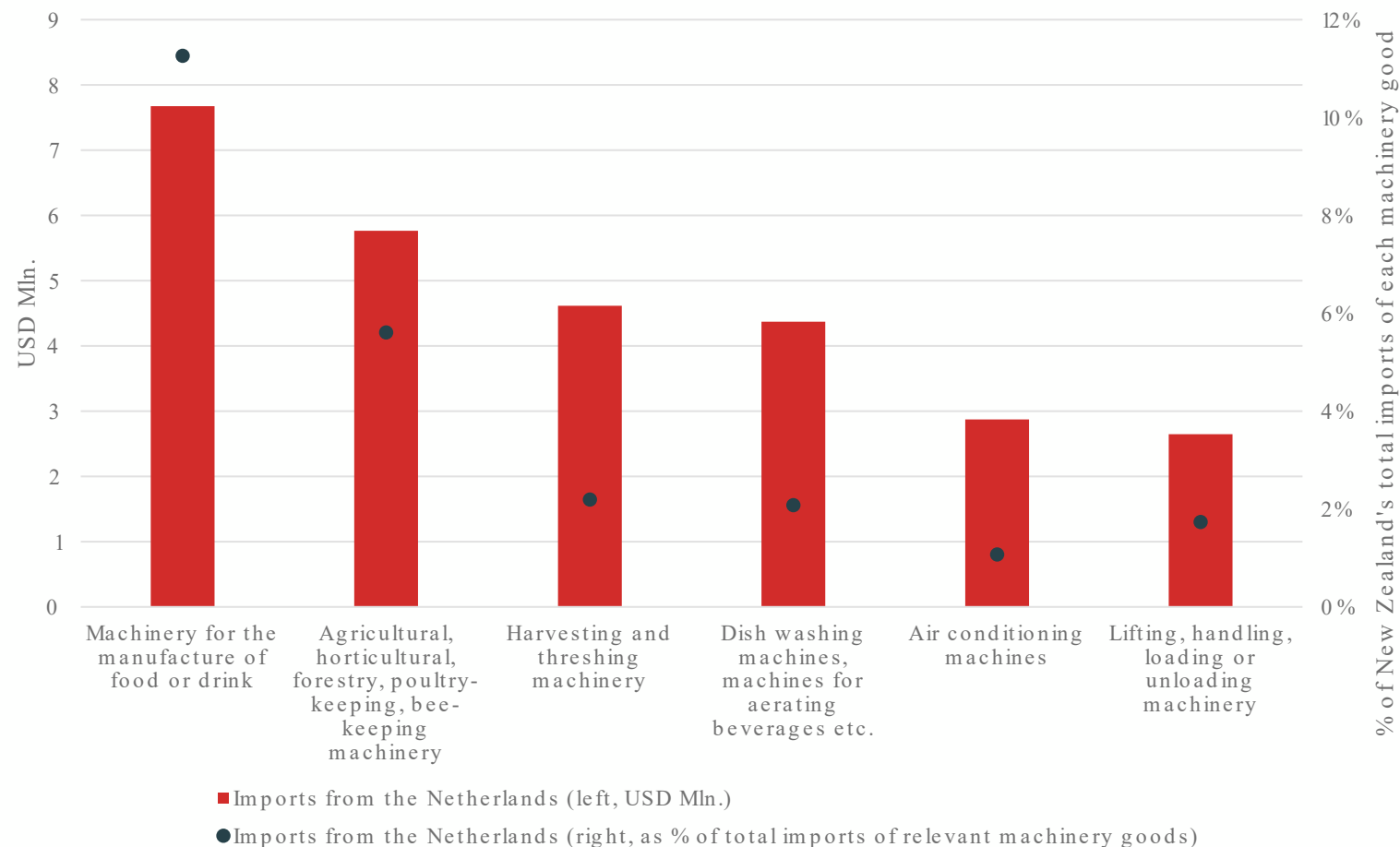
## THE NETHERLANDS MOSTLY EXPORTS VEHICLES FOR TRANSPORTING GOODS TO NEW ZEALAND



- Most of the Netherlands' vehicle exports to New Zealand are vehicles for transporting goods
- In 2021, New Zealand imported 5% of its vehicles for transporting goods from the Netherlands
- 3 percent of New Zealand's total imports from the world are vehicles for transporting goods

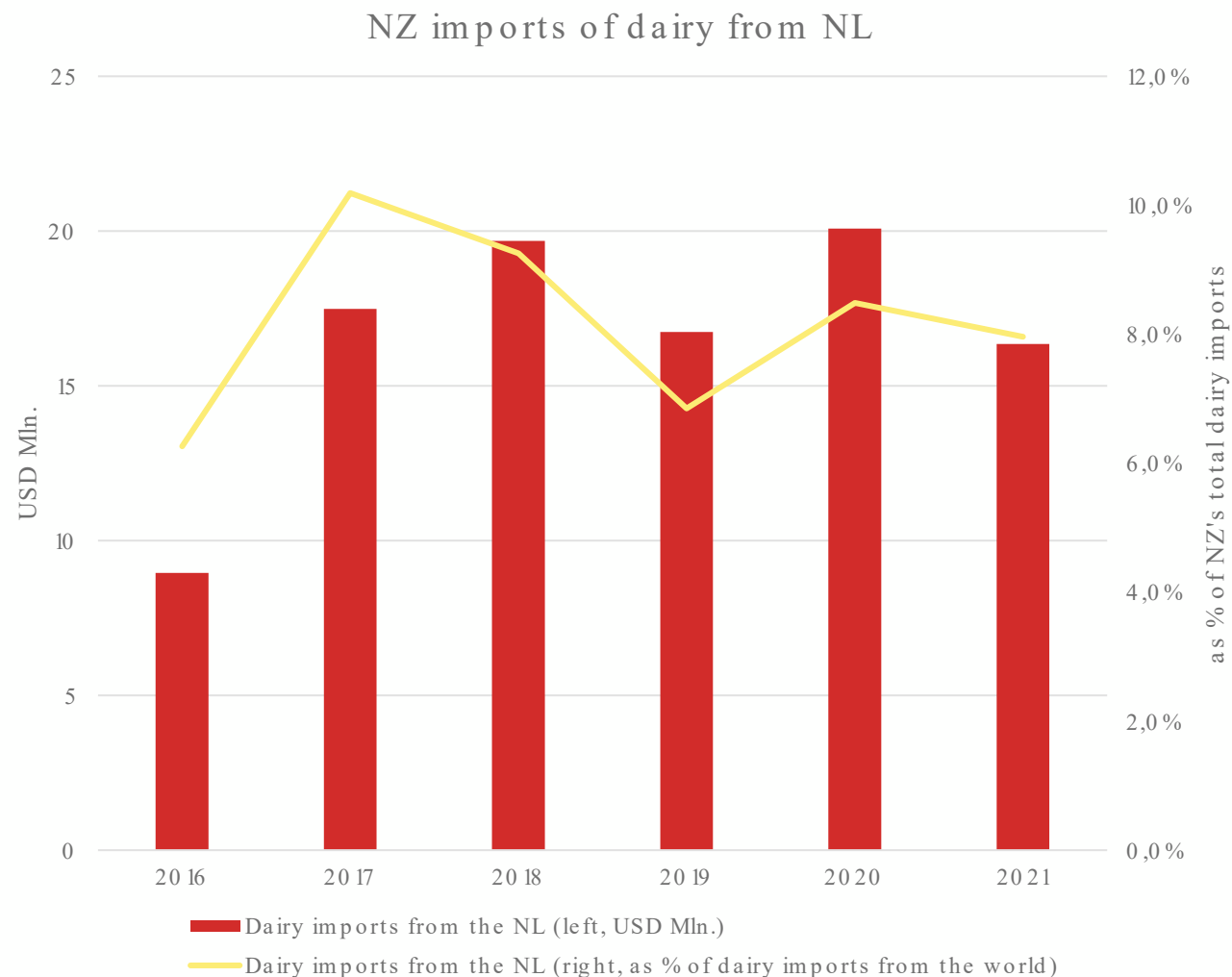
# MOST OF NEW ZEALAND'S MACHINERY IMPORTS FROM THE NETHERLANDS ARE FOOD AND AGRICULTURE-RELATED MACHINES

New Zealand's imports of nuclear reactors, boilers, machinery and mechanical appliances (2021)



■ New Zealand imported 11 percent of its machinery for the manufacture of food and drink from the Netherlands in 2021

# THE NETHERLANDS IS THE 5<sup>TH</sup> BIGGEST EXPORTER OF DAIRY TO NEW ZEALAND

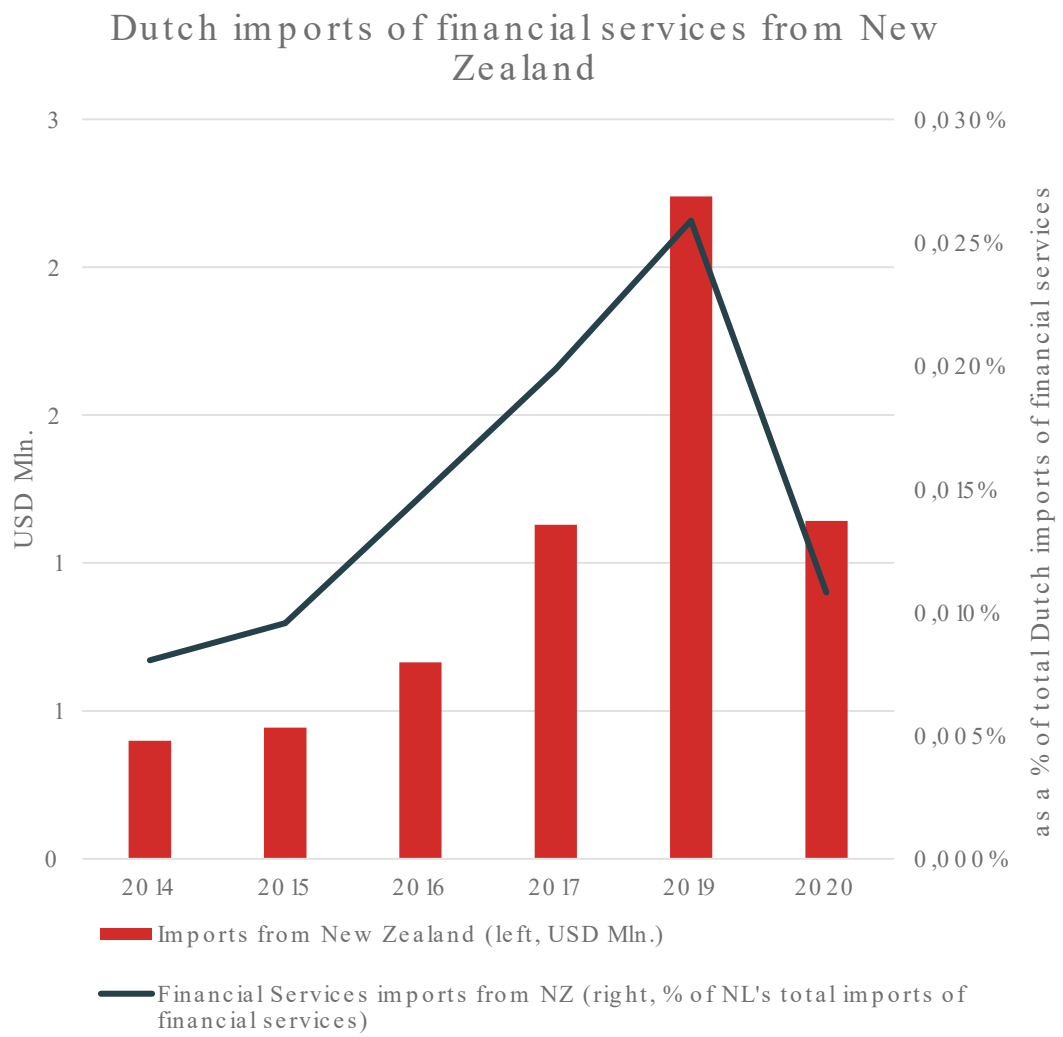
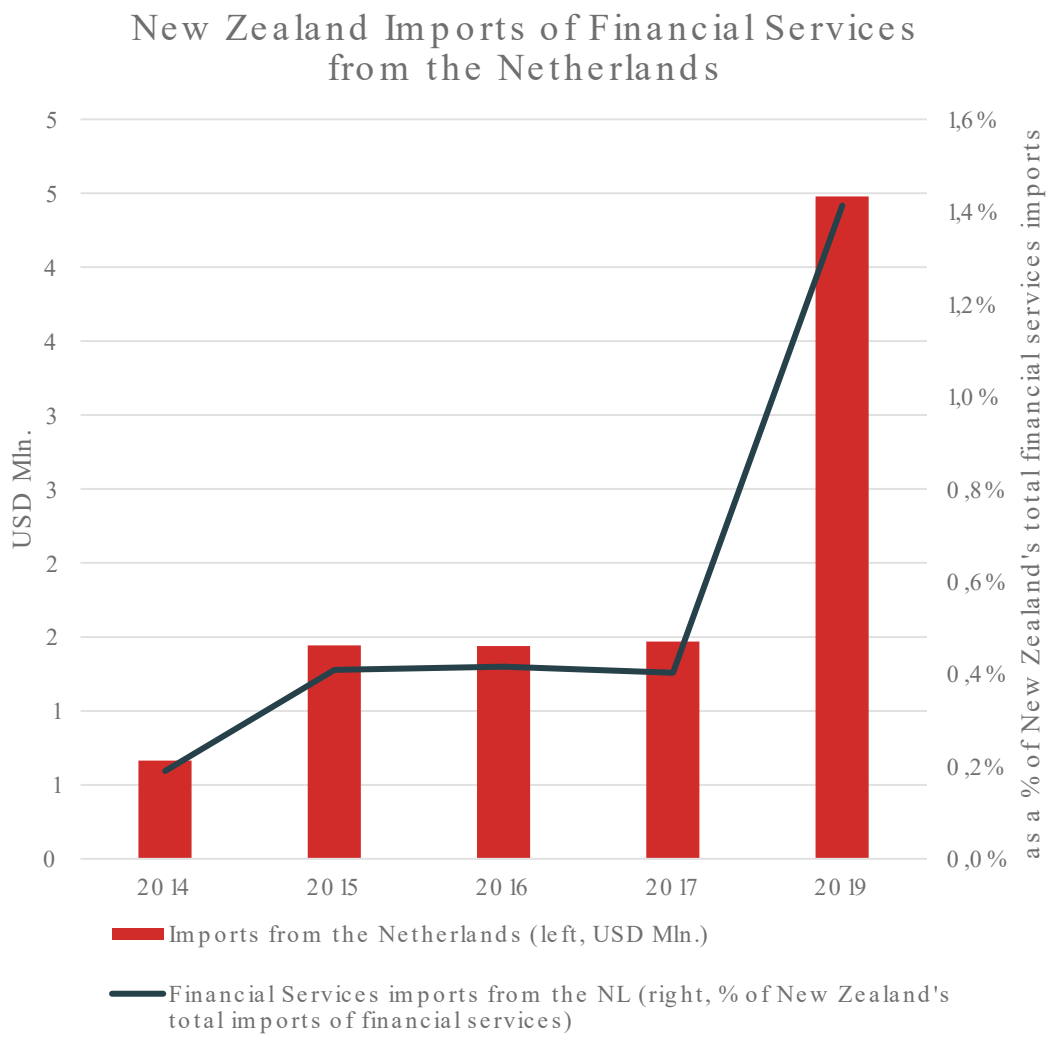


■ Top exporters of dairy to New Zealand (in 2021) were 1) USA, 2) Australia, 3) Germany, 4) Italy, 5) Netherlands

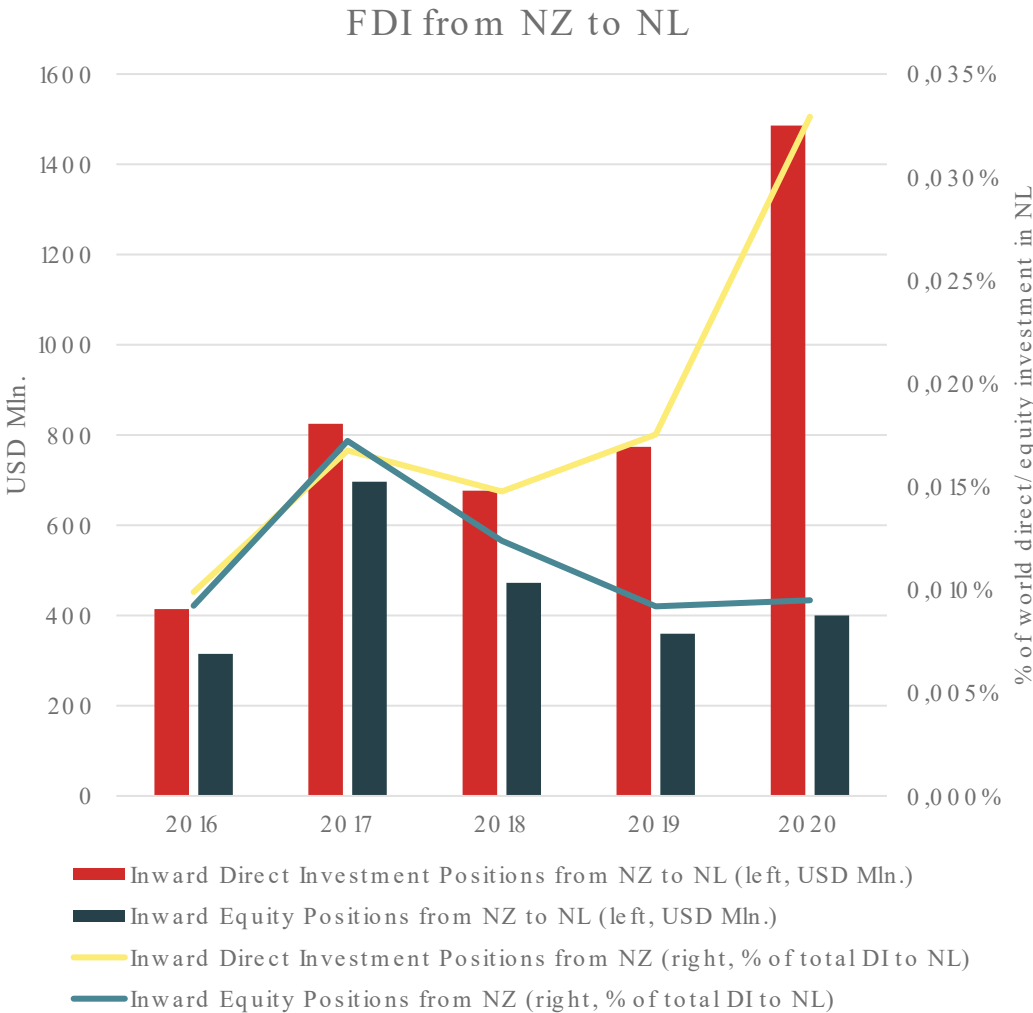
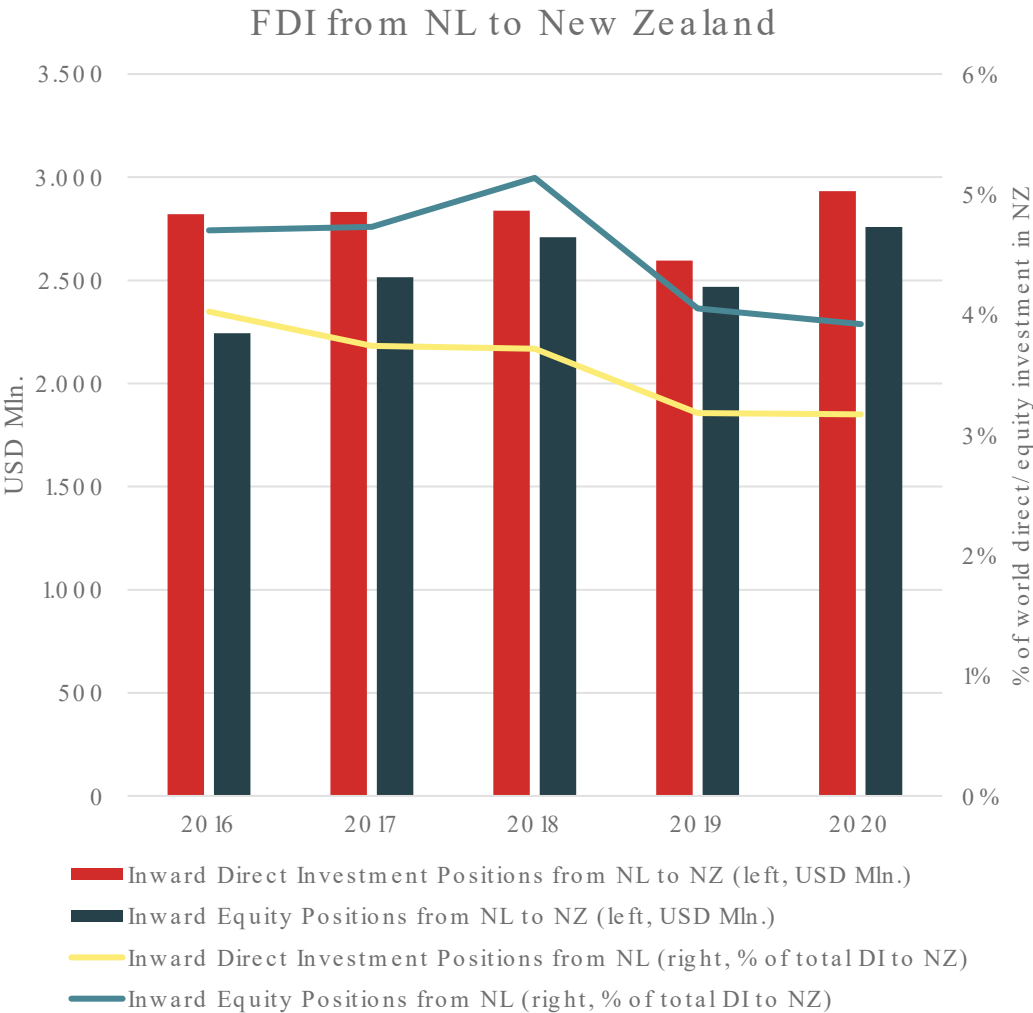
■ New Zealand imports around 10 percent of its dairy from the Netherlands (mainly milk and cream products)

■ The Netherlands mainly imports whey and products constituting of natural milk constituents from New Zealand, but only imports around 0.3% of its dairy imports from New Zealand

TRADE IN FINANCIAL SERVICES BETWEEN THE NETHERLANDS AND NEW ZEALAND WAS LIMITED THUS FAR

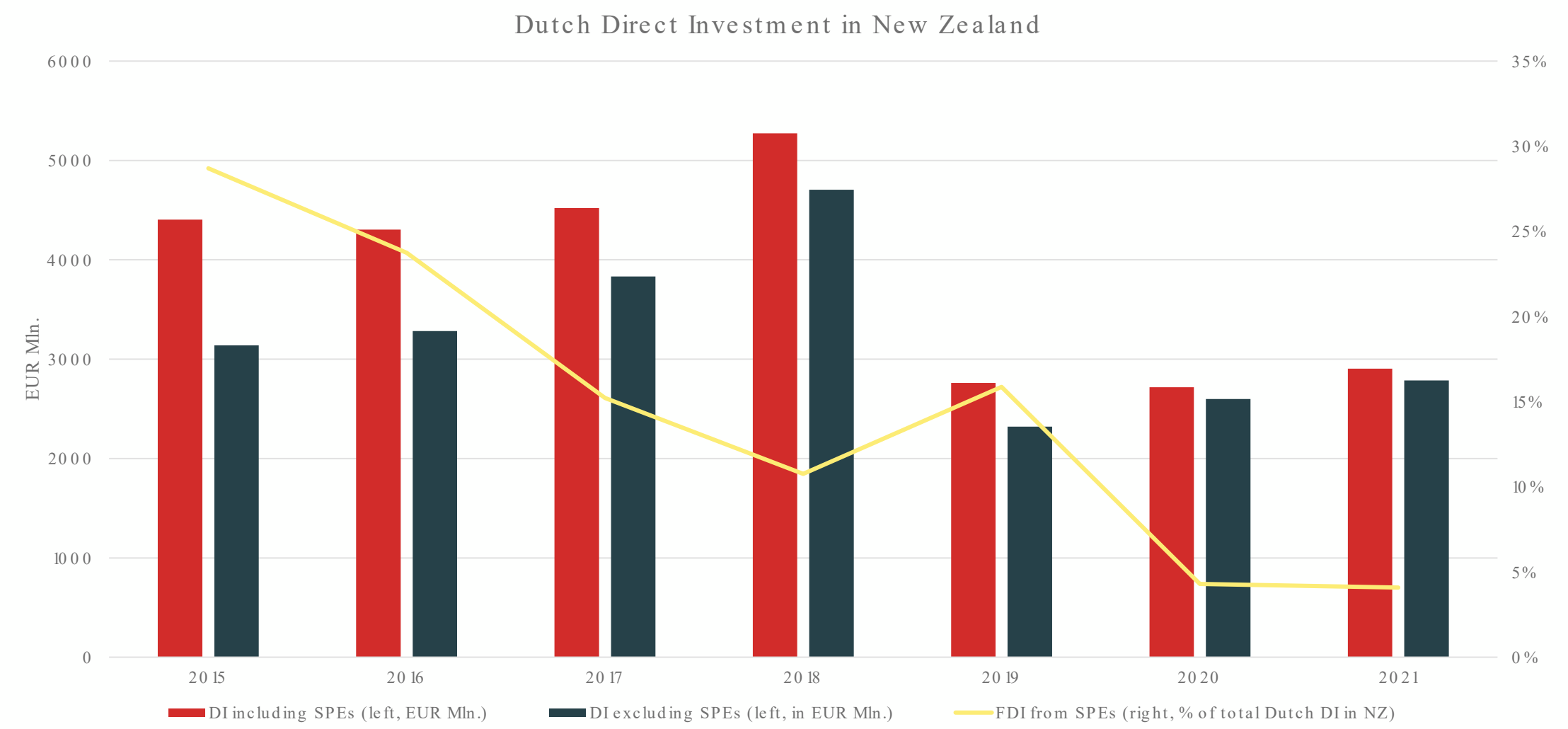


THE NETHERLANDS IS A SMALL BUT NOT UNIMPORTANT FOREIGN INVESTOR IN NEW ZEALAND (ACCOUNTING FOR 3-5% OF FDI)



Source: IMF

UNLIKE FOR MEXICO AND CHILE, MOST FDI FROM THE NETHERLANDS TO NEW ZEALAND DID NOT COME FROM SPEs



Source: DNB

## THE 2017 AND 2019 IMPACT ASSESSMENTS EXPECTED VARIOUS BENEFITS OF THE NEW ZEALAND-EU DRAFT FTA

- According to the 2017 impact assessment:
  - Bilateral trade expected to increase by up to 30%
  - EU annual exports expected to increase by up to €4.5 billion
  - EU investment in New Zealand expected to increase by up to 80%
  - From the first year of application, the draft agreement has the potential to save EU companies up to €140 million per year in duties
- According to the 2019 sustainability impact assessment\*\*, EU sectors that are expected to benefit most:
  - Machinery, chemicals, motor vehicles and transport equipment, metals, electronic equipment, textiles, food products (dairy and other meat)
  - Communication, financial services, other services

\* LSE (2017). Impact Assessment Accompanying the document Recommendation for a Council Decision authorising the opening of negotiations for a Free Trade Agreement with New Zealand. Link: [EC Impact Assessment of EU-NZ FTA - Working Document](#).

\*\* BKP (2020). Trade Sustainability Impact Assessment in support of FTA negotiations between the European Union and New Zealand. Link: [Trade Sustainability Impact Assessment of EU-NZ FTA - Final Report](#)

SEO (2016)\* PREDICTED A MODERNISED EU-NZ FTA TO BOOST NL-NZ TRADE, WITHOUT A SIGNIFICANT EFFECT ON DUTCH GDP OR PRICES

	Estimated effects for the Netherlands resulting from EU -NZ draft FTA	
	Change in percentage	Change in million EUR
Dutch exports to New Zealand	162.63 %	609
Dutch imports to New Zealand	121.04 %	622
Real GDP	0.01 %	91
Domestic price level	-0.03 %	-

\* SEO (2016), Impact of Six EU Free Trade Agreements on the Dutch Economy, Amsterdam: SEO Amsterdam Economics, SEO report number 2016-96. Link: [2016-96 Impact of Six EU Free Trade Agreements on th Dutch Economy.pdf \(seo.nl\)](#)



SUSTAINABILITY IMPACT ASSESSMENT (SIA 2020)\* PREDICTED  
SIGNIFICANT INCREASE IN TRADE BETWEEN EU AND NEW ZEALAND

The 2020 sustainability impact assessment\* computes effects for two liberalisation scenarios:

- Conservative scenario: Full liberalisation by the EU for all industrial products and most agricultural products apart from selected sensitive products: rice, cereal, sugar, fruit and vegetables, ruminant meat and dairy, full liberalisation by Australia and New Zealand for all products; no change in NTBs
- Ambitious scenario: Full trade liberalisation by both parties; a 10% cut in NTBs by New Zealand for industrial goods

The draft agreement between negotiators of 30 June 2022 seems closer to the conservative scenario as selected agricultural products are exempt from the EU liberalisation.

	Conservative		Ambitious	
Predicted effects by 2030	NZ	EU	NZ	EU
GDP, in EUR million (% <i>calculated by SEO</i> )	680 (0.00%)	1,755 (0.00%)	1,333 (0.00%)	3,917 (0.00%)
Bilateral exports, % change	10.2%	<b>13.5%</b>	23.4%	<b>31.7%</b>
Wages, %, unskilled labour	0.3%	0%	0.7%	0%
Wages, %, skilled labour	0.2%	0%	0.5%	0%

\* BKP (2020). Trade Sustainability Impact Assessment in support of FTA negotiations between the European Union and New Zealand. Link: [Trade Sustainability Impact Assessment of EU-NZ FTA - Final Report](#)

THE SIA (2020)\* PREDICTED A POSITIVE IMPACT FOR EU EXPORTS FOR SEVERAL SECTORS, INCLUDING MEAT, DAIRY, AND MACHINERY.

Selection of most impacted sectors	Conservative (% change)	Ambitious (% change)
Other meat (than ruminant meats)	29.4%	30.4%
Dairy products	27.2%	29.4%
Coal	-0.4%	96.2%
Gas	1.2%	2611.8%
Metal products	21.2%	52.0%
Non-metallic minerals	17.3%	53.4%
Motor vehicles & transport equipment	22.2%	43.0%
Machinery	19.5%	62.4%
Electronic equipment	12.2%	53.0%
Textile, apparel, leather	47.3%	101.1%

## SIA (2020) PREDICTED AMBIGUOUS EFFECTS FOR DAIRY AND INCREASED EU EXPORTS OF MACHINERY TO NZ

### Dairy

- Effects could go both ways, as both EU and NZ are dairy exporters
- EU: Output predicted to rise by 0.1% (conservative) or decline by 0.1% (ambitious).
- NZ: Output predicted to change by -0.8% (conservative) or 0.5% (ambitious).
- In the ambitious scenario, increased market access for NZ dairy sector exports results in a drop in EU production and a rise in NZ production, with increased NZ dairy exports to EU

### Machinery

- EU: increase in machinery output by 0.1% (ambitious scenario), still significant given sector size; no change under a conservative scenario
- NZ: fall in machinery output by 0.6% (conservative) to 2.8%, (ambitious)
- Employment effects in the EU in line with output effects and slightly stronger in NZ
- Risk that migrant workers in NZ are negatively affected (as machinery is a sector with a high share of migrant workers)

## SIA (2020) PREDICTED INCREASED EU EXPORTS OF MOTOR VEHICLES TO NZ

### **Motor vehicles and transport equipment**

- EU: Output estimated to increase by 0.2% (conservative scenario) or 0.3% (ambitious scenario), with increased EU exports to NZ
- NZ: Output expected to decline by 1.3% (conservative scenario) or 2.7% (ambitious scenario, much lower baseline value in comparison with EU)
- Environmental aspect: Potential in both scenarios for lowering impact of road transportation in NZ, if EU car manufacturers sell cars with higher level of fuel efficiency

### **Communication and business services**

- NZ: Output expected to increase by 0.2% (conservative) or 0.5% (ambitious)
- EU: Negligible impact on output (0.0% in both scenarios)

## SIA (2020) PREDICTED INCREASED NZ MEAT EXPORTS TO EU

### Ruminant meat

- EU output: expected to increase by 0.2% (conservative scenario) or decrease by 1.4% (ambitious scenario)
- New Zealand output: expected to decrease by 0.1% (conservative scenario) or increase by 4.1% (ambitious scenario)
  - However, according to the NZ government and sector associations, actual output increases would be impossible due to significant supply constraints
- Draft FTA could negatively affect the right to work and the right to an adequate standard of living for beef and sheep meat producers in the EU and affect these rights positively for NZ
- Methane and nitrous dioxide emissions predicted to increase in NZ and decrease in EU (ambitious scenario)
- Possible increased pressure on water quality, soil compaction and biodiversity in NZ

## SIA (2020) PREDICTED LIMITED SOCIAL AND ENVIRONMENTAL EFFECTS

### ■ **Social impact**

- Employment effects were expected to be limited in most sectors
- EU employment in the EU was expected to shift from some agricultural sectors (ruminant meat, rice, sugar, vegetables, fruits and nuts) and the coal sector to motor vehicles, transport equipment and gas.
- Under the ambitious scenario, employment opportunities for migrant workers in New Zealand would increase\*

### ■ **Environmental impact**

- Net increase in non-CO2 greenhouse gas emissions (only under the ambitious scenario), resulting from increased production in New Zealand and in the EU. Under the conservative scenario, there is an expected net decrease in non-CO2 greenhouse gas emissions.
- Negative impact on land use in New Zealand, driven by expected increase in NZ production of meat (beef and sheep), fruits and vegetables

### ■ **Human rights impact - expected to be very limited**

## FURTHER RESEARCH IS NEEDED TO ASSESS THE FOLLOWING POTENTIAL TRADE OPPORTUNITIES ARISING FROM THE DRAFT FTA

### Potential opportunities for New Zealand (NZ -> NL)

#### ▪ **Meat:**

- Currently, around 1/3 of Dutch imports from New Zealand comprise meat products, with as much as 72% of Dutch sheep and goat imports coming from New Zealand
- Almost half of New Zealand's exports to the world are animal products (including meat).
- Given its competitiveness in the meat sector, New Zealand's meat exports to the Netherlands could increase with this draft FTA.
- A previous study predicted that, under an ambitious scenario, New Zealand's exports of meat (beef and sheep) to the EU could increase by up to 25 percent

#### ▪ **Dairy:**

- New Zealand is the largest exporter of dairy in the world
- However, less than 1 percent of Dutch dairy imports came from New Zealand thus far (potentially because of the strong Dutch dairy sector)
- A previous study shows that, in an ambitious scenario, New Zealand's exports of dairy to the EU could increase by a large percentage
- More research is needed to assess the extent to which this could imply increased competition for Dutch dairy exporters

### Potential opportunities for the Netherlands (NL -> NZ)

#### ▪ **Machinery:**

- Machinery makes up a large portion of Dutch exports to New Zealand - largely food and agriculture-related machinery
- Previous studies expect an increase in the EU's machinery exports to New Zealand under this draft FTA, which could partly come from the Netherlands

#### ▪ **Dairy:**

- The Netherlands is the fifth biggest exporter of dairy to New Zealand, accounting for around 10 percent of New Zealand's imports of dairy (mainly milk and cream products)
- Previous studies predicted dairy exports from the EU to New Zealand to increase under this draft FTA. As the Netherlands is the second largest dairy exporter in the EU, this could potentially benefit Dutch dairy exporters

#### ▪ **Vehicles:**

- The top Dutch exports to New Zealand in 2021 were vehicles (mostly vehicles for transporting goods)
- New Zealand imported 5 percent of its vehicles for transporting goods from the Netherlands in 2021
- Previous studies predicted an increase in EU exports of vehicles to New Zealand