



SUBMISSION TO THE FOREIGN AFFAIRS, DEFENCE AND TRADE COMMITTEE OF THE
NEW ZEALAND PARLIAMENT

INTERNATIONAL TREATY EXAMINATION OF THE TRANS PACIFIC PARTNERSHIP
(TPP) AGREEMENT

MARCH 2016

Introduction and Summary

1. Further to our preliminary online submission, reference number W4X4Y13, this more detailed submission is made on behalf of the New Zealand - United States Council (NZ-US Council) whose members are listed at Annex A.¹ The goal of the NZ-US Council is to promote the strategic importance of a strong NZ-US relationship in our mutual interests and to encourage deeper trade and investment connections between the two countries.
2. The NZ-US Council is a non-partisan organisation, funded by Government and business, which was set up in 2001. From its inception, one of the Council's aims has been to work towards the achievement of a free trade agreement (FTA) between New Zealand and the USA, the world's largest consumer market. New Zealand was unable to progress this objective bilaterally and over time it became clear that the most likely means of achieving this FTA would be through the Trans Pacific Partnership (TPP) negotiations. Therefore the NZ-US Council has been a strong supporter of the TPP negotiations from the beginning. The NZ-US Council is delighted that the TPP negotiations have been concluded and we support ratification of the Agreement.
3. There are many good reasons for supporting the TPP, as set out in the separate submission of the New Zealand International Business Forum (NZIBF), which provides three members on the NZ-US Council's executive committee. For the purposes of this submission we will confine our comments to the expected impact of the TPP on New Zealand's trade and investment relationship with the USA, New Zealand's fourth largest trading partner.
4. The TPP is a very positive development in New Zealand's bilateral relationship with the USA. The NZ-US Council sought an independent assessment from New Zealand Institute of Economic Research on the likely economic impacts of TPP on New Zealand's trade and investment relationship with the USA. NZIER's assessment is appended to this submission at Annex B.

¹ The views in this submission are those of the NZ-US Council as a whole. Individual members may have different views on specific issues covered in this submission.

5. The NZ-US Council agrees with the National Interest Analysis (NIA) which said “*Joining TPP would provide immediate economic benefit for New Zealand goods exporters on entry into force of the Agreement, particularly from reduced tariff rates in key markets with which New Zealand does not currently have an FTA.*”² The TPP marks the first time that New Zealand and the USA have entered into an FTA relationship. The TPP will drive the NZ-US economic relationship forwards, encouraging more trade, investment and innovation. According to the NIA, New Zealand can expect TPP to deliver tariff savings on exports to the US market of NZ\$45 million on entry into force, rising to NZ\$52 million per annum once the agreement has been fully implemented.
6. As noted by NZIER, TPP will present a wide range of opportunities for deepening the New Zealand-US bilateral economic relationship. We have not undertaken a comprehensive estimation of the potential gains for the bilateral economic relationship given the significant costs involved in detailed economic modeling. However NZIER has advised that their indicative modeling suggests New Zealand’s exports to the US could rise by around 1.7% (or US\$77 million) above the business as usual level once TPP trade barrier reductions are fully implemented. These numbers are indicative only, showing the potential size and direction of changes in trade patterns. From our point of view, New Zealand’s trade gains would have been significantly higher had the US agreed to a more liberal market access outcome for their highly protected dairy sector. As other TPP economies are making larger tariff cuts than the USA, where tariffs are generally low (with some obvious exceptions in agriculture), NZIER’s calculation assumes a redirection of some New Zealand exports towards those economies as NZ exports become more price competitive. According to the NZIER indicative model, that limits the extent to which New Zealand exports to the US expand, relative to what might be expected in an NZ-US FTA. However, as noted in the NIA in respect of New Zealand’s other Free Trade Agreements, the dynamic economic gains generated by those agreements has exceeded original estimates. The NZ-US Council expects the same dynamic effect would apply in respect of the NZ-US FTA relationship.
7. The TPP will help to level the playing field for New Zealand in the US market. If New Zealand were not to join the TPP, the competitiveness of New Zealand exports to the US would decline in comparison to exports from TPP member economies including Australia.
8. In addition to the market access improvements secured for New Zealand exporters to the USA, improvements in “the rules of the game” set out in TPP’s cross-cutting chapters (including flexible rules of origin, customs commitments, tariff rate quota administration rules, competition policy, trade remedies and government procurement amongst numerous others) will make it easier for New Zealand and US firms to do business together, and to work more closely and

² NIA, page 8.

efficiently in the operation of regional and global supply chains. These provisions of the TPP support institutional structures that are important for deepening the bilateral economic relationship.

9. The NZ-US Council believes that ratification of the TPP Agreement will benefit NZ-US relations by enhancing two-way trade and investment and by creating a formal FTA framework linking the two economies. We recommend that the Parliamentary Committee approve ratification of the TPP Agreement.

General comments

NZ-US Trade Relationship

10. As the world's largest, most complex and technically advanced economy the USA is a key economic partner for New Zealand. The USA is now New Zealand's 4th largest trading partner after Australia, China and the EU. The US was previously ranked third but this declined following the significant increase in NZ-China trade following implementation of the NZ-China FTA. In the 2015 calendar year, New Zealand's exports to the USA were valued at NZ\$8.4 billion, up \$1.2 billion over the previous year, driven by increases in both goods (mostly meat and casein) and services (tourism services) exports. In the year to December 2015, total imports from the US were valued at \$8.1 billion in 2015, up \$306 million from 2014. This was driven by an increase in goods imports, namely mechanical machinery and equipment which increased by \$205 million to \$1.3 billion in 2015³.
11. The US is an important source of innovation, research and investment as well as being a key market for New Zealand goods and services. It is also a major source of foreign direct investment and inbound tourism. United States-New Zealand economic relations cover the spectrum of commercial activity including the flow of goods, services and capital across all major economic sectors from traditional heavy manufacturing to agriculture. Newer areas of the knowledge economy are also prominent as New Zealand firms and institutions seek to commercialise their intellectual property in sectors such as ICT, biotech and clean technology. The US remains a major market for agricultural products. It is New Zealand's largest market for frozen beef and casein. Although the US is already a significant trading partner for New Zealand, much scope remains to expand the relationship. The TPP is the mechanism that the NZ-US Council has long been looking for to deliver that growth.
12. Like NZIBF, the NZ-US Council believes the strategic economic gains from TPP will be significant. A decision not to ratify TPP would be contrary to the national interest as these potential gains would not be realised. Furthermore, if TPP were ratified by others and entered

³ Source: Statistics New Zealand.

into effect without New Zealand participation, New Zealand's competitors in the region including Australia and Chile, would benefit from preferential terms of access into the USA to New Zealand's detriment. As noted in the NIA, "*if TPP goes ahead without New Zealand, New Zealand would be placed at a competitive disadvantage in the region, incurring a significant net cost to the economy*".⁴

Some Specific Outcomes for NZ-US Trade

Goods

13. New Zealand's traditional export sectors such as beef, dairy (milk products, butter, cheese and infant milk powder, ice cream), sheepmeat, bottled still wine, fats and oils all stand to gain as market access improves either through decreased tariffs or improved access to tariff rate quotas (TRQs). According to NZIER's analysis, there are also a number of less well-known but fast-growing emerging export sectors that stand to benefit. There are two groups: *star performers* i.e. products in which New Zealand already has a comparative advantage, bilateral exports are already sizeable and where tariff reductions are large. And *potential stars* i.e. products in which New Zealand already has a comparative advantage, bilateral exports are growing rapidly and where tariff reductions are large.
14. In the primary sector these include whey, peptones, bulk wine, natural honey, vegetable seeds, bulbs, peas, hop cones, onions and avocados. In the manufacturing sector, where US tariffs are already low, we expect gains in a diverse range of products such as electro-magnet parts, plastic tableware and kitchenware, tufted woollen carpets, weighing machinery and inflatable boats and canoes. Many of these sectors are seeing US import demand growing at over 10% per year, which indicates an expanding US market for New Zealand to tap into. More details are set out in Annex B.

Red Meat

15. The US is one of New Zealand's top three meat export markets, worth around \$2 billion at the end of 2015 and representing about 50% of New Zealand's total volume of beef exports. The beef industry is the largest New Zealand exporter to the US. The USA is New Zealand's third largest market for sheepmeat, worth \$287.2 million (around 10% of total sheepmeat export earnings) in 2015. Beef and Lamb NZ estimate that total tariffs incurred on the sector's exports to the US last year were just over \$15 million.
16. New Zealand beef exports to the US are subject to quota restrictions with an in-quota tariff of US4.4c/kg and an out-of-quota tariff of 26.4%. Sheepmeat is also subject to import tariffs, US0.7c/kg for lamb and US2.8c/kg for mutton. Edible preparations of meat such as jerky,

⁴ NIA, page 23

sausages, and pre-cooked meals are subject to import tariffs of 2-6%. Wool faces a mixture of ad valorem and specific tariffs. Skins and hides trade over a 5% tariff while fats and tallows attract a tariff of US\$4.3c/kg. While not prohibitive, these tariffs raise the cost of our exports to the USA in comparison to exports from competing countries that have already entered into FTAs with preferential tariff access for red meat products in the USA.

17. The TPP will have a positive impact on New Zealand's access to the US red meat market. It will eliminate the in-quota tariff on beef upon entry into force, providing savings of \$13 million annually. The out-of-quota tariff will be eliminated over five years, thereby effectively making New Zealand beef trade into the US tariff and quota free at the end of that period. Sheep meat tariffs will be eliminated upon entry into force as will the tariffs on all other co-products such as processed meat. The elimination of tariffs and the removal of the beef quota restrictions after five years will provide greater certainty to New Zealand red meat exporters. It is difficult to predict to what extent removing the relatively modest red meat tariffs will open up additional trading opportunities for New Zealand exporters. It is likely that future trade growth will depend more on broader market dynamics (such as the level of demand and price) than just the removal of tariffs.
18. Nonetheless, the New Zealand red meat sector needs to be covered by the TPP Agreement to ensure it can maintain its competitive position in relation to key competitors in the important US market (amongst others). Already, under the North American Free Trade Agreement (NAFTA), Canada and Mexico already do not pay tariffs on live animals or beef imports into the USA. Under the Australia - United States Free Trade Agreement (AUSFTA), Australia does not incur any in-quota beef tariffs (US\$4.4c/kg), and the out of quota beef tariff of 26.4% is fully eliminated from 2023 onwards. Thus the TPP will finally create a level playing field for New Zealand red meat exporters by eliminating tariff preferences over time. Without the TPP agreement New Zealand would have to continue competing with Canada, Mexico and Australia on unequal terms.

Dairy

19. Overall the TPP delivers a more modest outcome for New Zealand dairy products than we had hoped for, despite intensive efforts by New Zealand's negotiators. As a result dairy is one of the few sectors that will not be fully liberalized over time. That said, there are still some good gains for New Zealand dairy access to the US market where tariffs on some key dairy products including butter and some cheeses have been prohibitively high.
20. Tariffs on New Zealand's valuable dairy protein exports to the USA (worth well over \$800 million per annum) will be duty free on entry into force. Tariffs on infant milk formula will reach zero in ten years time. Tariffs on New Zealand milk powders and some cheeses exported to the USA will be eliminated after a transition period. For some cheese lines the transition period to zero tariffs is 20 years, with a transitional safeguard lasting a further five years. Skim

milk powder tariffs are eliminated over twenty years, whereas whole milk powder tariffs are eliminated over 30 years with a transitional safeguard lasting a further five years. In addition there will be some new trade opportunities as a result of new duty free quotas for butter and cheese amongst other dairy products or where the tariff rate is currently prohibitive but scheduled to decline over time (e.g. infant formula and ice-cream will reach zero tariffs in 10 years). All New Zealand dairy exports within WTO tariff quotas in the US will be duty free on entry into force.

Wine

21. The USA is New Zealand's second largest wine market. Bottled wine faces a duty of \$US 0.05 per litre, or NZ7.5 cents per litre. This equates to annual duties of NZ\$2.7 million on New Zealand bottled wine exports to the USA of 36 million litres. These tariffs will be eliminated on TPP's entry into force. New Zealand's bulk wine exports to the US face a tariff of US14 cents per litre, or NZ 21 cents per litre. This would be phased out over three years. A 7 cent reduction in the 1st year would equate to a saving of \$1.3 million taking the total tariff saving on bottled and bulk wine in year 1 to \$4 million. At the end of three years with full tariff elimination the benefit on bulk wine would be \$4 million. Thus after three years New Zealand wine exports will face a total tariff saving of \$6.7 million assuming no growth in volumes. However wine exports are expected to double in volume over the next five years so the total rate of tariff saving will be considerably higher.

Horticulture and Other Agricultural Goods

22. New Zealand will benefit from the elimination of tariffs on all of our fruit and vegetable exports across the TPP region, including in the United States which is New Zealand's third-largest market for horticultural exports. The tariff on onions, honey, sugar confections and fresh cut lilies and orchids will be eliminated at entry into force in the United States.

Wool, Leather and Textiles

23. Most New Zealand wool exports to the USA will be duty free on entry into force apart from some fine wool lines for which tariffs will be eliminated in 5 years or less. Some yarn exports will be duty free on entry into force and tariffs on the remainder will be eliminated once TPP is fully implemented for originating goods. All tariffs on New Zealand hides and skins and leather product exports to the US will be zero on entry into force. 72% of duties on other textile items exported to the USA will be eliminated at entry into force.

Forestry

24. All tariffs on New Zealand forestry and forestry product exports to the USA, New Zealand's sixth largest market, will be eliminated on TPP's entry into force.

Seafood

25. The USA is New Zealand's fourth largest seafood market after China, Australia and the EU. The total value of direct export sales to the US in 2014 was NZ\$178 million (fob). We understand that it is unlikely that TPP will make a significant difference to New Zealand's seafood trade to the US as most trade is already duty free. All of the remaining trade will enter duty free in five years, except a small number of tariff lines, where trade is modest, for the United States that are eliminated over 10 years.
26. It is pleasing to note that New Zealand and the USA worked collaboratively on the TPP Environment chapter to restrict market access for illegally caught fish and eliminating subsidies that support illegal fishing and fishing that supports over-capacity and overfishing.

Manufactured Goods

27. 91% of duties on New Zealand exports of industrial goods to the USA will be eliminated at entry into force. All other tariffs are eliminated in 15 years or less. According to MFAT's website, key duty savings include: machinery, plastics and electronic equipment.

Other Aspects of Goods Market Access

28. The NZ-US Council welcomes the range of other TPP measures that will assist New Zealand goods exporters to the USA by making trade simpler and less costly. These include flexible rules of origin, customs commitments and rules on the operation of tariff rate quotas (particularly relevant in the case of New Zealand's country specific dairy tariff quotas in the USA). We also welcome the range of measures to reduce non-tariff barriers (NTBs) such as those set out in the chapters on Sanitary and Phyto-sanitary Measures (SPS) and Technical Barriers to Trade (TBT) amongst others. New trade opportunities may emerge in the USA as a result of the SPS outcome, for example the USA's Grade A milk requirements have long been a non tariff barrier. If this can be addressed under the TPP's SPS chapter it could potentially open up opportunities for fluid milk and cream sales under the TPP quotas. In addition the New Zealand wine sector would benefit from any improved US wine labeling requirements under the TBT chapter.
29. The NZ-US Council welcomes the elimination of the use of agricultural export subsidies within the TPP region. For example, the USA's Dairy Export Incentive Programme was a thorn in the side of New Zealand's dairy industry from 1985 until it was last used around 2010. DEIP has not been used since because world dairy prices have trended higher (at least until comparatively recently) and Governments sought to rein in their expenditure. The fact that this export subsidy programme will not be able to be resurrected within the TPP region is helpful to New Zealand's longstanding aim to eliminate agricultural export subsidies globally. It is also consistent with the decision reached by WTO members in late 2015 to eliminate agricultural export subsidies.

Services

30. The US is an important market for New Zealand's service exporters, accounting for 12% of New Zealand's total services exports. Total services exports were NZ\$2.5 billion in the year to June 2015 making the US our third largest services market. Tourism-related services are a key component but this sector is largely unaffected by the TPP. The fastest growing area of New Zealand exports to the USA is in commercial services. For example the US accounts for over 70% of our total audio-visual services and almost 40% of advertising, market research and polling services exports.
31. It is important that New Zealand's access to the US services market will be locked in as a result of TPP. We note NZIER's advice that they do not expect significant increases in bilateral services exports to the US under the TPP because the US did not make many new services market access commitments. However there will be some improved access to the USA's market for private education and environmental services. Interestingly, as a result of TPP's Most Favoured Nation (MFN) clause, New Zealand's services sector stands to gain if and when the USA enters into other FTAs such as the Transatlantic Trade and Investment Partnership (TTIP) between the EU and USA. In that case, New Zealand will be given the same market access arrangements as EU services exporters to the USA.
32. One of the main barriers encountered by New Zealand services exporters in the USA is the lack of access to US business visas for temporary entry purposes. This limits the amount of time our services exporters can spend in the US on any one visit and complicates their ability to establish an in-market presence, form commercial partnerships and provide after-sales service. Unfortunately this issue was not able to be addressed in the TPP. The USA did not make any specific commitments on temporary entry under the TPP. Achieving access to US business visas remains a high priority for the NZ-US Council in our advocacy efforts in the USA in conjunction with the New Zealand Embassy in Washington DC.

Investment

33. New Zealand currently invests some NZ\$37 billion in the US, delivering a return of NZ\$630 million in 2015. The US is New Zealand's third largest investor, with a stock of NZ\$39 billion invested, which returned over NZ\$1 billion in 2015. NZIER suggests it is unlikely that TPP will result in any immediate step change in bilateral investment flows as specific investment market access improvements in the US were modest, albeit helpful. However the greater certainty for New Zealand investors in the USA (and elsewhere in TPP) that they will not be treated unfairly or discriminated relative to other investment sources, along with the doubling of New Zealand's OIO screening threshold for US investment, will make New Zealand a more attractive option for US investment (by reducing the risk premium) and encourage more collaborative activities between New Zealand and US firms. Moreover as the bilateral goods and services trade relationship deepens, this will tend to lead to greater bilateral investment as investors become more familiar with each other's economies.

34. The NZ-US Council is comfortable with the investor-state dispute settlement (ISDS) provisions in TPP which will support further bilateral investment. We share NZIBF's view that the TPP ensures the New Zealand Government's continuing right to regulate in the public interest in the areas of public health, the environment, education, other core government services and in respect of the Treaty of Waitangi, while providing protection for investors on both sides via minimum standards of treatment and against unjustified expropriation of assets. We agree with NZIBF and the Government that the chance of a successful ISDS challenge to New Zealand remains very unlikely; provided the Government continues to deal fairly with foreign investors.

Intellectual property (IP)

35. The TPP's IP provisions will underpin the NZ-US trade relationship. The IP provisions apply across the TPP region and require few changes to New Zealand's existing IP policies with some exceptions such as the length of the copyright term; some procedural and transparency changes for Pharmac and circumvention of technological protection measures. It will be important to ensure that New Zealand businesses are educated on how to make effective use of the complex IP provisions within TPP including how to identify and safeguard their trade secrets.

TPP Secretariat

36. The NZ-US Council supports the creation of a permanent Secretariat to advise the TPP Commission as the governance body for the Agreement as set out in TPP Article 27. By locating the Secretariat in New Zealand, opportunities for further dialogue and cooperation with the USA would be enhanced. We see a strong case for Auckland to host the Secretariat given that New Zealand already acts as Depositary for the Agreement and Auckland is New Zealand's largest city with excellent air services connections to the TPP region.

Recommendations to the Foreign Affairs, Defence and Trade Committee

37. The NZ-US Council recommends that the Committee:
- a. Note the NZ-US Council's support for the ratification and implementation of the TPP Agreement based on the agreement's importance for the economic relationship between New Zealand and the USA; its strategic importance in enhancing economic integration in the Asia Pacific region and its overall positive contribution to the New Zealand economy.
 - b. Approve the NZ-US Council's request to be heard in support of this submission.

For further information:

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March 2016

Annex A

Board members of the NZ-US Council

Executive Board Members

Malcolm Bailey, Director, Fonterra Co-operative Group

Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce and Industry

Catherine Beard, Executive Director, Export New Zealand

Felicity Buchanan, Ministry of Foreign Affairs and Trade

Dr Scott Champion, Chief Executive, Beef + Lamb New Zealand

Tim Green, New Zealand Trade and Enterprise

Simon Power, GM Consumer and Wealth, Westpac (Chair)

Duncan Small, Head of Government Affairs and Industry Relations, Air New Zealand Ltd.

Executive team

Fiona Cooper Clarke, Executive Director

Associate members

The NZ-US Council's membership also comprises a range of other supporters who are listed on our website: www.nzuscouncil.com

ANNEX B

Memo

To Fiona Cooper-Clarke
CC Dion Gamperle
From John Ballingall
Date 10 March 2016
Subject New Zealand-US opportunities from TPP

Key findings

- TPP will present a wide range of opportunities for deepening the New Zealand-US bilateral economic relationship.
- New Zealand's traditional export sectors such as beef, dairy (milk products, butter, cheese and infant milk powder, ice cream), sheepmeat, bottled still wine, fats and oils all stand to gain as market access improves either through decreased tariffs or improved access to TRQs.
- But there are a number of less well-known but fast-growing emerging export sectors that also stand to benefit. In the primary sector these include whey, peptones, bulk wine, natural honey, vegetable seeds, bulbs, peas, hop cones, onions and avocados.
- In the manufacturing sector, where US tariffs were already low, expect gains in a diverse range of products such as electro-magnet parts, plastic tableware and kitchenware, tufted woollen carpets, weighing machinery and inflatable boats and canoes.
- Many of these sectors are seeing US import demand growing at over 10% per year, which indicates an expanding US market for New Zealand to tap into.
- Other aspects of TPP related to (for example) non-tariff barriers, e-commerce, small and medium enterprises, etc., will all combine to make bilateral trade and investment simpler and less costly. These incremental gains will all help deepen the bilateral relationship over time, even if they are difficult to pinpoint precisely at this time.
- The US is an important market for New Zealand's service exporters, accounting for over 70% of our total audio-visual services and almost 40% of advertising, market research and polling services exports, for example. Total services exports were NZ\$2.5 billion in the year to June 2015. However, we do not expect significant increases in bilateral services exports due solely to TPP as the US did not make many new market access arrangements.
- The largest gains in the service sector are likely to accrue to New Zealand if TTIP enters into force in the future, as TPP's MFN clause will ensure we are given the same market access arrangements as EU services exporters.
- New Zealand currently invests some NZ\$37 billion in the US, delivering a return of NZ\$630 million in 2015. The US is New Zealand's third largest investor, with a stock of NZ\$39 billion invested, which returned over NZ\$1 billion in 2015.
- The greater certainty for investors provided by the investment chapter of TPP, along with the increase in New Zealand's OIO screening threshold for US investment, will reduce the risk premium on bilateral investment and encourage more collaborative activities between New Zealand and US firms.

- But it is unlikely that TPP will result in any immediate step change in bilateral investment flows, as market access improvements in the US were modest, albeit helpful.

Objectives and scope

You have asked us to provide data analysis to identify areas of the New Zealand-US goods and services trade and investment relationship which are most likely to expand if TPP enters into force.

You have also asked us to discuss qualitatively any other aspects of the bilateral relationship that may benefit from TPP, including TPP's attempts to address non-tariff measures affecting New Zealand exports to the US.

Our approach

Goods

Using detailed trade data and the US TPP tariff reduction schedule, we have identified two broad sets of goods exports – at the HS6 level – that we see as potentially benefitting the most from market access improvements:

1. **Star performers:** Products in which New Zealand already has a comparative advantage, bilateral exports are already sizeable and where tariff reductions are large.¹
2. **Potential stars:** Products in which New Zealand already has a comparative advantage, bilateral exports are growing rapidly and where tariff reductions are large.

Services and investment

Data on bilateral services trade is relatively limited. However, we have used what data is available along with information from MFAT on services liberalisation from TPP and data from the OECD on services trade restrictiveness to highlight potential areas of gain.

Data on bilateral investment patterns is almost non-existent. However, we present some high-level comments on the importance of the bilateral investment relationship and how TPP's investment chapter outcomes may support a deeper relationship.

¹ We use "tariff reductions" as shorthand for reductions in the ad valorem equivalent of the complex range of US tariff applications (specific rates, composite tariffs, etc.)

Goods export opportunities

Star performers

We first look at those products where New Zealand already has a comparative advantage, is exporting at scale and where market access improvements have been secured through TPP.^{2 3} A list of New Zealand's top 50 commodities at the HS6 level where tariff reductions have been secured is presented in Table 2 in Appendix A.

The table, which includes potential decreases in duties paid based on existing trade levels⁴, shows that there will be good opportunities in the US market for New Zealand's traditional export strengths, including:⁵

- Frozen, boneless beef (US\$987 million, much of which is used in the US fast food industry)*
- Milk products (US\$278 million)
- Wine, non-sparkling, in containers <2 litres (US\$272 million)*
- Frozen sheepmeat, excluding lamb and carcasses, bone-in (US\$100 million)*
- Prepared/preserved beef products (US\$63 million)
- Food preparations, not elsewhere specified (US\$35 million)*
- Cheese (US\$29 million)
- Fats and oils derived from milk, excluding butter and dairy spreads (US\$26 million)
- Fresh, boneless sheepmeat, excluding lamb (US\$21.5 million)
- Butter (US\$12 million)
- Fresh/chilled beef, boneless (US\$12 million)
- Milkpowder, fat content > 1.5% (US\$10 million)

But there are also opportunities with some scale in some less well-known export sectors, which when combined sum up to a significant amount of potential. Note that many of these products are experiencing very strong US import demand, as denoted by an asterisk:

Primary sector

- Natural honey (US\$13 million)*
- Vegetable seeds for sowing (US\$6.7 million)*
- Dried, shelled peas, fresh (US\$5 million)* and frozen (US\$4 million)
- Hop cones (presumably for craft beer brewing, US\$4.8 million)
- Onions and shallots (US\$4.1 million)*
- Avocados (US\$3.5 million)*

Manufactured goods

² Comparative advantage is defined as New Zealand having a Revealed Comparative Advantage greater than 100 (i.e. the product's share of world exports is greater than New Zealand's total share of global exports). Items in which New Zealand does not have an RCA are denoted with an ^ .

³ We do not look here at products which are already entering the US market free of duty (e.g. most fish and seafood products), as TPP will not result in significant changes here. However, to the extent that stronger US economic growth results from TPP – which is to be expected – then we might expect the demand for duty-free products to also rise.

⁴ These tariff savings will be amplified as trade expands under TPP. For example, the wine sector expects around 50% growth in exports to the US over the next five years, so savings will grow by a similar amount.

⁵ An asterisk denotes US import growth has averaged over 8% since 2009, indicating very strong underlying demand for that product.

- Parts of electro-magnets (US\$18 million)*
- Plastic tableware and kitchenware (US\$17 million)*
- Static converters (US\$16 million)*^
- Measuring and checking instruments and apparatus (US\$8 million)* ^
- Taps, cocks, valves for pipes, tanks, vats and boilers (US\$7 million)* ^
- Tufted woollen carpets (US\$7 million)*
- Weighing machinery (US\$7 million)*
- Inflatable boats and canoes (US\$3.6 million).

Potential stars

This data can also be looked at in terms of the **fastest growing** New Zealand export sectors which will be subject to market access improvements in the US. See Table 3 in Appendix A for a longer list.

We show below sectors in which New Zealand's exports to the US have grown by over 10% on average since 2009 *and* in which market access improvements have been secured through TPP. Compound Annual Growth Rates of New Zealand exports to the US from 2009-2014 are shown in parentheses. There is some overlap with the list above:

Primary sector

- Whey and modified whey (US\$15.3 million, growth is from zero base in 2009)
- Animal fats and oils, not chemically modified (US\$17.7 million, 243%) ^
- Other spirits, liquors and spirituous beverages <80% abv (US\$5.4 million, 69%)
- Peptones (US\$8.3 million, 47%)
- Wine, non-sparkling, in containers of >2 litres (presumably bulk wine, US\$67 million, 44%)
- Natural honey (US\$13 million, 35%)
- Vegetable seeds for sowing (US\$6.7 million, 22%)
- Frozen, boneless beef (US\$987 million, 15%)
- Fresh/chilled, boneless beef (US\$12 million, 14%)
- Wine, non-sparkling, in containers of <2 litres (US\$272 million, 13%)
- Bulbs, tubers & roots, dormant (US\$6.2 million, 12%)

Manufactured goods

- Tufted woollen carpets (US\$6.9 million, 79%)
- Parts of electro-magnets (US\$18 million, 36%)
- Plastic tableware and kitchenware (US\$17 million, 33%)
- Measuring and checking instruments and apparatus (US\$8 million, 26%) ^
- Static converters (US\$16 million, 25%) ^
- Weighing machinery (US\$7 million, 17.5%)
- Taps, cocks, valves for pipes, tanks, vats and boilers (US\$7 million, 10%) ^

In addition, TPP opens up new opportunities for the dairy sector through the removal of tariffs over time on products such as infant formula (17.5%, 14.9% or \$1.035/kg + 14.9% presently) and ice-cream (20% or 50.2c/kg + 17%) and improved access to duty free quotas for butter, cheese and milk powders, which will expand annually.

Sectors experiencing the largest market access improvements

Tables showing the New Zealand export sectors which will see the largest decreases in duty paid into the US and also the largest percentage point decreases in tariffs (for products with over US\$5 million of exports) are shown in Table 4 and Table 5 in Appendix A.

Most of these products have already been listed above, but you may find the tariff reductions useful for your submissions.

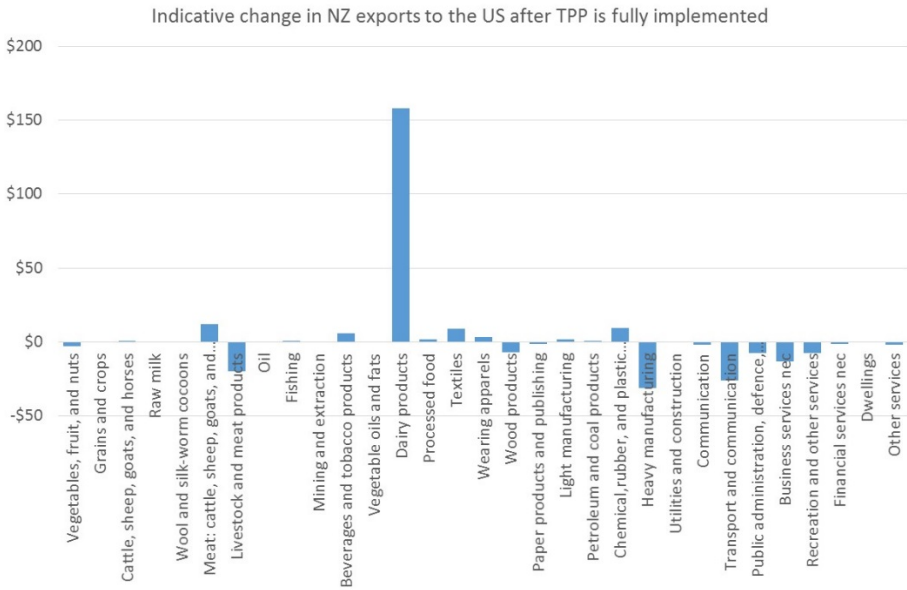
So what does this all add up to, roughly?

A comprehensive estimation of the potential gains from TPP for the New Zealand-US economic relationship was outside the scope of this project. However, some indicative modelling by NZIER suggests that New Zealand’s **exports to the US would rise by around 1.7%** (or US\$77 million) above the business as usual level once TPP trade barrier reductions are fully implemented.⁶

The major winners in the US market, based on this indicative modelling, are dairy products, meat, beverage and tobacco (largely wine), textiles and clothing, and chemicals, plastic and rubber goods (see Figure 1).

Figure 1 Indicative impacts of TPP on New Zealand exports to the US

Change in exports, US\$ millions, compared to baseline



Source: NZIER, based on GTAP modelling results

It should be recalled that other TPP countries (e.g. Japan, Canada, Mexico) are making larger cuts to their tariffs than the US, where tariffs are generally relatively low. As a result, there will be a redirection of New Zealand exports towards these economies as our exports become more price competitive in those markets. This limits the extent to which New Zealand exports to the US expand, relative to what might be expected if we were looking solely at a New Zealand-US FTA.

⁶ We used the GTAP model of the global economy to model TPP. The simulation was a simple one that looked only at complete liberalisation of all tariffs and quotas in all TPP markets, excluding beef into Japan (where the tariff was reduced to 9%). These results should not be seen as precise predictions: the GTAP model is best used to highlight the potential size and direction of changes in trade patterns. More detailed studies would be needed to explore these changes in greater depth.

Services export opportunities

The US accounts for 12% of New Zealand's total services exports, valued at \$2.5 billion in the year to June 2015.

As well as tourism-related services, which are not readily amenable to liberalisation through FTAs, New Zealand exports large amounts of commercial services to the US. The US accounts for over 70% of New Zealand's total audio-visual services exports and almost 40% of New Zealand's advertising, market research and polling services exports, for example.

Table 1 New Zealand's key services exports to the US

NZ\$ millions, year ended June 2013⁷

Services item	Value, NZ\$ millions	US share of total NZ exports
Other personal travel (tourism)	463	7%
Audio-visual and related services	405	71%
Transport	370	15%
Computer and information services	165	31%
Royalties and license fees	87	23%
Communications services	56	25%
Research and development	55	34%
Business travel	53	8%
Education travel	51	2%
Advertising, market research, and public opinion polling	43	38%
Legal advice and other legal services	27	18%
Engineering services	21	13%
Financial services	18	3%
Accounting, tax, and auditing services	10	N/A
Management and consultancy services	6	8%
Total services exports to the US	\$1,952	12%

Source: Statistics New Zealand

The TPP negotiations produced little by way of new US market access for New Zealand's services exporters. The US will not be making any regulatory changes to encourage greater services trade from New Zealand.

The key outcomes from a services export perspective were:

⁷ Latest available bilateral services data we were able to access.

- The US locked in existing services commitments to provide greater certainty, as well as providing some modest improvements over existing WTO commitments in sectors such as private education and environmental services.
- An MFN commitment means that any services liberalisation negotiated through future US trade agreements – and in particular TTIP where the EU has strong offensive interests in services trade – will also be afforded to New Zealand exporters
- No commitments were made on business visa (temporary entry) arrangements.

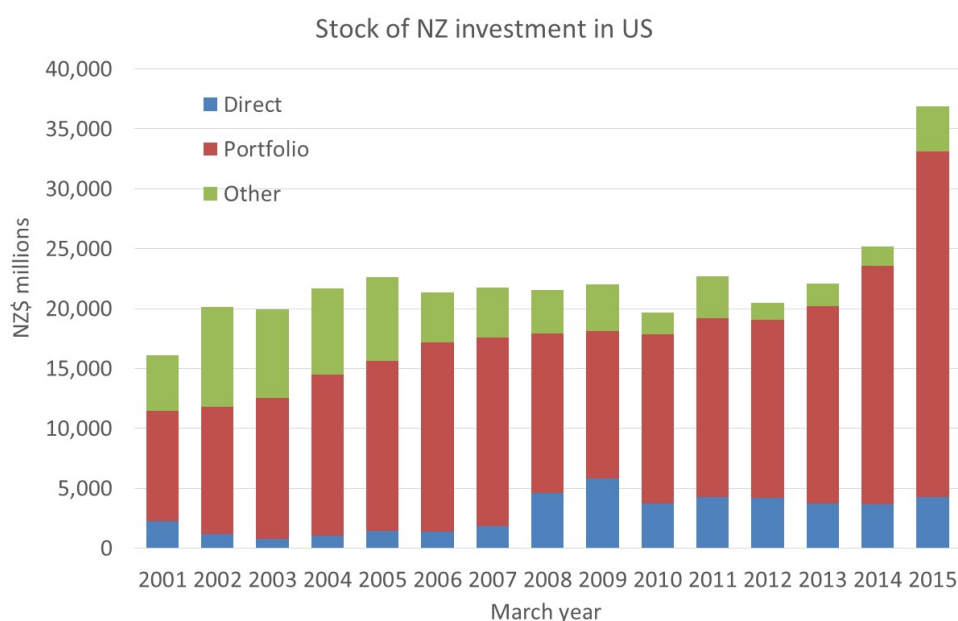
As such, we think it unlikely that TPP will lead to any sharp increases in New Zealand’s services exports due to market access improvements. Rather gains will come from a broader deepening and diversification of the US-New Zealand trade and investment relationship over time, as well as through future liberalisation via the MFN commitment.

Investment opportunities

New Zealand currently invests a stock of NZ\$37 billion in the US economy. This stock has grown sharply in recent years, primarily due to an increase in portfolio investment (see Figure 2).

Figure 2 New Zealand’s investments in the US

March years, NZ\$ million



Source: Statistics New Zealand, NZIER

New Zealand generated some NZ\$630 million of investment income in the year ended March 2015 from these US investments.

The investment outcomes of TPP are qualitatively similar to those in the services chapter – the outcomes for the US are largely around improving certainty for New Zealand investors that they will not be treated unfairly or discriminated relative to other investment sources. This reduces the ‘risk premium’ associated with New Zealand investments in the US, which is helpful given New Zealand’s historically woeful outward direct investment

performance. But there is little by way of specific investment market access improvements to point to.

As such, our initial conclusion is that the biggest gains from the investment outcomes will be driven by the enhanced market access in the goods sector described above. As the bilateral goods (and services) trade relationship deepens, this will tend to lead to greater bilateral investment as investors become more familiar with each other's economies. But it is unlikely that TPP will result in any immediate step change in bilateral investment flows.

The Investor State Dispute Settlement (ISDS) provisions associated with the investment chapter provide further support for bilateral investment. ISDS reduces the risk – admittedly low in both New Zealand and the US due to open, transparent and evidence-based regulatory regimes and a tradition of welcoming foreign investment – that investments will be unjustly appropriated.

The doubling in New Zealand's screening threshold for US investors requiring approval from the Overseas Investment Office will also make New Zealand a more attractive option for US investment (note that the US is already New Zealand's third largest investor, with NZ\$39 billion invested, returning over NZ\$1 billion in the year to March 2015).

Other key TPP outcomes for the US-NZ economic relationship

Non-tariff barriers (NTBs)

TPP builds on members' existing WTO commitments around **SPS**. The objective is to ensure that SPS measures are not unjustifiably trade-distorting and are based on scientific principles. The SPS chapter also includes a dispute resolution process.

While it is difficult to anticipate the potential SPS-related benefits for New Zealand exporters to the US at this stage, TPP now provides a better pathway for resolving SPS concerns and disputes. Over time this should reduce primary sector exporters' uncertainty, and could open up access for products such as fluid milk and cream, for example.

The **TBT** chapter similarly builds on existing WTO TBT commitments, and includes provisions to reduce unnecessary TBTs, improve transparency and promote good regulatory practice and cooperation. A key outcome here is a focus on simplifying and reducing the cost of labelling requirements for wine exports. This, combined with the removal of wine tariffs, will present further opportunities for the New Zealand wine sector into the US market.

The TBT chapter also contains an annex on medical devices, which companies such as Orion Health and Fisher and Paykel Healthcare currently export to the US. The chapter aims to ensure that regulatory decisions in this sector are based on science, thus reducing the risk that New Zealand's medical devices exports are chilled by arbitrary or unjustified regulations.

Small and Medium Enterprises (SMEs) and Competitiveness and Business Facilitation

TPP includes two chapters that seek to improve the availability of information around TPP's provisions to New Zealand SMEs and firms wanting to enhance their participation in GVCs. These two chapters should reduce the risk that it is too hard for resource-constrained New Zealand exporters (and importers) to source relevant information on the potential benefits of TPP.

The **e-commerce** chapter of TPP ensures that TPP signatories will not impose duties on electronic transactions. This will give New Zealand exporters using e-commerce to access

the US market greater certainty as they seek to expand their e-commerce pathways to market.

Agricultural export subsidies

The agreement to eliminate export subsidies on agricultural trade within the TPP region will benefit New Zealand's agricultural exporters in the US market. TPP agricultural producers will be forced to compete with New Zealand exporters on a more level playing field that better reflects underlying competitiveness.

The impact on US producers' competitiveness is likely to be negligible as most US agricultural export subsidies under the Export Enhancement Program have been repealed and the Dairy Export Incentive Program (DEIP) has not been used since 2010. Nevertheless, locking in conditions of zero export subsidies removes the temptation of the US government to support its agricultural sector through such subsidies and removes a source of potential market uncertainty.

Implications for New Zealand exporters and investors: removing the grit in the engine

In isolation, many of the TPP outcomes above are unlikely to lead to significant or immediate improvements in New Zealand's access to the US market (and vice versa).

However, in the whole, these incremental improvements in 'the rules of the game' all act to improve the supporting institutional structures that are an important pre-cursor to a deeper and more sustainable bilateral economic relationship.

Put another way, these TPP outcomes – and others in the areas of competition policy, government procurement, trade remedies, etc. – will make it easier for New Zealand and US firms to do business with each other, and to work more closely and efficiently in the operation of regional and global supply chains.

Appendix A Detailed tables

Table 2 Star performers: New Zealand's largest exports to the US

Commodities that will see US tariff reductions under TPP

CAGR = Compound Annual Growth Rate

RCA = Revealed Comparative Advantage index (>100 means New Zealand has a comparative advantage)

Tariff saving refers to reduction in duties paid based on current trade values and volumes, and the eventual tariff rate under TPP after phase-outs

Commodity	NZ exports to US 2014, US\$000s	NZ exports to US CAGR 2009 to 2014	US imports from the world CAGR 2009 to 2014	Global RCA index	Tariff saving in long term, US\$000s	Percentage point tariff reduction in long term
Meat of bovine animals, frozen, boneless	\$987185	14.7%	17%	3003	\$8536	0.9pp
Milk products of natural milk constituents, whether/not sweetened, n.e.s.	\$278793	7.9%	7.4%	14722	\$147	0.1pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of 2 l/less	\$271928	13%	4.6%	1526	\$2059	0.8pp
Meat of sheep (excl. lamb & carcasses), frozen, bone-in	\$99605	5.1%	9.1%	20053	\$99	0.1pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of >2 l	\$66853	43.7%	10.2%	2049	\$2572	3.8pp
Meat of sheep (excl. lamb & carcasses), fresh/chilled, bone-in	\$62885	7.3%	7%	15818	\$36	0.1pp
Prepared/preserved preparations of bovine animals (excl. homogenised preparations), incl. mixtures	\$38028	8.9%	-2.4%	1648	\$1392	3.7pp
Food preparations, n.e.s.	\$34673	-14.8%	7.9%	624	\$1846-4641	5.3-13.4pp
Cheese (excl. of 0406.10-0406.40)	\$28937	-11.3%	4.2%	1574	\$3008	10.4pp
Fats & oils derived from milk, other than butter & dairy spreads	\$25988	-2%	0.7%	17522	\$2020-2021	7.8pp

Meat of sheep (excl. lamb), fresh/chilled, boneless	\$21533	5.4%	5.9%	16392	\$15	0.1pp
Other, incl. parts of electro-magnets; electro-magnetic/permanent magnet chucks, clamps & similar holding devices; electro-magnetic lifting heads	\$17764	36.2%	16.7%	547	\$223	1.3pp
Animal fats & oils & fractions thereof (excl. of 1501.00-1505.00), whether/not refined but not chemically modified	\$17730	242.8%	132.2%	55	\$407	2.3pp
Tableware & kitchenware, of plastics	\$17354	33.1%	11.9%	270	\$553	3.2pp
Static converters	\$15993	24.8%	11.3%	46	\$221	1.4pp
Whey & modified whey, whether/not concentrated/sweetened	\$15304	...	25.3%	310	\$1229	8pp
Natural honey	\$12972	35.3%	20.3%	3155	\$31	0.2pp
Butter	\$12356	0.9%	22%	8029	\$140-146	1.1-1.2pp
Meat of bovine animals, fresh/chilled, boneless	\$12038	14.2%	17%	585	\$58	0.5pp
Milk in powder/granules/other solid form, unsweetened, fat content by weight >1.5%	\$9711	2.5%	9.2%	21044	\$126-127	1.3pp
Meat of sheep (excl. lamb), frozen, boneless	\$8505	9.7%	19%	13719	\$8	0.1pp
Peptones&their derivatives; other protein substances&their derivatives, n.e.s/incl.; hide powder, whether/not chromed.	\$8338	47.4%	31.7%	671	\$348	4.2pp
Other machines & apparatus for electrical machines & apparatus, other than than machines & apparatus for electroplating/ electrolysis/electrophoresis/signal generators/particle accelerators.	\$8287	20.5%	15.6%	73	\$209	2.5pp
Measuring/checking instr., apparatus& machines, n.e.s. in Ch. 90	\$7794	25.5%	14.9%	84	\$128	1.6pp
Taps, cocks, valves & similar appliances for pipes/boiler shells/tanks/vats/the like, incl. thermostatically controlled valves, n.e.s. in 84.81	\$7368	10.2%	13.2%	24	\$234	3.2pp
Carpets & other textile floor	\$6925	79.1%	9.4%	5256	\$401	5.8pp

coverings, tufted, whether/not made up, of wool/fine animal hair						
Weighing machinery (excl. balances of a sensitivity of 5cg/better; excl. of 8423.10-8423.82)	\$6869	17.5%	8.3%	244	\$198	2.9pp
Vegetable seeds, of a kind used for sowing	\$6664	21.9%	11.5%	518	\$17	0.3pp
Bulbs, tubers, tuberous roots, corms, crowns & rhizomes, dormant	\$6171	12.1%	-1%	937	\$46	0.8pp
Wool, not carded/combed, degreased, not carbonised, shorn	\$6050	5.8%	6%	21559	\$30	0.5pp
Undenatured ethyl alcohol of an alcoholic strength by volume <80%vol; other spirits, liquers & other spiritous beverages	\$5445	68.8%	12.1%	153	\$6	0.1pp
Articles of plastics&articles of other materials of headings 39.01 to 39.14, n.e.s. in Ch 39	\$5393	8.7%	10.1%	49	\$256	4.7pp
Parts & accessories for machines of heading 84.62 to 84.63	\$5363	13.3%	8.9%	37	\$249	4.6pp
Peas (Pisum sativum), dried, shelled, whether/not skinned/split	\$4907	-4.8%	24.8%	463	\$10	0.2pp
Hop cones, fresh/dried, ground/powdered/in the form of pellets; lupulin	\$4824	84.7%	-0.8%	0	\$40	0.8pp
Textile fabrics impregnated/coated/covered/laminated with plastics other than of 59.02 (excl. of 5903.10 & 5903.20)	\$4392	10.9%	13.5%	124	\$319	7.3pp
Onions & shallots, fresh/chilled	\$4134	71.9%	9.2%	1082	\$180	4.3pp
Peas (Pisum sativum), shelled/unshelled, uncooked/cooked by steaming/boiling in water, frozen	\$3780	151%	2.4%	3344	\$65	1.7pp
Yachts & other vessels for pleasure/sports; rowing boats & canoes, inflatable	\$3563	26.9%	3.6%	187	\$83	2.3pp
Avocados, fresh/dried	\$3497	36.3%	15.7%	1319	\$376	10.8pp
Carcasses/half-carcasses of lamb, frozen	\$3236	21.7%	29.7%	17085	\$4	0.1pp
Other copper alloys (other than master alloys of heading 74.05), other than copper-zinc alloys(brass),/copper-tin base alloys(bronze).	\$3024	...	10.2%	345	\$29	1pp

Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders/of tendons	\$2826	4.9%	1.4%	54	\$3	0.1pp
Rye grass (<i>Lolium multiflorum</i> Lam./perenne L.) seed, of a kind used for sowing	\$2680	96%	5.2%	5008	\$19	0.7pp
Articles of iron/steel, n.e.s.	\$2650	22.5%	12.1%	36	\$71	2.7pp
Floor coverings & mats of vulcanised rubber other than hard rubber	\$2591	51%	7.6%	179	\$67	2.6pp
Electric lamps & lighting fittings, n.e.s. in 94.05	\$2522	29.9%	19.5%	56	\$90	3.6pp
Machines & apparatus for arc (incl. plasma arc) welding of metals, fully/partly auto.	\$2511	9.1%	5.9%	18	\$40	1.6pp
Parts of the machines of 85.04	\$2383	93.5%	4.5%	16	\$56	2.4pp
Machine-tools for working metal/cermets, without removing material, n.e.s.	\$2293	...	25.9%	60	\$100	4.4pp

Source: NZIER, COMTRADE

Table 3 Potential stars: NZ exports to the US with the highest annual compounding growth rate

Commodities that will see US tariff reductions under TPP

CAGR = Compound Annual Growth Rate

RCA = Revealed Comparative Advantage index (>100 means New Zealand has a comparative advantage)

Tariff saving refers to reduction in duties paid based on current trade values and volumes, and the eventual tariff rate under TPP after phase-outs

Commodity	NZ exports to US 2014, US\$000	NZ exports to US CAGR 2009 to 2014	US imports from the world CAGR 2009 to 2014	Global RCA index	Tariff saving in long term, US\$000	Percentage point tariff reduction in long term
Whey & modified whey, whether/not concentrated/sweetened	\$15304	...	25.3%	310	\$1229	8pp
Animal fats & oils & fractions thereof (excl. of 1501.00-1505.00), whether/not refined but not chemically modified	\$17730	242.8%	132.2%	55	\$407	2.3pp
Carpets & other textile floor coverings, tufted, whether/not made up, of wool/fine animal hair	\$6925	79.1%	9.4%	5256	\$401	5.8pp
Undenatured ethyl alcohol of an alcoholic strength by volume <80%vol; other spirits, liquors & other spiritous beverages	\$5445	68.8%	12.1%	153	\$6	0.1pp
Peptones&their derivatives; other protein substances&their derivatives, n.e.s/incl.; hide powder, whether/not chromed.	\$8338	47.4%	31.7%	671	\$348	4.2pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of >2 l	\$66853	43.7%	10.2%	2049	\$2572	3.8pp
Other, incl. parts of electro-magnets; electro-magnetic/permanent magnet chucks, clamps & similar holding devices; electro-magnetic lifting heads	\$17764	36.2%	16.7%	547	\$223	1.3pp
Natural honey	\$12972	35.3%	20.3%	3155	\$31	0.2pp
Tableware & kitchenware, of plastics	\$17354	33.1%	11.9%	270	\$553	3.2pp
Measuring/checking instr., apparatus& machines, n.e.s. in Ch.	\$7794	25.5%	14.9%	84	\$128	1.6pp

90						
Static converters	\$15993	24.8%	11.3%	46	\$221	1.4pp
Vegetable seeds, of a kind used for sowing	\$6664	21.9%	11.5%	518	\$17	0.3pp
Other machines & apparatus for electrical machines & apparatus, other than than machines & apparatus for electroplating/ electrolysis/electrophoresis/signal generators/particle accelerators.	\$8287	20.5%	15.6%	73	\$209	2.5pp
Weighing machinery (excl. balances of a sensitivity of 5cg/better; excl. of 8423.10-8423.82)	\$6869	17.5%	8.3%	244	\$198	2.9pp
Meat of bovine animals, frozen, boneless	\$987185	14.7%	17%	3003	\$8536	0.9pp
Meat of bovine animals, fresh/chilled, boneless	\$12038	14.2%	17%	585	\$58	0.5pp
Parts & accessories for machines of heading 84.62 to 84.63	\$5363	13.3%	8.9%	37	\$249	4.6pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of 2 l/less	\$271928	13%	4.6%	1526	\$2059	0.8pp
Bulbs, tubers, tuberous roots, corms, crowns & rhizomes, dormant	\$6171	12.1%	-1%	937	\$46	0.8pp
Taps, cocks, valves & similar appliances for pipes/boiler shells/tanks/vats/the like, incl. thermostatically controlled valves, n.e.s. in 84.81	\$7368	10.2%	13.2%	24	\$234	3.2pp
Meat of sheep (excl. lamb), frozen, boneless	\$8505	9.7%	19%	13719	\$8	0.1pp
Prepared/preserved preparations of bovine animals (excl. homogenised preparations), incl. mixtures	\$38028	8.9%	-2.4%	1648	\$1392	3.7pp
Articles of plastics&articles of other materials of headings 39.01 to 39.14, n.e.s. in Ch 39	\$5393	8.7%	10.1%	49	\$256	4.7pp
Milk products of natural milk constituents, whether/not sweetened, n.e.s.	\$278793	7.9%	7.4%	14722	\$147	0.1pp
Meat of sheep (excl. lamb & carcasses), fresh/chilled, bone-in	\$62885	7.3%	7%	15818	\$36	0.1pp

Wool, not carded/combed, degreased, not carbonised, shorn	\$6050	5.8%	6%	21559	\$30	0.5pp
Meat of sheep (excl. lamb), fresh/chilled, boneless	\$21533	5.4%	5.9%	16392	\$15	0.1pp
Meat of sheep (excl. lamb & carcasses), frozen, bone-in	\$99605	5.1%	9.1%	20053	\$99	0.1pp
Milk in powder/granules/other solid form, unsweetened, fat content by weight >1.5%	\$9711	2.5%	9.2%	21044	\$126-127	1.3pp
Butter	\$12356	0.9%	22%	8029	\$140-146	1.1-1.2pp
Fats & oils derived from milk, other than butter & dairy spreads	\$25988	-2%	0.7%	17522	\$2020-2021	7.8pp
Cheese (excl. of 0406.10-0406.40)	\$28937	-11.3%	4.2%	1574	\$3008	10.4pp
Food preparations, n.e.s.	\$34673	-14.8%	7.9%	624	\$1846-4641	5.3-13.4pp
Ice & snow	\$5698	113.1%	86.1%	193	\$0	0pp
Dog/cat food, put up for RS	\$5758	65.8%	10.4%	202	\$0	0pp
Aluminium, not alloyed, unwrought	\$22016	59%	-3.7%	1420	\$0	0pp
Packing/wrapping machinery, incl. heat-shrink wrapping machinery (excl. of 8422.30)	\$7703	52.9%	11.5%	123	\$0	0pp
Agricultural/horticultural/forestry/bee-keeping machinery (excl. of 8436.10 & 8436.21), incl. germination plant fitted with mechanical/thermal equip.	\$18553	52.7%	23.1%	931	\$0	0pp
Flat-rolled products of iron/non-alloy steel, of a width of 600mm/more, hot-rolled, not clad/plated/coated, in coils, not further worked than hot-rolled, pickled, of a thickness of 3mm/more but <4.75mm	\$5377	47.2%	16.6%	119	\$0	0pp
Parts & accessories of machines & apparatus of a kind used solely/principally for the manufacture of semiconductor boules/wafers, semiconductor devices, electronic integrated circuits/flat panel displays; machines & apparatus specified in Note 9 (C) to th	\$12397	41.4%	22.1%	3	\$0	0pp
Flat-rolled products of iron/non-alloy steel, of a width of 600mm/more, hot-rolled, not clad/plated/coated, in coils, not further worked than hot-	\$10153	38.1%	30.8%	900	\$0	0pp

rolled, with patterns in relief						
Parts of the machinery of 84.33	\$23437	36.9%	10.3%	300	\$0	Opp
Flat-rolled products of iron/non-alloy steel, of a width of 600mm/more, hot-rolled, not clad/plated/coated, in coils, not further worked than hot-rolled, pickled, of a thickness of <3mm	\$10233	35.1%	17.5%	157	\$0	Opp
Non-electrical articles of graphite/other carbon	\$8051	33%	14.6%	561	\$0	Opp
Parts of milking machines & dairy machinery	\$5538	31.3%	25%	1192	\$0	Opp
Edible offal, n.e.s., frozen	\$5281	30.6%	14.1%	9004	\$0	Opp
Machines for cleaning/sorting/grading eggs/fruit/other agricultural produce	\$13907	30.4%	19%	1876	\$0	Opp
Instruments & appliances used in dental sciences (excl. drills)	\$9174	30.3%	6.4%	86	\$0	Opp
Edible offal of bovine animals (excl. tongues & livers), frozen	\$7354	29.1%	21.1%	1339	\$0	Opp
Parts suit. for use solely/principally with the machinery of 84.26/84.29/84.30 (excl. of 8431.41-8431.43)	\$6175	27.8%	17.8%	54	\$0	Opp

Source: NZIER, COMTRADE

Table 4 NZ exports to the US with the largest tariff savings

Commodities that will see US tariff reductions under TPP

CAGR = Compound Annual Growth Rate

RCA = Revealed Comparative Advantage index (>100 means New Zealand has a comparative advantage)

Tariff saving refers to reduction in duties paid based on current trade values and volumes, and the eventual tariff rate under TPP after phase-outs

Commodity	NZ exports to US 2014, US\$000	NZ exports to US CAGR 2009 to 2014	US imports from the world CAGR 2009 to 2014	Global RCA index	Tariff saving in long term, US\$000	Percentage point tariff reduction in long term
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Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of >2 l	\$66853	43.7%	10.2%	2049	\$2572	3.8pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of 2 l/less	\$271928	13%	4.6%	1526	\$2059	0.8pp
Fats & oils derived from milk, other than butter & dairy spreads	\$25988	-2%	0.7%	17522	\$2020-2021	7.8pp
Food preparations, n.e.s.	\$34673	-14.8%	7.9%	624	\$1846-4641	5.3-13.4pp
Prepared/preserved preparations of bovine animals (excl. homogenised preparations), incl. mixtures	\$38028	8.9%	-2.4%	1648	\$1392	3.7pp
Whey & modified whey, whether/not concentrated/sweetened	\$15304	...	25.3%	310	\$1229	8pp
Tableware & kitchenware, of plastics	\$17354	33.1%	11.9%	270	\$553	3.2pp
Animal fats & oils & fractions thereof (excl. of 1501.00-1505.00), whether/not refined but not chemically modified	\$17730	242.8%	132.2%	55	\$407	2.3pp
Carpets & other textile floor coverings, tufted, whether/not made up, of wool/fine animal hair	\$6925	79.1%	9.4%	5256	\$401	5.8pp

Avocados, fresh/dried	\$3497	36.3%	15.7%	1319	\$376	10.8pp
Peptones&their derivatives; other protein substances&their derivatives, n.e.s/incl.; hide powder, whether/not chromed.	\$8338	47.4%	31.7%	671	\$348	4.2pp
Textile fabrics impregnated/coated/covered/laminated with plastics other than of 59.02 (excl. of 5903.10 & 5903.20)	\$4392	10.9%	13.5%	124	\$319	7.3pp
Articles of plastics&articles of other materials of headings 39.01 to 39.14, n.e.s. in Ch 39	\$5393	8.7%	10.1%	49	\$256	4.7pp
Parts & accessories for machines of heading 84.62 to 84.63	\$5363	13.3%	8.9%	37	\$249	4.6pp
Taps, cocks, valves & similar appliances for pipes/boiler shells/tanks/vats/the like, incl. thermostatically controlled valves, n.e.s. in 84.81	\$7368	10.2%	13.2%	24	\$234	3.2pp
Other, incl. parts of electro-magnets; electro-magnetic/permanent magnet chucks, clamps & similar holding devices; electro-magnetic lifting heads	\$17764	36.2%	16.7%	547	\$223	1.3pp
Static converters	\$15993	24.8%	11.3%	46	\$221	1.4pp
Knitted/crocheted fabrics, n.e.s. in Ch.60, of wool/fine animal hair	\$2269	5.8%	9.3%	794	\$221	9.8pp
Other machines & apparatus for electrical machines & apparatus, other than than machines & apparatus for electroplating/ electrolysis/electrophoresis/signal generators/particle accelerators.	\$8287	20.5%	15.6%	73	\$209	2.5pp
Weighing machinery (excl. balances of a sensitivity of 5cg/better; excl. of 8423.10-8423.82)	\$6869	17.5%	8.3%	244	\$198	2.9pp
Onions & shallots, fresh/chilled	\$4134	71.9%	9.2%	1082	\$180	4.3pp
Milk products of natural milk constituents, whether/not sweetened, n.e.s.	\$278793	7.9%	7.4%	14722	\$147	0.1pp
Butter	\$12356	0.9%	22%	8029	\$140-146	1.1-1.2pp
Measuring/checking instr., apparatus& machines, n.e.s. in Ch. 90	\$7794	25.5%	14.9%	84	\$128	1.6pp
Milk in powder/granules/other solid	\$9711	2.5%	9.2%	21044	\$126-	1.3pp

form, unsweetened, fat content by weight >1.5%					127	
Machine-tools for working metal/cermets, without removing material, n.e.s.	\$2293	...	25.9%	60	\$100	4.4pp
Meat of sheep (excl. lamb & carcasses), frozen, bone-in	\$99605	5.1%	9.1%	20053	\$99	0.1pp
Yarn of carded wool, not put up for retail sale, containing 85%/more by weight of wool	\$1628	-18.3%	21.7%	1455	\$93	5.7pp
Electric lamps & lighting fittings, n.e.s. in 94.05	\$2522	29.9%	19.5%	56	\$90	3.6pp
Yachts & other vessels for pleasure/sports; rowing boats & canoes, inflatable	\$3563	26.9%	3.6%	187	\$83	2.3pp
Articles of iron/steel, n.e.s.	\$2650	22.5%	12.1%	36	\$71	2.7pp
Floor coverings & mats of vulcanised rubber other than hard rubber	\$2591	51%	7.6%	179	\$67	2.6pp
Peas (<i>Pisum sativum</i>), shelled/unshelled, uncooked/cooked by steaming/boiling in water, frozen	\$3780	151%	2.4%	3344	\$65	1.7pp
Paints & varnishes (incl. enamels & lacquers, excl. of 3208.10 & 3208.20) based on synthetic polymers/chemically modified natural polymers, dispersed/dissolved in a non-aqueous medium; solutions as defined in Note 4 to this Ch.	\$1962	25.1%	10.9%	29	\$62	3.2pp
Binder/baler twine, cordage, ropes & cables of polyethylene/polypropylene, whether/not plaited/braided & whether/not impregnated/coated/covered/sheathed with rubber/plastics	\$1674	-5.7%	7.5%	510	\$60	3.6pp
Chemical products&preparations of the chemical/allied industries (including those consisting of mixtures of natural products, excl. of 3824.30 - 3824.83)	\$2174	77.6%	17.7%	12	\$59	2.7pp
Meat of bovine animals, fresh/chilled, boneless	\$12038	14.2%	17%	585	\$58	0.5pp
Parts of locks, of base metal	\$2161	107.7%	13.8%	61	\$57	2.7pp
Parts of the machines of 85.04	\$2383	93.5%	4.5%	16	\$56	2.4pp
Sugar confectionery other than chewing gum (incl. white chocolate),	\$1073	-8.5%	7.8%	249	\$55	5.1pp

not containing cocoa						
Other parts & accessories for the motor vehicles of 87.01-87.05, exclud. 8708.91/92/93/94/95.	\$2141	25.7%	14.3%	15	\$52	2.4pp
Chandeliers & other electric ceiling/wall lighting fittings (excl. those of a kind used for lighting public open spaces/thoroughfares)	\$772	-4.8%	15.6%	20	\$52	6.8pp
Switches other than isolating switches & make-&-break switches, for a voltage not >1000V	\$1819	29.8%	12.8%	24	\$48	2.6pp
Carpets & other textile floor coverings, tufted, whether/not made up, of man-made textile materials other than nylon/other polyamides	\$792	...	17.6%	89	\$47	5.9pp
Bulbs, tubers, tuberous roots, corms, crowns & rhizomes, dormant	\$6171	12.1%	-1%	937	\$46	0.8pp
Lactose & lactose syrup, containing by weight >95% but <99% lactose, expressed as anhydrous lactose, calc. on the dry matter	\$1435	...	-11.1%	275	\$42	2.9pp
Weighing machine wts. of all kinds; parts of weighing machinery	\$1532	12.9%	6.2%	769	\$42	2.7pp
Leather further prepared after tanning/crusting, incl. parchment-dressed leather, of bovine (incl. buffalo)/equine animals, without hair on, other than whole hides & skins, grain splits	\$1580	-0.6%	17%	231	\$41	2.6pp

Source: NZIER, COMTRADE

Table 5 NZ exports to the US with the largest tariff decreases (in percentage points)

Commodities with a trade value of over \$5 million

Commodities that will see US tariff reductions under TPP

CAGR = Compound Annual Growth Rate

RCA = Revealed Comparative Advantage index (>100 means New Zealand has a comparative advantage)

Tariff saving refers to reduction in duties paid based on current trade values and volumes, and the eventual tariff rate under TPP after phase-outs

Commodity	NZ exports to US 2014	NZ exports to US CAGR 2009 to 2014	US imports from the world CAGR 2009 to 2014	Global RCA index	Tariff saving in long term	Percentage point tariff reduction in long term
Cheese (excl. of 0406.10-0406.40)	\$28937	-11.3%	4.2%	1574	\$3008	10.4pp
Whey & modified whey, whether/not concentrated/sweetened	\$15304	...	25.3%	310	\$1229	8pp
Fats & oils derived from milk, other than butter & dairy spreads	\$25988	-2%	0.7%	17522	\$2020-2021	7.8pp
Carpets & other textile floor coverings, tufted, whether/not made up, of wool/fine animal hair	\$6925	79.1%	9.4%	5256	\$401	5.8pp
Food preparations, n.e.s.	\$34673	-14.8%	7.9%	624	\$1846-4641	5.3-13.4pp
Articles of plastics&articles of other materials of headings 39.01 to 39.14, n.e.s. in Ch 39	\$5393	8.7%	10.1%	49	\$256	4.7pp
Parts & accessories for machines of heading 84.62 to 84.63	\$5363	13.3%	8.9%	37	\$249	4.6pp
Peptones&their derivatives; other protein substances&their derivatives, n.e.s./incl.; hide powder, whether/not chromed.	\$8338	47.4%	31.7%	671	\$348	4.2pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of >2 l	\$66853	43.7%	10.2%	2049	\$2572	3.8pp
Prepared/preserved preparations of bovine animals (excl. homogenised preparations), incl. mixtures	\$38028	8.9%	-2.4%	1648	\$1392	3.7pp
Tableware & kitchenware, of plastics	\$17354	33.1%	11.9%	270	\$553	3.2pp

Taps, cocks, valves & similar appliances for pipes/boiler shells/tanks/vats/the like, incl. thermostatically controlled valves, n.e.s. in 84.81	\$7368	10.2%	13.2%	24	\$234	3.2pp
Weighing machinery (excl. balances of a sensitivity of 5cg/better; excl. of 8423.10-8423.82)	\$6869	17.5%	8.3%	244	\$198	2.9pp
Other machines & apparatus for electrical machines & apparatus, other than than machines & apparatus for electroplating/ electrolysis/electrophoresis/signal generators/particle accelerators.	\$8287	20.5%	15.6%	73	\$209	2.5pp
Animal fats & oils & fractions thereof (excl. of 1501.00-1505.00), whether/not refined but not chemically modified	\$17730	242.8%	132.2%	55	\$407	2.3pp
Measuring/checking instr., apparatus& machines, n.e.s. in Ch. 90	\$7794	25.5%	14.9%	84	\$128	1.6pp
Static converters	\$15993	24.8%	11.3%	46	\$221	1.4pp
Other, incl. parts of electro-magnets; electro-magnetic/permanent magnet chucks, clamps & similar holding devices; electro-magnetic lifting heads	\$17764	36.2%	16.7%	547	\$223	1.3pp
Milk in powder/granules/other solid form, unsweetened, fat content by weight >1.5%	\$9711	2.5%	9.2%	21044	\$126-127	1.3pp
Butter	\$12356	0.9%	22%	8029	\$140-146	1.1-1.2pp
Meat of bovine animals, frozen, boneless	\$987185	14.7%	17%	3003	\$8536	0.9pp
Wine other than sparkling wine of fresh grapes, incl. fortified; grape must with fermentation prevented/arrested by the addition of alcohol, in containers of 2 l/less	\$271928	13%	4.6%	1526	\$2059	0.8pp
Bulbs, tubers, tuberous roots, corms, crowns & rhizomes, dormant	\$6171	12.1%	-1%	937	\$46	0.8pp
Meat of bovine animals, fresh/chilled, boneless	\$12038	14.2%	17%	585	\$58	0.5pp
Wool, not carded/combed, degreased, not carbonised, shorn	\$6050	5.8%	6%	21559	\$30	0.5pp

Vegetable seeds, of a kind used for sowing	\$6664	21.9%	11.5%	518	\$17	0.3pp
Natural honey	\$12972	35.3%	20.3%	3155	\$31	0.2pp
Milk products of natural milk constituents, whether/not sweetened, n.e.s.	\$278793	7.9%	7.4%	14722	\$147	0.1pp
Meat of sheep (excl. lamb & carcasses), frozen, bone-in	\$99605	5.1%	9.1%	20053	\$99	0.1pp
Meat of sheep (excl. lamb & carcasses), fresh/chilled, bone-in	\$62885	7.3%	7%	15818	\$36	0.1pp
Meat of sheep (excl. lamb), fresh/chilled, boneless	\$21533	5.4%	5.9%	16392	\$15	0.1pp
Meat of sheep (excl. lamb), frozen, boneless	\$8505	9.7%	19%	13719	\$8	0.1pp
Undenatured ethyl alcohol of an alcoholic strength by volume <80%vol; other spirits, liquors & other spiritous beverages	\$5445	68.8%	12.1%	153	\$6	0.1pp
Caseinates & other casein derivatives; casein glues	\$58051	-1.6%	-0.3%	12107	\$28	0pp
Animal products not elsewhere specified/incl. (excl. of 0511.10); dead animals of Ch. 1, unfit for human consumption	\$56795	18%	10.2%	2600	\$13	0pp
Casein	\$225110	7%	9.5%	14131	\$5	0pp
Wood (including strips & friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded/the like) along any of its edges, ends/faces, whether/not planed, sanded/end-jointed, coniferous	\$13627	-12.5%	12.9%	1860	\$1	0pp
Ice & snow	\$5698	113.1%	86.1%	193	\$0	0pp
Dog/cat food, put up for RS	\$5758	65.8%	10.4%	202	\$0	0pp
Aluminium, not alloyed, unwrought	\$22016	59%	-3.7%	1420	\$0	0pp
Packing/wrapping machinery, incl. heat-shrink wrapping machinery (excl. of 8422.30)	\$7703	52.9%	11.5%	123	\$0	0pp
Agricultural/horticultural/forestry/bee-keeping machinery (excl. of 8436.10 & 8436.21), incl. germination plant fitted with mechanical/thermal equip.	\$18553	52.7%	23.1%	931	\$0	0pp

Flat-rolled products of iron/non-alloy steel, of a width of 600mm/more, hot-rolled, not clad/plated/coated, in coils, not further worked than hot-rolled, pickled, of a thickness of 3mm/more but <4.75mm	\$5377	47.2%	16.6%	119	\$0	Opp
Parts & accessories of machines & apparatus of a kind used solely/principally for the manufacture of semiconductor boules/wafers, semiconductor devices, electronic integrated circuits/flat panel displays; machines & apparatus specified in Note 9 (C) to th	\$12397	41.4%	22.1%	3	\$0	Opp
Flat-rolled products of iron/non-alloy steel, of a width of 600mm/more, hot-rolled, not clad/plated/coated, in coils, not further worked than hot-rolled, with patterns in relief	\$10153	38.1%	30.8%	900	\$0	Opp
Parts of the machinery of 84.33	\$23437	36.9%	10.3%	300	\$0	Opp
Flat-rolled products of iron/non-alloy steel, of a width of 600mm/more, hot-rolled, not clad/plated/coated, in coils, not further worked than hot-rolled, pickled, of a thickness of <3mm	\$10233	35.1%	17.5%	157	\$0	Opp
Non-electrical articles of graphite/other carbon	\$8051	33%	14.6%	561	\$0	Opp
Parts of milking machines & dairy machinery	\$5538	31.3%	25%	1192	\$0	Opp
Edible offal, n.e.s., frozen	\$5281	30.6%	14.1%	9004	\$0	Opp

Source: NZIER, COMTRADE