



NEW ZEALAND
FOREIGN AFFAIRS & TRADE



TRANS-PACIFIC partnership GOODS MARKET ACCESS

FACT SHEET

➔ Overview

The Trans-Pacific Partnership (TPP) will eliminate and reduce tariff and non-tariff barriers on New Zealand's goods exports to TPP markets. The 12 members of the TPP constitute approximately 36% of world GDP (approximately US\$28 trillion) and are the destination for approximately 43% of New Zealand's goods exports (worth NZ\$21 billion in 2015).

TPP is our first FTA with both the United States and Japan, New Zealand's third and fifth-largest export markets respectively; with Canada and Mexico, the world's 11th and 14th-largest economies; and with Peru, a top-50 economy.

Tariffs will be eliminated on 95.4% of New Zealand's exports to these new FTA partners once TPP is fully phased in – removing tariffs of NZ\$272 million per year. Over half of the tariff savings will be achieved when TPP enters into force.

TPP will also eliminate tariffs on New Zealand exports to Malaysia and Viet Nam that are not already subject to tariff elimination in previous FTAs, such as wine, as well as liquid milk to Malaysia and exports such as fish and seafood to Viet Nam.

This brings total tariff savings to \$274 million per year.

In addition to eliminating tariffs, TPP will help grow the volume of trade and diversify New Zealand's trading relationships.

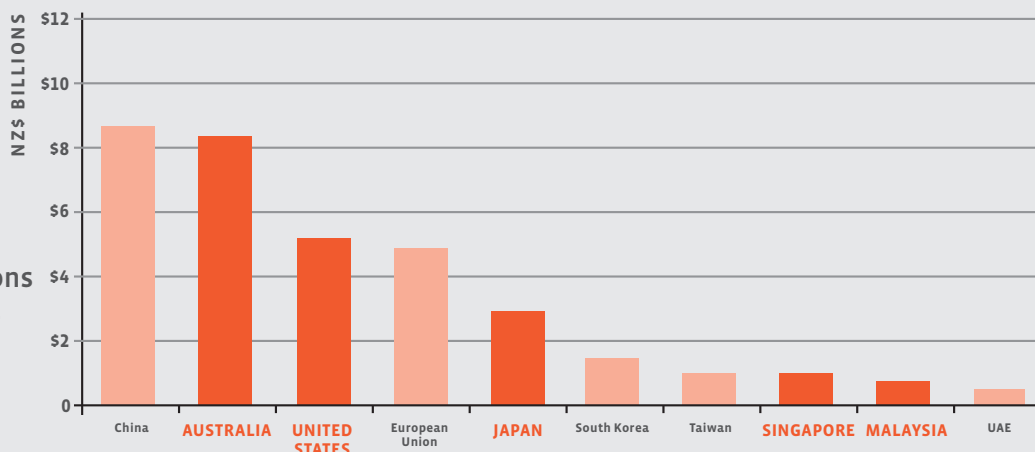
FACT →

TRANS-PACIFIC partnership

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of New Zealand's top 10 goods export destinations are TPP countries

Based on 2015 export statistics.



TPP will create new trade opportunities and help New Zealand exporters to build regional supply chains.

TPP will open up new market opportunities, and restore a level playing field for our exporters in markets where competitors have enjoyed tariff preference. Participation in TPP will ensure that New Zealand exporters are not disadvantaged against competitors. It is difficult to quantify the full value of these improved market access opportunities but one important benefit is the ability for exporters to diversify markets.

Each TPP Party has a single tariff schedule setting out the tariff outcomes that will apply in that market at entry into force, and each subsequent year.¹

The new trading market opportunities under TPP will provide significant potential to lift the export performance and productivity of the Māori asset base, worth \$42.6 billion, of which a significant portion is oriented towards New Zealand's export economy.²



Once TPP is fully implemented, yearly tariffs on New Zealand exports will be reduced by

NZ\$274m

1. Each Party's tariff schedules and associated documents are in Annex 2-D of Chapter 2 of the TPP.

2. The "Maori Economy Report 2013", which Te Puni Kokiri commissioned BERL to research and draft, states the Maori economy asset base was NZ\$42.6 billion in 2013. (Authors: Ganesh Nana, Masrur Khan, Hillmarè Schulze. The report was published in April 2015).

→ Goods outcomes by sector

Tariff liberalisation in TPP will create new opportunities for New Zealand exporters across the TPP region. This document sets out the tariff savings for key sectors based on current trade, although New Zealand will also benefit from increased trade and diversification of trading relationships.

Meat

NZ\$2.8b

→ New Zealand exports to the TPP region in 2015 were NZ\$2.8 billion.

NZ\$84m

→ Estimated tariff savings of NZ\$84 million per year when TPP is fully implemented.

The United States, New Zealand's largest beef export market, will eliminate all tariffs and quotas on New Zealand beef over five years.

Key benefits for the beef and sheepmeat sector include:

Beef

- **New Zealand exports to TPP Parties in 2015: NZ\$1.9 billion.**
- **Estimated yearly tariff savings at the end of the implementation period: NZ\$72.2 million.**

The United States, New Zealand's largest beef export market, will eliminate all tariffs and quotas on New Zealand beef over five years, allowing unrestricted duty-free access. In addition, US tariffs will be eliminated on all in-quota imports from entry into force of the Agreement, saving exporters NZ\$13 million.

Japan, New Zealand's fifth-largest beef export market, will reduce its 38.5% tariff on beef to 9% over 15 years. This is the lowest tariff on beef Japan has ever agreed to in a trade agreement and will ensure that New Zealand is on a level playing field with other TPP exporters. There will be a volume-based transitional safeguard, which will apply equally to all TPP exporters. Japan's tariff reductions on beef will save New Zealand exporters an estimated NZ\$55 million in duties per year after 16 years. There will be significant savings at entry into force of over NZ\$20 million.

Canada, New Zealand's fourth-largest beef export market, will eliminate all tariffs and quotas on New Zealand beef over six years, allowing unrestricted duty free access.

Mexico will eliminate beef tariffs over 10 years.



Meat

Sheepmeat

- New Zealand exports to TPP Parties in 2015: NZ\$518.8 million.
- Estimated yearly tariff savings at the end of the implementation period: NZ\$2.7 million.

Tariffs will be eliminated at entry into force in the United States (New Zealand's third-largest market), Canada (NZ's fifth-largest market), and Peru.

Mexico will eliminate sheepmeat tariffs over eight years. Japan (New Zealand's 12th-largest market) already provides duty free access, which will continue under TPP.

Offals

- New Zealand exports to TPP Parties in 2015: NZ\$68.4million.
- Estimated yearly tariff savings at the end of the implementation period: NZ\$4.7 million.

For Japan, tariffs will be eliminated over 10–12 years with a 50% reduction at entry into force.

Processed meats

- New Zealand exports to TPP Parties in 2015: NZ\$120.1 million.
- Estimated yearly tariff savings at the end of the implementation period: NZ\$4.0 million.

Tariffs on processed meats will be eliminated at entry into force in the United States and Canada for lines of trade interest. For Japan, tariffs will be eliminated over 6-16 years on the key traded lines.



Dairy



NZ\$4.3b

→ New Zealand exports to the TPP region in 2015 were NZ\$4.3 billion.



NZ\$96m

→ Estimated tariff savings of NZ\$96 million per year when TPP is fully implemented.

TPP will provide New Zealand improved access into the TPP region where current access is highly restricted by high tariffs and small quotas (eg milk powders into the United States).

Key products and markets that will see tariff elimination once TPP is fully implemented include:

- A number of protein products have tariffs eliminated in Japan, US and Canada, most at entry into force.
- Tariffs on cheese will be eliminated in Japan.
- Tariffs on one of New Zealand's highest-traded US cheese lines will be eliminated.
- Tariffs for milk powders will be eliminated in the US.
- Tariffs on infant formula will be eliminated in the US, Canada and Mexico.

Reflecting sensitivities in several TPP Parties, tariffs will not be completely eliminated on all dairy products. Instead, quota access is provided.

Tariff savings

Japan: Tariffs are eliminated on all high-protein exports at entry into force, on nearly all cheeses over 16 years, and on whey over up to 21 years.

United States: Tariffs are eliminated on all protein products at entry into force. Exporters will also have duty-free access to WTO quotas.

Tariff quotas

New Zealand will have access to tariff quotas³ for a number of key products in the United States, Japan, Mexico and Canada.

These quotas will provide New Zealand with new dairy market access to these important markets, including butter and cheese into the United States, and milk powders into Mexico, for example.

Malaysia will eliminate liquid milk tariffs over 16 years. During the tariff elimination period, Malaysia will provide quota access for 2 million litres of liquid milk to all TPP Parties, with a zero in-quota tariff. This will be in addition to the quota volumes already provided for under the Australia-ASEAN-New Zealand FTA (AANZFTA) and the Malaysia-New Zealand FTA (MNZFTA).

3. A tariff quota provides access for a set volume of product at a lower or zero tariff (in-quota tariff). Trade outside of the quota volume is charged a higher over-quota tariff.



Fruit and vegetables



NZ\$1.25b

→ New Zealand horticultural exports to the TPP region were worth over NZ\$1.25 billion in 2015.



NZ\$34m

→ Estimated tariff savings of NZ\$34 million per year when TPP is fully implemented.

All fruit and vegetable tariffs on New Zealand exports across the TPP region will be eliminated.

New Zealand will benefit from the elimination of tariffs on all of our fruit and vegetable exports across the TPP region, including in Japan (New Zealand's second-largest export market) and the United States (New Zealand's third-largest market).

Overall the horticultural industry will save an estimated NZ\$34 million in duties per year when TPP is fully implemented.

89% of New Zealand's horticultural goods trade with the five new FTA partners will be duty free once TPP enters into force. This includes immediate elimination of tariffs in Japan for kiwifruit and buttercup squash, New Zealand's highest-traded dutiable horticultural products.

Tariffs on key products will be eliminated as follows:

- *Kiwifruit*: All tariffs will be eliminated at entry into force saving NZ\$18.4 million per year. This equates to over NZ\$6000 per kiwifruit grower per year.
- *Apples*: All tariffs for apples will be eliminated within 11 years. This will save growers NZ\$1.2 million per year at the end of the implementation period.

- *Avocados*: Japan will eliminate tariffs at entry into force.
- *Squash and capsicum*: Japan will eliminate tariffs at entry into force, saving growers NZ\$2.4 million per year based on current trade.
- *Carrot and other vegetable juices*: Japan will eliminate tariffs over five years, saving NZ\$2.3 million per year at the end of the implementation period.
- *Onions*: Tariffs will be eliminated at entry into force in the United States and within six years in Japan, saving NZ\$0.9 million at the end of the implementation period.



Wine



NZ\$952m

→ New Zealand exported NZ\$952 million in wine in 2015 to the TPP region.

All tariffs on New Zealand wine exports will be eliminated as part of TPP.

New Zealand wine exporters will benefit from the removal of all tariffs on wine, opening up new opportunities in several of New Zealand's most important wine export markets.

- *Entry into force:* New Zealand will gain tariff-free access to the US for bottled still wine, and to Canada for all wine (New Zealand's largest and fourth-largest wine export destination countries) at entry into force. In addition, Peru will eliminate tariffs for bottled still wine and Mexico for sparkling wine at entry into force.
- *Phased elimination:* The US will eliminate its wine tariffs over three years for bulk wine, and over five years for all other wine. Mexico will eliminate its wine tariffs over three years for New Zealand wine exports, Peru over six years, Japan (New Zealand's seventh-largest export destination country) over eight years (with a 33% cut at entry into force), Viet Nam over 11 years, and Malaysia over 16 years.



NZ\$16m

→ Estimated tariff savings of NZ\$16 million per year when TPP is fully implemented.

In 2015, NZ\$556.5 million of wine exports went to TPP countries to which New Zealand does not currently have duty free access - one third of all New Zealand wine exports.

All tariffs on New Zealand wine exports will be eliminated as part of TPP. This includes Malaysia and Viet Nam, which had not eliminated wine tariffs in their previous FTAs with New Zealand.

All tariffs on New Zealand wine exports will be eliminated as part of TPP.



Forestry



NZ\$1.5b

→ New Zealand exported NZ\$1.5 billion in forestry products in 2015 to the TPP region.

All tariffs on New Zealand forestry and forestry products will be eliminated as part of TPP.

New Zealand will benefit from the elimination of all tariffs on forestry and forestry products across TPP, including in Japan (New Zealand's fourth-largest export market), the United States (New Zealand's sixth-largest market), and Viet Nam (New Zealand's 11th-largest market).

- *Eliminated over 11 years and 16 years respectively, with a 50% tariff reduction at entry into force:* particle board and plywood.

Canada: Tariffs will be eliminated at entry into force.

United States: 98% of duties on New Zealand's trade will be eliminated at entry into force, and the remainder within eight years.

Viet Nam: Tariffs eliminated on all products, including some paper and paperboard products which were not subject to tariff elimination in AANZFTA.



NZ\$11m

→ Estimated tariff savings of NZ\$11 million per year when TPP is fully implemented.

Japan: 79% of duties on New Zealand's trade will be eliminated at entry into force. Key outcomes include:

- *Eliminated at entry into force:* fibreboard, sawn wood, and nearly all builders joinery.

All tariffs on forestry and forestry products will be eliminated as part of TPP.



Fish and seafood



NZ\$581m

→ New Zealand exported NZ\$581 million in fisheries products in 2015 to the TPP region.

Japan: All of New Zealand's fish and fish products imported into Japan (NZ\$179 million) currently face tariffs. At entry into force of the TPP, 58% of duties on fish and seafood will be eliminated, 95% within six years, 99% within 11 years, and the remainder within 16 years.

Mexico: The key outcome is the elimination of tariffs on all mussels (NZ\$1.5 million) at entry into force, with duty savings of NZ\$300,000 per year. All tariffs will be eliminated within 15 years.



NZ\$9m

→ Estimated tariff savings of NZ\$9 million per year when TPP is fully implemented.

United States: Nearly all fish and seafood trade is already duty free. All outstanding trade will enter duty free in five years, except a small number of tariff lines, where trade is modest, that are eliminated over 10 years.

Peru: At entry into force, all existing tariffs on fish and seafood will be eliminated, giving New Zealand complete duty-free market access.

Viet Nam: All tariffs will be removed within four years, including a number of lines not eliminated in AANZFTA.

Canada: All existing fisheries tariffs will be eliminated at entry into force.



Wool, leather and textiles



NZ\$604m

→ New Zealand exported NZ\$604 million in wool, leather and textile products in 2015 to the TPP region.

Wool: All tariffs on wool products for Japan and Canada are eliminated at entry into force. Tariffs will be removed for the United States within 5 years, for Mexico within 10 years, and for Peru within 11 years.

Other textiles: At entry into force of the TPP, 86% of duties on other textile items levied on New Zealand trade into Japan will be eliminated; and 72% of duties on other textile items levied on New Zealand trade into the United States will be eliminated.



NZ\$3.3m

→ Estimated tariff savings of up to NZ\$3.3 million per year when TPP is fully implemented.

Hides and Skins: All tariffs in the United States, Canada, and Peru will be eliminated at entry into force. Tariffs for Mexico will be eliminated within 10 years, and for Japan within 11 years.

Leather products: All tariffs for the United States and Canada will be eliminated at entry into force, as are almost all tariffs for Peru. All tariffs for Mexico will be eliminated over 10 years and for Japan over 11–16 years.



Manufactured goods



NZ\$7.0b

→ New Zealand exported NZ\$7.0 billion in 2014 in manufactured goods to the TPP region.

United States: 84% of duties on industrial goods will be eliminated at entry into force, all other tariffs are eliminated within 12 years or less. Key duty savings include: machinery, plastics and electronic equipment.

Canada: Tariffs on all industrial goods will be eliminated within 12 years or less.

Mexico: All tariffs on industrial products will be eliminated within 15 years or less.



NZ\$9.6m

→ Estimated tariff savings of NZ\$9.6 million per year when TPP is fully implemented.

Japan: 75% of duties on industrial goods will be eliminated at entry into force. Key duty savings include agricultural chemicals.



Other agricultural goods



NZ\$1.6b

→ New Zealand exported NZ\$1.6 billion in other agricultural goods to the TPP region in 2014.

Japan: Tariffs eliminated at entry into force of the Agreement:

- *Cooking sauces:* currently face a 7.2% tariff.
- *Soups and broths:* currently face a 8.4% tariff.
- *Sphagnum moss:* currently faces a 3% tariff.

United States: Tariffs eliminated at entry into force of the Agreement:

- *Honey:* currently faces a 1.9 cents/kg tariff.
- *Vegetable seeds:* currently face a 1.5 cents/kg tariff.
- *Other food preparations:* currently face a 6.4% tariff.
- *Protein substances/peptones:* currently face a 4% tariff.
- *Hops:* currently 13.2 cents/kg tariff.



NZ\$12m

→ Estimated tariff savings of NZ\$12 million per year when TPP is fully implemented.

Tariffs eliminated over 8 years:

- *Honey:* currently faces a 25.5% tariff.

→ Other key outcomes

Elimination of export subsidies in the TPP region

TPP Parties have agreed to eliminate the use of export subsidies within the TPP region.

Customs administration & trade facilitation

The Customs chapter requires each Party to ensure its customs procedures are applied in a way that is predictable, consistent and transparent. This should lead to a lower cost of trade, simplified customs procedures for traders, and the expeditious clearance of goods. The Customs chapter encourages cooperation and information sharing between customs agencies of Parties, and contains provisions allowing importers to obtain an advance ruling on specified matters and to access administrative and judicial review processes.

Trade remedies

Under the Trade Remedies chapter, the Parties retain their rights and obligations under the World Trade Organization agreements on anti-dumping, countervailing duties and global safeguards. The chapter also provides that, during a transition period after the TPP's entry into force, a Party may apply safeguard measures with respect to another Party's imported goods (which involves temporarily raising the tariff applying to the imported goods), if, as a result of the reduction and elimination of tariffs under TPP, there is an increase in imports causing or threatening to cause serious injury to the Party's domestic industry. There is a non-binding Annex that identifies a range of practices that promote the goals of transparency and due process in anti-dumping and countervailing duty proceedings.

Sanitary and phytosanitary measures (SPS)

Sanitary and phytosanitary measures (SPS) are used to protect human, animal or plant life or health by preventing the introduction of pests and diseases, and to help ensure food is safe for consumption. The SPS chapter seeks to reinforce and build upon the WTO SPS Agreement, and ensure that SPS measures implemented by each Party do not create unjustified obstacles to trade.

The chapter's recognition of the importance of ensuring that SPS measures are based on scientific principles, and the ability of TPP countries to request an explanation of the objective and rationale of SPS measures of other TPP countries, should assist exporters in understanding SPS requirements and help ensure that SPS restrictions are no more trade restrictive than necessary. Finally, the chapter gives New Zealand greater certainty through access to a dispute resolution mechanism.

Technical barriers to trade

Standards, regulations and conformity assessment procedures can act as technical barriers to trade (TBT). The TBT chapter builds on the Parties' existing rights and obligations in the WTO TBT Agreement, and seeks to eliminate unnecessary technical barriers to trade, enhance transparency, and promote regulatory cooperation and good regulatory practice.

The TBT chapter includes seven sectoral annexes: Wine and Distilled Spirits, Pharmaceuticals, Medical Devices, Cosmetics, Proprietary Formulas for Prepackaged Food and Food Additives, Information and Communications Technology Products, and Organic Products. These include sector-specific obligations aimed at reducing unnecessary barriers to trade in these products.

The Wine and Distilled Spirits annex seeks to minimise unnecessary technical barriers to trade, with a particular focus on labelling requirements, which will simplify the sale and export of New Zealand wines in TPP markets and reduce costs for New Zealand wine producers exporting to TPP Parties. It also contains a production standard for 'ice wine' which limits this designation to wine made from grapes naturally frozen

on the vine. For New Zealand, these requirements will only apply to exported wine, not domestic sales.

The Organic Products annex applies to countries which develop or maintain a mandatory regime relating to the production, processing, or labelling of products as organic. As New Zealand does not have such a regime, this annex does not affect current New Zealand policy or practice.

The Medical Devices annex encourages Parties to take a scientific approach to regulating medical devices, encourages cooperation and information sharing and aims to avoid duplication in regulatory practice. Medical devices are an area of growing export interest for New Zealand.

The TBT chapter also establishes a Committee that aims to strengthen joint work relating to standards, technical regulations and conformity assessment procedures with a view to facilitating trade. This Committee will

be a valuable forum to address non-tariff measures through technical discussions and will provide scope for future cooperation activities to be considered. In addition, the Goods chapter provides a mechanism for ad-hoc discussions, including on non-tariff measures, on issues that may adversely affect goods trade.

Trade of products of modern biotechnology

Parties agreed to text that outlines processes for sharing information about laws, regulations and policies that apply to products of modern biotechnology.

Nothing in the text prevents New Zealand from adopting measures in accordance with rights and obligations under the WTO Agreements or other provisions of the TPP. There is no requirement that New Zealand would adopt or modify its laws, regulations, and policies for the control of products of modern biotechnology within its territory.

→ TPP rules of origin

Rules of origin are designed on a product by product basis and set out the level of production, or the value threshold, that must be met in order to claim the preferential tariff treatment under the Agreement.

TPP's rules of origin can generally be met on a regional basis, which means that New Zealand producers can use materials from across the TPP region to assist them to reach the required threshold. New Zealand materials will be able to be incorporated into many products made and traded within the region by other TPP members. This will allow New Zealand companies to better integrate themselves into regional supply chains.

Rules of origin in TPP are predominantly based on a specified shift in tariff classification. For many industrial goods, there will be an alternative regional value content rule, ranging between 40% and 50%. Where there are different options for calculating value, the exporter/producer can choose whichever best suits their business model.

There is no requirement for certificates of origin under TPP, or third-party certification of origin. Instead, New Zealand exporters will simply need to self-certify that the exported product meets the TPP rules of origin in order to qualify for tariff preference. There is no required format for this self-certification.

All Parties have committed to provide advance rulings on tariff classification, rules of origin and valuation.

→ Tariff finder

Look up tariffs under TPP and compare them to other free trade agreements at: tariff-finder.fta.govt.nz

newzealand.govt.nz