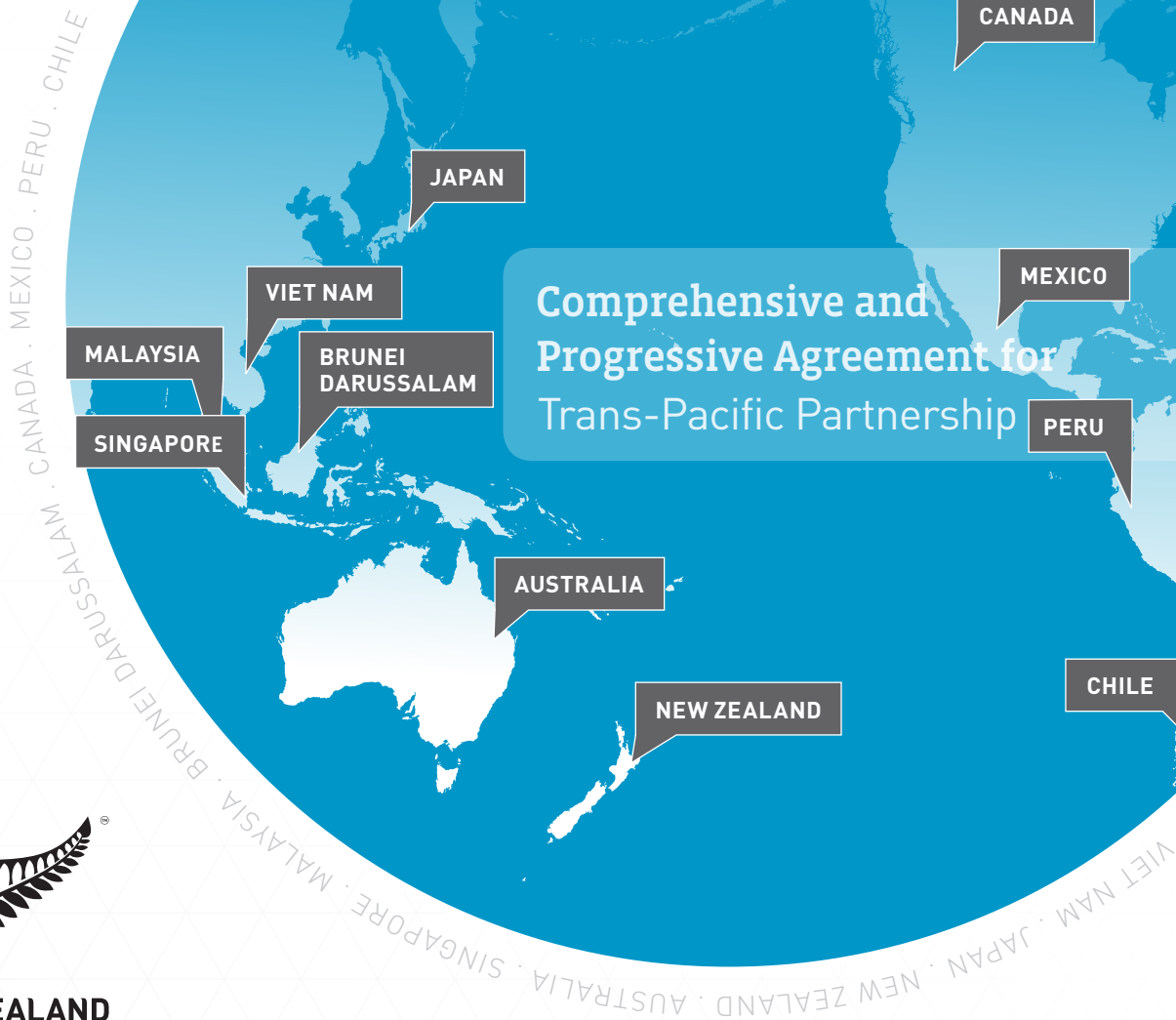




NEW ZEALAND
FOREIGN AFFAIRS & TRADE



FACT SHEET

OVERVIEW

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will be a free trade agreement involving 11 countries in the Asia-Pacific region, including New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Viet Nam. It is called progressive because it goes beyond reducing costs for businesses. It includes commitments to safeguard high labour and environmental standards across the Asia-Pacific region; it preserves New Zealand's right to make laws to protect our people and our environment; it upholds the Treaty of Waitangi; and it will create jobs that will help generate a better standard of living for New Zealanders.

OVERVIEW

THE ECONOMIES INVOLVED

The economies included in the CPTPP account for 13.5 percent of world GDP – worth a total of US\$10 trillion. These are economically significant for New Zealand. The 10 economies:

- are the destination for 31 percent of New Zealand's goods exports (NZ\$15.2 billion) and 31 percent of New Zealand's services exports (NZ\$6.9 billion) in the year to the end of June 2017.
- include four of New Zealand's top 10 trading partners (Australia, Japan, Singapore, and Malaysia).
- include four countries with which New Zealand has never had a free trade agreement (Japan, Canada, Mexico and Peru). We export over NZ\$5.5 billion of goods and services to these four countries.
- are the source of 65 percent of total foreign direct investment in New Zealand as of March 2017.

EXPORTS FROM NEW ZEALAND TO NEW FTA PARTNERS



ORIGINS OF THE CPTPP

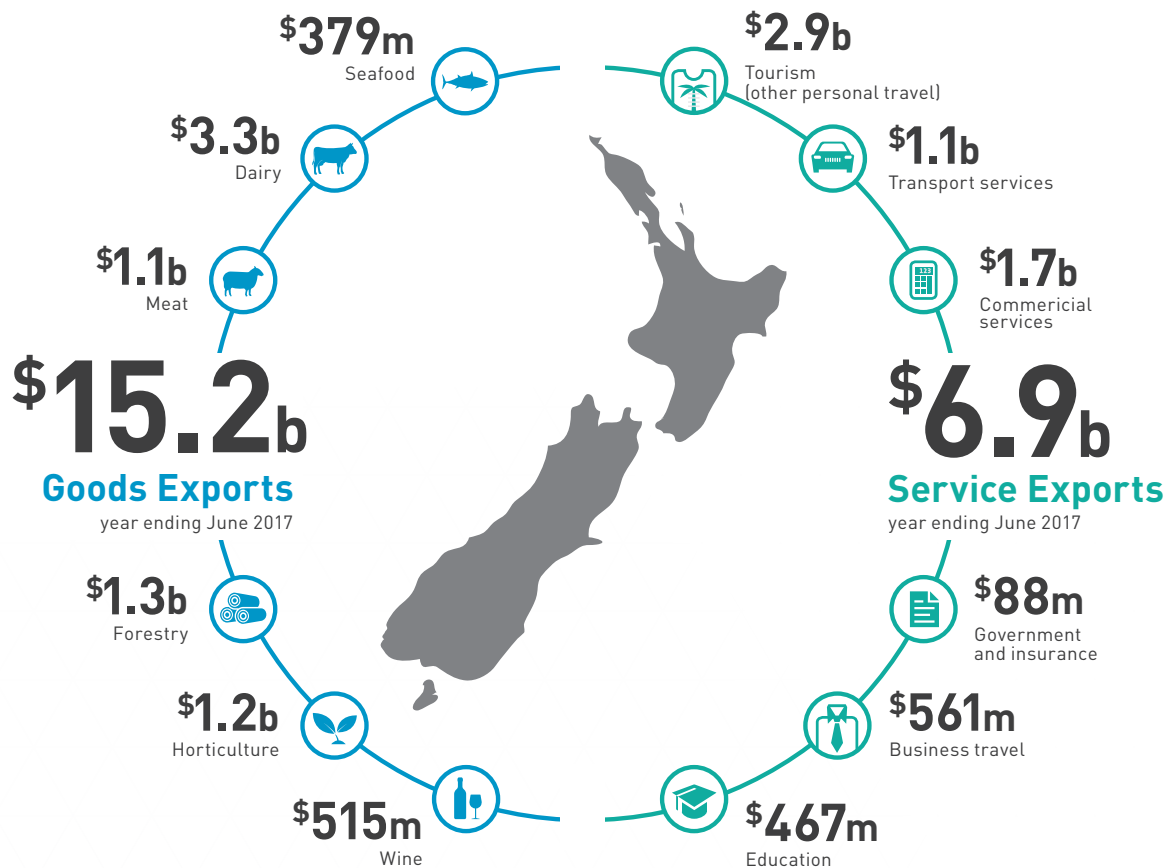
The CPTPP includes many of the elements that were negotiated as part of TPP, but with some significant differences. The participants agreed in November 2017 to suspend 20 items. This means outcomes that were of concern to New Zealanders the first time around in the areas of investment, intellectual property and health will not apply. Participants are still considering how to deal with another four items.

FIVE KEY OBJECTIVES THAT HAVE GUIDED OUR NEGOTIATIONS

- 1 Generate a better standard of living for all New Zealanders by helping businesses succeed internationally and grow jobs and opportunities locally
- 2 Safeguard the Government's right to regulate and decide what is best for New Zealand and our people
- 3 Ensure that tangible benefits are delivered for Māori and that the Crown's obligations under the Treaty of Waitangi are in no way compromised
- 4 Raise labour and environmental standards in the region and reduce the impact of unfair practices
- 5 Create a set of uniform rules that provide certainty for businesses of all sizes – big and small – who export to CPTPP economies.

OVERVIEW

KEY FACTS



COUNTRY COMPARISON (2016)

TPP Countries	New Zealand
3rd largest economy in the world (Japan)	53rd largest economy in the world
480m population	4.8m population

BENEFITS

FTA

CPTPP will be New Zealand's first FTA with Japan, Canada, Mexico and Peru.

\$5.5b

These four countries represent over \$5.5 billion of New Zealand goods and services exports



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HIGHLIGHTS OF THE CPTPP

Partnering with these countries represents a huge opportunity for New Zealand exporters, opening up markets with a combined population of 480 million people that consume nearly a third of our overall exports.

Gaining preferential access into Japan, the world's third-largest economy, as well as Canada, Mexico and Peru, for the first time will open up new export destinations for our small and larger businesses, create jobs that add to the more than 620,000 New Zealanders whose jobs already depend on exports, and help generate a better standard of living for all New Zealanders.

Promoting sustainable economic development is also a prominent feature of what has been negotiated, with strong commitments to safeguard high labour and environmental standards across the Asia-Pacific region. For example, the CPTPP ensures that member

countries have in place laws and practices governing workers' wages and safety. For the first time in any of New Zealand's trade agreements, commitments in these areas will be legally enforceable. This will raise standards in the region.

At the same time as supporting New Zealand's trade ambitions, the CPTPP protects the unique status of the Treaty of Waitangi and the Government's right to regulate in the public interest in areas like health, environment, and taxation policy.

A reciprocal agreement with Australia means that investor state dispute settlement (ISDS) clauses in the CPTPP will not apply between our countries. This covers 80 percent of our overseas investment from CPTPP countries as a whole. Where ISDS does apply, it is constrained to a more limited scope.

BENEFITS FOR GOODS EXPORTERS

The CPTPP will provide significant benefits for New Zealand goods exporters across a range of sectors. Tariffs will be eliminated on all New Zealand's exports to CPTPP economies, with the exception of beef into Japan; and a number of dairy products into Japan, Canada, and Mexico, where access will still be improved through partial tariff reductions and duty-free quotas.

This has the potential to deliver an estimated \$222 million of tariff savings annually, with \$92 million of those savings starting as soon as the CPTPP enters into force. By way of comparison, the annual tariff savings from New Zealand's free trade agreement with China were initially estimated at \$115 million a year, although since then trade growth has seen New Zealand's annual exports to China quadruple.

Crucially, it will mean our exporters are not disadvantaged in important markets like Japan compared with competitors such as Australia, Chile, and soon with the 28 members of the EU, which have agreed free trade agreements with Japan.



All tariffs for New Zealand kiwifruit will be eliminated at entry into force and existing duty-free access will be locked in. This includes duty free access to Japan – New Zealand's largest kiwifruit market – representing tariff reductions of more than NZ\$25 million.



All tariffs on New Zealand apples will be eliminated within 11 years, levelling the playing field with Australian apple exporters, who currently enjoy preferential access into Japan.



All tariffs on New Zealand wine will be eliminated, including immediate duty-free access to Canada (New Zealand's 4th-largest wine market).



Tariffs on beef exports to Japan will reduce from 38.5 percent to 9 percent over 16 years, the best outcome Japan has given to any trade agreement partner. This will immediately remove Australian beef exporters' current tariff advantage over New Zealand in the Japanese market.



Nearly all tariffs on New Zealand sheepmeat will be eliminated upon entry into force, including locking in preferential rates to Canada (New Zealand's 7th largest sheepmeat market).



CPTPP includes useful improvements for New Zealand's dairy exporters. They will benefit from an estimated NZ\$86 million in overall tariff reductions through preferential access to new quotas into Japan, Canada and Mexico, in addition to tariff elimination on a number of products.



All tariffs on New Zealand forestry and forestry products will be eliminated as part of CPTPP, including in Japan (New Zealand's 4th-largest export market) and Viet Nam (New Zealand's 9th-largest market).



All of New Zealand's fish and fish products imported into Japan currently faces tariffs. These will be 99 percent eliminated within 11 years, and the remainder within 16 years.

In addition to tariff liberalisation, the CPTPP will also help address nontariff barriers to trade in goods by reducing the time exports spend waiting for goods to clear customs, lowering compliance costs, and increasing predictability around other countries' processes.

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PROTECTING RIGHTS

The CPTPP will preserve the New Zealand Government's inherent right to regulate in the public interest and contains specific protections in a range of policy areas, including for the Treaty of Waitangi.

As with all of New Zealand's contemporary trade agreements, the CPTPP includes a specific provision preserving the pre-eminence of the Treaty of Waitangi in New Zealand. Nothing in the CPTPP will prevent the Crown from meeting its obligations to Māori and New Zealand's interpretation of the Treaty of Waitangi will not be subject to the dispute settlement.

While investor state dispute settlement is part of the CPTPP, it will not apply between New Zealand and Australia. Safeguards mean the New Zealand Government cannot be successfully sued by investors for measures related to public education, health and other social services. The Government can also rule out cases

relating to tobacco control measures. Decisions made under the Overseas Investment Act are not subject to ISDS.

The CPTPP will not change the Pharmac model or its ability to negotiate the best price for medicines for New Zealanders. Provisions in the TPP that would have required Pharmac to make administrative changes primarily of benefit to the pharmaceutical industry have been suspended in the CPTPP. Implementation of these changes were expected to cost New Zealand an initial NZ\$4.5 million and NZ\$2.2 million per year thereafter.

A number of the intellectual property provisions included in TPP will be suspended from CPTPP, saving New Zealand from having to make changes likely to result in costs to New Zealand. For example, we no longer need to extend our copyright term to 70 years, removing one of the most significant quantified costs of the TPP for New Zealand.

BENEFITS FOR SERVICES EXPORTERS AND SMALL AND MEDIUM BUSINESSES

The CPTPP will support the growing services and digital sectors, assist businesses of all sizes to trade, and provide greater opportunities to bid for government contracts.

CPTPP market access commitments in services sectors will provide greater openness and certainty over the conditions under which New Zealand businesses can provide services to overseas clients. Access to CPTPP markets has been locked in for New Zealand service providers across a range of sectors, including providers of professional, business, education, environmental, transportation and distribution services.

The CPTPP will provide greater opportunities for New Zealand businesses to bid for government contracts in CPTPP markets - particularly in Malaysia, Mexico, Peru and Viet Nam.

The CPTPP includes commitments to ensure that economies at all levels of development, and businesses of all sizes, can benefit from enhanced trade. To that end, small and medium businesses will be helped to understand what has been agreed, take advantage of its opportunities, and bring their unique challenges to the attention of the CPTPP governments.

RAISING STANDARDS

The CPTPP will help to raise labour and environmental standards in the region, reduce the impact of unfair practices, and promote sustainable development.

The labour and environment outcomes in the CPTPP are the most comprehensive New Zealand will have achieved in a free trade agreement, with labour and environment standards made legally enforceable for the first time.

For example, the CPTPP will be a world-first for including a

prohibition on granting or maintaining subsidies that contribute to illegal, unreported or unregulated (IUU) fishing or that negatively affect over-fished stocks. This is a meaningful contribution to achieving UN Sustainable Development Goal 14 (on fish subsidies and addressing collapsing fishing stocks before 2020).

CPTPP also ensures Parties have in place laws and practices governing minimum wages, hours of work, and occupational safety and health.

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THE PROCESS FROM HERE

The announcement on 11 November does not commit New Zealand to signature or ratification of the agreement. Before making a final decision, the Government wants to continue to share information on the CPTPP and hear New Zealanders' views. The CPTPP will go through the Parliamentary treaty examination process and only be ratified by the Government if it is deemed to be in New Zealand's best interests.

The signed text of the CPTPP, together with a National Interest Analysis, will be scrutinised by the Foreign Affairs, Defence and Trade Committee. After that, the legislative changes required to implement the Agreement will go through normal Parliamentary procedures.



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HOW TO ENGAGE

We are interested in hearing New Zealanders' views on the outcome so that the Government can make an informed decision about whether it is in New Zealand's overall interest to ratify the CPTPP.

Anyone with an interest in the CPTPP, including Māori, NGOs, businesses and members of the public, is welcome to submit question or feedback to the Ministry of Foreign Affairs and Trade.

Email: cptpp@mfat.govt.nz

Post: FTA Implementation Unit
Ministry of Foreign Affairs and Trade
Private Bag 18-901 Wellington