

# THE SOUTHERN LINK

ADVANCING NEW ZEALAND'S POTENTIAL AS A TRADE,  
TOURISM AND LOGISTICS HUB CONNECTING ASIA,  
LATIN AMERICA, AUSTRALIA AND THE PACIFIC



AUCKLAND SEMINAR, 24 SEPTEMBER 2024  
REPORT FOR MINISTERS



*Ko Te Kaunihera o Aotearoa me Haina*  
New Zealand China Council  
新西兰-中国关系促进委员会



Trade Works

ExportNZ®

  
LANZBC  
Latin America New Zealand  
Business Council

  
NZIER  
NEW ZEALAND INSTITUTE OF  
ECONOMIC RESEARCH

## **EXECUTIVE SUMMARY**

- The Southern Link has potential to create a new supply chain across New Zealand linking Asia and Latin America, with the capacity to develop new opportunities for New Zealand in trade, e-commerce, tourism and international education.
- New Zealand would benefit in particular by new capacity introduced on routes to Latin America, the low number of which has hampered the development of trade links; and from leveraging growth in trade and tourism between Asia and Latin America.
- The concept supports a number of key Government goals including doubling export value by 2035.
- A new air route connecting Asia with Latin America via New Zealand will be one critical key to unlock the Southern Link.
- Development of the concept would be helped by the Government taking a more proactive role, particularly in promoting the Southern Link to partner governments and transport providers, and in engaging with business to identify the government support required to make the concept work.
- This support includes changes to transit visas, customs and GST arrangements, and regional advocacy.

## **INTRODUCTION**

On 24 September 2024 a seminar was held in Auckland to reassess the Southern Link concept, five years after a large conference kickstarted focused discussion of the idea before Covid intervened.

2 This report:

- Recaps the Southern Link value proposition;
- Summarises the updated issues discussed at the seminar; and
- Identifies areas where New Zealand Government assistance is requested.

3 The seminar was co-hosted by the New Zealand International Business Forum (Trade Works) and the New Zealand China Council. Over 40 seminar participants included four airlines, Auckland and Christchurch airports, postal and freight forwarding companies, business councils, research institutes, and New Zealand and foreign diplomatic officials. Our thanks to ANZ Bank for providing the event venue.

## **WHAT IS THE SOUTHERN LINK?**

4 The Southern Link positions New Zealand as a logistics hub for people and goods connecting Asia and Latin America (and Australia and the Pacific Islands). Instead of being the 'last station at the end of the line' we can be in the centre of a supply chain

connecting the wider Pacific region. Air connectivity is a particular focus with opportunities in cross-border e-commerce, tourism and international education - the establishment of a new air route connecting Asia with Latin America via a New Zealand stopover will be one key to establishing the Southern Link. Sea freight can potentially play an integrated supporting role.

5 New Zealand is working actively to expand our trade with partners in Asia and Latin America. Trade between these two regions, in particular between China and countries like Chile, Peru and Brazil, is also expanding rapidly and requires efficient air and sea connectivity over large distances. Air routes between some major ports in Asia (for example key hubs in southern China) and some countries in Latin America (especially western seaboard markets like Chile and Peru) are shorter through New Zealand than via Europe, North America, Dubai or Australia. Our geographical location thus becomes a strategic advantage enabling Asia and Latin America to trade more quickly, cheaply and efficiently with each other. The resulting connectivity in turn benefits our own trade with each.

#### **HOW WOULD NEW ZEALAND BENEFIT?**

6 New Zealand would not just be a bystander clipping the ticket as goods and people transit our ports in both directions. The Southern Link provides the New Zealand with the opportunity to:

- Secure new, cheaper air and sea freight options for NZ exporters and importers, especially an increase in New Zealand – Latin America services. And retain those already established – they will be discontinued if not profitable;
- Attract more international tourists to New Zealand, as an end destination or transit stop; and more international students;
- Develop new service sectors to support Asia-NZ-Latin America trade, including warehousing and dispute settlement services.

7 The opportunity would also exist for New Zealand to hold supplies of critical and strategic supplies for the New Zealand market in a hub facility – moving from ‘just in time’ to ‘just in case’, as a response to the supply chain vulnerability experienced during Covid.

8 A 2021 [report](#) by the NZ Institute of Economic Research (NZIER) estimated that every 1% increase in connectivity drives a 6.3% increase in two-way trade; and overall identified the potential for the Southern Link to generate NZ\$1.87 billion of direct benefit to the New Zealand economy over 10 years. Our airports estimate the value of a year-round new air connection flying a widebody aircraft daily for the New Zealand economy to be \$125m from passenger spend and \$500m in high value exports.

## THE SOUTHERN LINK SUPPORTS NEW ZEALAND GOVERNMENT TRADE GOALS

9 The Southern Link supports four of the New Zealand Government's main trade goals:

- **Doubling exports by value within 10 years.** We can't afford to leave any stone unturned. "We have stretch targets to meet. We are not going to do this by closing off options" (NZIER);
- **Diversification of export markets and sources of imports,** to avoid potential over-reliance on any one trade partner. The Asian and Latin American regions, extending as far as India, are core focus areas;
- **Safeguarding supply chain resilience.** Blank sailings and route closures were a major issue for New Zealand during Covid, as airlines and shipping lines contracted to focus on essential routes. We need to become indispensable, not an optional extra;
- **Ensuring affordable air and sea freight** for New Zealand exporters. Freight costs rise rapidly when demand exceeds supply. We need the certainty of regular supply.

## A GOVERNMENT AND BUSINESS PARTNERSHIP

10 A chicken-and-egg situation has arisen regarding strategies for exploring and advancing the Southern Link concept:

- International stakeholders (governments and businesses), in particular, ask if the New Zealand Government intends to proactively develop and pitch the Southern Link as a way to achieve regional trade growth and diversification goals. Does New Zealand want this or not? They point out that others (notably Australia) will fill the vacuum if we do not.
- To date, however, the Government has placed the onus on businesses to approach them when they have a specific business proposal or plan requiring regulatory or policy changes, for consideration. This is not a negative response, but it is a reactive one.

11 Consensus at the seminar centred on taking a chicken AND egg approach to Southern Link development. Business needs to signal clearly that it wants to pursue Southern Link opportunities, and advise the Government what legal-regulatory and policy changes it requires for success. But at the same time it would be positive for the Government to adopt Southern Link implementation as a proactive trade growth strategy

and begin to develop the idea and promote it to regional partners, as it has done for New Zealand's innovative free trade agreements and other trade policy initiatives.

## **REQUESTS TO THE GOVERNMENT FOR ASSISTANCE**

12 Seminar participants identified several steps that the New Zealand Government needs to take to create an enabling environment for the Southern Link, which we present here as three requests for action.

13 **Transit visas.** Expanding the list of transit visa waiver countries, or at least allowing Chinese travellers to apply for a New Zealand Electronic Travel Authority (NZeTA) when transiting New Zealand airports, would remove or reduce transit disincentives. Passport holders of many Asian and Latin American countries are already entitled to a New Zealand visa and/or transit visa waiver. But some travellers, including China and India, are still required to apply for a visa to stop over in the transit lounge at a New Zealand international airport even if not entering New Zealand (clearing immigration). For Chinese travellers, especially, transit visa applications are time-consuming, inconvenient and costly, creating a significant disincentive for passengers to use routes through New Zealand to travel from home to/from Latin America. This in turn disincentivises airlines and travel agents.

14 **More facilitative policies supporting warehousing and distribution of goods in transit.** Seminar participants want to see a system that allows goods to enter New Zealand physically and remain here for longer than the current 90-day limit before crossing the New Zealand border or being re-exported. They also want scope for a single consignment of this nature to be split into smaller consignments for import or re-export, with an equitable and flexible revenue collection system applied. There is some debate about whether this is possible under current regulations, depending on the value of items in a consignment and other factors. Businesses therefore seek technical discussions with Customs and other New Zealand officials to work through what is currently permitted and what could be changed to make regional e-commerce goods hubbing more efficient and attractive.

15 **Government advocacy in the region.** The government can pursue trade prosperity now by promoting the Southern Link proactively in the Asia and Latin America regions, sending a signal that New Zealand is 'open for business' as a logistics hub for companies seeking cheaper and faster links between Asia and Latin America. Regional partners expect us to hustle and attract business. It would also be useful to understand what partner governments and business sectors would need if they are to start favouring New Zealand as an Asia-Latin America hub. Inclusion of Southern Link talking points in ministerial and diplomatic meetings, highlighting steps New Zealand is taking to create a conducive hubbing environment, will drive greater awareness amongst our partners.

## OTHER KEY POINTS FROM SEMINAR DISCUSSIONS

### A) *Building the business case*

16 Three regional institutes presented research that supported further exploration of the Southern Link concept.

17 A delegation from the **Chinese Academy of International Trade and Economic Cooperation (CAITEC)** travelled from China to present a scoping study on the Southern Link's potential – the first report we are aware of by authors from a Southern Link partner economy. CAITEC's high-level conclusion supported potential scope for New Zealand to tap into rapidly expanding value chains between China and Latin America; but emphasised that New Zealand would need to put the right regulations and policies, infrastructure and G2G cooperation in place to capitalise on our potential.

18 CAITEC's study confirmed that China's global cross-border e-commerce trade has continued to grow rapidly over the last five years, at an annual average of 16.4% (12.9 trillion RMB in 2019 to 23.7 trillion RMB in 2023). Over 9 million e-commerce packages are sent between China and the rest of the world every day. China's goods trade with Latin America has also increased rapidly over the last five years (317 trillion USD in 2020 to 489 trillion USD in 2023). Air and sea routes between China and Latin America are therefore in demand. Direct flights to most Latin American destinations are not possible (although China's first direct route, Shenzhen-Mexico City, was launched in May 2024).

19 China has bilateral e-commerce arrangements in place with New Zealand (upgraded FTA), Argentina, Brazil, Chile, Colombia and Panama. CAITEC suggested that the Southern Link could be included in upgraded free trade agreements between countries with an interest in its development.

20 Data presented by CAITEC confirmed that for routes like Shanghai-Santiago, Shanghai-Buenos Aires and Guangzhou-Santiago, flights via Auckland are the shortest and quickest in the world. Flights from Beijing to Latin America are shortest/quickest via Europe - but landing rights, congestion and transit times also play into the equation.

21 Chris Nixon, author of the 2021 **New Zealand Institute of Economic Research (NZIER)** analysis of the Southern Link argued that potential benefit to the New Zealand economy remains robust. Past experience demonstrated that economic opportunity will flow once alternatives to status quo routes and trade channels are established – even if these haven't been thought about in advance. New Zealand needs to “think new” (as we have many times in the past).

22 Professor Julio Aguirre Montoya from the Center for Studies on China and the Asia Pacific at the **University of the Pacific** in Lima presented Peru as an example of another regional economy investing considerably in infrastructure projects to establish itself as a

seaboard Latin America air and shipping hub, including three large-scale port development projects and an international airport expansion. Professor Montoya said Lima would be a 13-hour direct flight from New Zealand, rivalling Santiago.

*B) Making it work*

23 Two discussion panels featured **Auckland and Christchurch airports, Air New Zealand cargo, China Southern Airlines, Alibaba**, the **Latin America New Zealand Business Council** and consultant **Dene Green** (formerly ASENDIA).

24 China Southern Airlines confirmed it is looking at Latin America routes as part of its five-year planning process. Other seminar participants encouraged this to continue, noting that the announcement of a through-route from Asia to Latin America would do a lot to kickstart new opportunities and encourage innovation. But there is a chicken-and-egg element to the airline's planning: it is keen to see improvements to New Zealand's regulatory environment to help build the business case.

25 At present only LATAM flies between Auckland and Latin America, six times per week to/from Santiago. Freight capacity is tight and prices are high.

26 Auckland and Christchurch airports confirmed they have capacity to handle more international flights, air freight and passengers, currently and looking forward to the completion of airport expansion plans. For Auckland the primary focus is passengers, while Christchurch sees primary potential for an increase in e-commerce parcels, demonstrating the diversity of opportunities that exist.

27 It was suggested that New Zealand doesn't have to rival hubs like Dubai in scale, if we can offer other unique benefits to facilitate flow of goods and passengers. Shannon Airport in Ireland was cited as an example of deriving innovative benefit from geographical advantages, in this case as a jumping off point from Western Europe to the United States. The town's population is only 10,000, but in 2009 it became the first airport in the world outside the Americas to have full US pre-clearance services which allow passengers to avoid US immigration queues upon arrival. All the major cargo integrators including UPS, FedEx and DHL operate into Shannon, and an unlikely partner like Turkish Airlines Cargo operates weekly scheduled A330 freighter services from Istanbul via Shannon to New York JFK, Chicago and Atlanta, with full fifth-freedom rights.

28 Regarding e-commerce (including B2C and B2B modes, panellists discussed the potential for 'mixed mode' regional hubbing whereby larger e-commerce items (for example e-bikes from Asia) could be shipped to New Zealand then dispatched more cost-effectively to consumers in other regions. This sea/air option would be cheaper than air/air, but also faster than a direct sea freight service. Alternatively, components could be sourced from Asia for assembly in New Zealand with the finished product then

exported – examples of this model already exist but the Southern Link would boost feasibility.

29 Ample evidence exists of the rapid rise of e-commerce in Latin America. For example reports [here](#) and [here](#).

C) *Partners' perspectives*

30 In our final session we heard from representatives of the governments of Chile, China and Peru. All expressed support for the Southern Link concept, as a way to support and expand free trade in our region. Policy and regulatory consultations between governments were proposed as a way to convert a promising theoretical framework into reality, supplemented by further discussions amongst respective think-tanks and business cooperation. Again, there was an open approach that other governments stand ready to engage positively with the New Zealand government when we are ready to reach out.