



Office of Hon Todd McClay

MP for Rotorua

Minister of Trade

Minister for State Owned Enterprises

07 JUL 2017

Andrew Riddell

fyi-request-5989-53086fdf@requests.fyi.org.nz

Dear Andrew Riddell

I refer to your email of 12 June 2017 in which you request the following under the Official Information Act 1982 (OIA):

"On 8 July 2017 you sent the following tweet: "Japan & NZ are showing leadership in Asia-Pacific by progressing TPP. It has huge strategic and economic gains. #Kentarosonoura @MFATgovtNZ"

Please provide copies of all reports and advice you have received this year (2017) that support the claim made in the tweet quoted above about huge strategic and economic gains.

Please also provide copies of any other reports or advice you have received on the costs and/or benefits of TPP without the United States of America in it (commonly referred to as TPP 11)."

Attached are the documents relevant to your request. Some sections of the documents fall outside the scope of your request and some portions are withheld under the following sections of the OIA:

- 6(a): to avoid prejudicing the international relations of the New Zealand Government;
- 9(2)(a): to protect individuals' privacy;
- 9(2)(g)(i): to protect the free and frank expression of opinions by departments; and
- 9(2)(j): to avoid prejudice to negotiations.

Yours sincerely

Hon Todd McClay

Minister of Trade

TPP11 Benefits: Briefing for Prime Minister

Tariff savings

- TPP11 delivers an estimated \$222 million of tariff savings per annum once fully implemented.
- NZ\$92 million of these tariff savings would be delivered to New Zealand as soon as TPP11 enters into force (EIF).

Agricultural benefits

- **Meat:** Japan, Peru, Mexico, and Viet Nam substantially cut beef tariffs under TPP.
 - **Beef to Japan:** Japan has provided the lowest rate on beef in TPP than it has committed in any other Free Trade Agreement (FTA). New Zealand beef exporters would benefit from Japan's tariff on fresh or chilled and frozen beef dropping from 38.5% to 27.5% at EIF. They will then reduce to 9% over 16 years.

s9(2)(j)

- **Other beef markets:** Beef tariffs will be eliminated in Canada within six years and in Mexico and Peru within 10 and 11 years respectively.
- **Sheepmeat:** nearly all tariffs on sheepmeat will be eliminated upon EIF, including to Canada – New Zealand's 5th-largest market.
- **Dairy:** A range of dairy products (including protein products, ice cream, and infant formula) will mostly enjoy tariff-free access into all TPP markets.
- **Horticulture:** Japan is our largest and highest-value horticultural export market and the two highest traded dutiable products in Japan are kiwifruit and buttercup squash.
 - **Kiwifruit:** All tariffs for kiwifruit will be eliminated at EIF and existing duty-free access will be locked in. This includes the removal of a 6.4% tariff to Japan. Zespri has advised that this represents a tariff saving of \$25 million per annum.
 - **Buttercup squash:** All tariffs for buttercup squash will be eliminated at EIF and existing duty free access will be locked in.
 - **Cherries:** All tariffs on New Zealand cherries will be eliminated within six years and existing duty-free access will be locked in.
 - **Apples:** All tariffs on New Zealand apples will be eliminated within 11 years and existing duty free access will be locked in.
- **Wine:** Duty-free access on entry into force of TPP11 to Canada, New Zealand's 4th-largest wine market taking \$100 million of our exports in 2015.
- **Seafood:** All tariffs on fish and seafood will be eliminated under TPP (currently these range from 5-20% across FTA).

Modelling TPP11

- Japan's National Graduate Institute of Policy Studies' Dr Kenichi Kawasaki estimates a 3.4% increase in New Zealand's gross domestic product (GDP) under TPP11 after ten years, relative to 3.6% under TPP12. If fully implemented, this suggests an increase in GDP of about NZ\$2.5 billion after ten years.

Additional benefits

- TPP11 would be New Zealand's first FTA with the key markets of Japan (5th-largest export market in 2016), Canada (20th), Mexico (24th), and Peru (54th). It will also deliver benefits over and above our existing FTAs with Malaysia, Viet Nam, Brunei, and Singapore.
- The 11 TPP economies account for almost 31% of New Zealand's goods exports by value which amounted to NZ\$10.4 billion in 2016.
- The 11 TPP economies also account for 31% of New Zealand total service exports by value or NZ\$6.6 billion in 2016. *(This is an underestimate because the figures exclude Chile and Peru where data is not available).*
- In 2016, approximately two-thirds (66%) of the foreign direct investment in New Zealand was from the TPP11 countries, and half (52%) of New Zealand foreign direct investment was in the TPP11 region. *(This is also likely to be an underestimate because the figures exclude Malaysia, Chile, and Mexico where data is not available, but it is unlikely to change the percentages significantly).*
- TPP11 will help achieve the target contained in Trade Agenda 2030 of having FTAs cover 90% of goods trade by 2030 (TPP11 will raise the coverage from 53% currently to nearly 65%).

Extension of benefits to the United States s9(2)(j)

- Some elements of TPP11 would be extended to the US (and other non-parties) s9(2)(j) even though it is a non-party to TPP11. This includes New Zealand's commitments on Pharmac and copyright term extension.
- **Pharmac:** the administrative changes to Pharmac procedures would be available to the US (and other non-parties). These changes have been estimated in the National Interest Analysis (for TPP12) to cost up to NZ\$4.5 million in one-off establishment costs, plus NZ\$2.2 million ongoing per year costs. This needs to be set off against the \$222 million per annum in tariff savings.
- **Copyright term extension:** New Zealand would be required to extend its copyright term from 50 to 70 years. New Zealand negotiated an eight-year transition period to make that change – during the transition period the copyright term would be extended to 60 years. The National Interest Analysis (NIA) for TPP12 estimated that over the very long term, the average annual cost to New Zealand is conservatively estimated to be NZ\$55 million. Again this contrasts with the benefits in TPP11 in tariff savings alone of \$222 million per annum.
- It is not unusual for non-parties to benefit from FTA outcomes negotiated between others. Some of the changes made by NAFTA countries to transparency and consultation procedures around developing legislation and regulations were extended to non-parties, including New Zealand.

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Issues brief: Trans-Pacific Partnership (TPP) Update

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3 Bringing TPP11 into force will mitigate as far as possible the risk of a leadership vacuum in the region being filled by non-TPP partners; counter a loss of momentum in regional economic integration; and provide commercial benefits to New Zealand of preferential access to TPP11 economies, including in particular Japan. s6(a)

s6(a)

Under TPP, New Zealand beef exporters would benefit from Japan's tariff on fresh or chilled and frozen beef dropping from 38.5% to 27.5% at EIF. They will then reduce to 9% over 16 years (with the potential to 'snap-back' to a 50% duty if a WTO volume safeguard level is exceeded). s6(a)

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6 We estimate that an unchanged TPP11, which would deliver our first FTA with Japan as well as Canada, Mexico and Peru, would bring us s9(2)(g)(i)

and \$222 million in tariff savings (per annum once the agreement is fully implemented), compared to \$274 million with the US in the mix. s9(2)(g)(i)

7 OUT OF SCOPE

Japan has given a number of TPP-wide dairy quotas for

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4 s9(2)(j)

This would preserve the market access elements in particular and focus instead on a new entry into force provision and accession provision to allow expedited membership for original TPP signatories i.e. the US. s9(2)(j)

OUT OF SCOPE

6 We estimate that an unchanged TPP11, which would deliver our first FTA with Japan as well as Canada, Mexico and Peru, would bring us s9(2)(g)(i)

and \$222 million in tariff savings (per annum once the agreement is fully implemented), compared to \$274 million with the US in the mix. s9(2)(g)(i)

7 OUT OF SCOPE

Japan has given a number of TPP-wide dairy quotas for

butter and milk powders

s9(2)(j)

A quota on whole milk powder will expand by 4,000 tonnes per annum from the initial 20,000mt in year one, reaching a maximum of 60,000mt in year 12. The within quota tariff will be 0%. New Zealand exporters will also benefit from preferential access under a butter quota of 45,898 whole milk equivalent tonnes at year 12. Tariffs will apply to within quota butter trade.

8 TPP also provides New Zealand dairy exporters country specific quotas for cheese and some whey products into Japan. The US dominates some Japanese cheese imports, and generally ranks in the top three providers along with New Zealand and Australia. Under TPP tariffs on up to 150mt of cheese will be eliminated over 11 years. Tariffs on up to 1,700 metric tonnes of mineral concentrate whey will be eliminated over six years, while other whey will be duty free from entry into force. These advantages would probably allow New Zealand and Australia to expand cheese and whey exports to Japan

s6(a)

9 TPP in its current form would also correct the disadvantage our exporters are facing through the preferential access s9(2)(j) for beef. s9(2)(j)

s9(2)(j)

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Trade Negotiations Division
Ministry of Foreign Affairs and Trade
April 2017

TPP Ministers Meeting

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3 Aside from the commercial benefits to New Zealand of preferential access to TPP11 partners, s9(2)(j), s6(a)

s6(a)

It will also mitigate as far as possible the risk of a leadership vacuum in the region being filled by non-TPP partners; while countering a loss of momentum in regional economic integration.

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Supplementary briefing to Prime Minister: Path forward on TPP

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s6(a), s9(2)(j)

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Benefits of a 'TPP11 Agreement'

14. A TPP11 Agreement would serve two purposes:

14.1. Secure the economic and strategic benefits of the current version of TPP signed in February 2016, and look to realise them for remaining members.

s6(a), s9(2)(j)

15. A TPP11 Agreement would deliver significant economic benefits for New Zealand:

15.1. It would be our first FTA with Japan, Canada, Mexico, and Peru, delivering improved access to those markets.

15.2. s9(2)(j)

s9(2)(g)(i)

15.4. Tariff savings, while not a directly attributable gain to New Zealand, would be significant. Savings under a TPP11 agreement are estimated at \$222 million, compared to \$274 million under the current Agreement with the US. s9(2)(j)

16. OUT OF SCOPE

*Trade Negotiations Division / Legal Division
Ministry of Foreign Affairs and Trade
February 2017*

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Note to Minister of Trade: ratification of TPP

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Benefits of a 'TPP11 Agreement'

4. A TPP11 Agreement would

- 4.1. Secure the economic and strategic benefits of the current version of TPP signed in February 2016, and look to realise them for remaining members.

§6(a), §9(2)(j)

5. A TPP11 Agreement would still produce significant economic benefits for us:

- 5.1. It would be our first FTA with Japan, Canada, Mexico and Peru, delivering improved access to those markets.

5.2. §9(2)(j)

- 5.3. Tariff savings, while not a directly attributable gain to New Zealand, would be significant. Savings under a TPP11 agreement are estimated at \$222 million, compared to \$274 million under the current Agreement with the US. §9(2)(j)

5.4. §9(2)(g)(i)

OUT OF SCOPE

From: SENIOR, Angus (TND)
Sent: Wednesday, 31 May 2017 2:40 p.m.
To: ...s9(2)(a) (Inet)
Cc: BAILEY, Peter (ECO); SINCLAIR, Brody (TND)
Subject: RE: MOT request for TPP facts

Hi s9(2)(a)

Sounds good.

The combined GDP of those TPP countries where it would be our first FTA (Japan, Canada, Mexico and Peru) is \$US7.7 trillion (2016). For comparison, in 2008, China's GDP was \$US4.6 trillion.

On your other question about current trade. In 2016, total exports (goods and services) to the new FTA countries was \$NZ5.4 billion (goods exports \$4.1 billion and services exports \$1.3 billion)

For reference, total exports (goods and services) to China in 2008 were \$NZ2.7 billion (goods exports \$1.8 billion and services \$926 million).

Peter – step in if I have got any of that wrong

Angus

From: ...s9(2)(a) (Inet)
Sent: Wednesday, 31 May 2017 2:02 p.m.
To: SENIOR, Angus (TND)
Cc: BAILEY, Peter (ECO); SINCLAIR, Brody (TND)
Subject: RE: MOT request for TPP facts

Hi Angus

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Quick question – you talk about the combined GDP of the four countries we don't have an FTA with being 67% bigger than China's GDP was in 2008. Can you therefore tell me how much that combined GDP of those four countries is? (ie a figure)

Thanks!

We will run the final lines past you for fact-checking before submitting to Minister.

s9(2)(a)

ECON-34-7391

s9(2)(a) Office of Hon Todd McClay | s9(2)(a)
Parliament Buildings, PO Box 18041, Wellington 6160, New Zealand | T: s9(2)(a) | M: s9(2)(a) |
E: s9(2)(a) W: <http://www.beehive.govt.nz> <http://www.parliament.nz>

From: SENIOR, Angus (TND) [mailto:Angus.Senior@mfat.govt.nz]
Sent: Monday, 29 May 2017 10:20 a.m.
To: s9(2)(a) @parliament.govt.nz
Cc: BAILEY, Peter (ECO) <Peter.Bailey@mfat.govt.nz>; SINCLAIR, Brody (TND) <Brody.Sinclair@mfat.govt.nz>
Subject: RE: MOT request for TPP facts

[SEEMAIL] []

Hi s9(2)(a)

Here is some information in answer to your below query:

An Agreement with the remaining TPP countries (TPP11) would be our biggest ever new FTA. By way of comparison, the combined GDP of the remaining TPP countries is more than double China's GDP when we signed the NZ-China FTA in 2008. The combined GDP of just the TPP11 countries that New Zealand does not yet have a trade agreement with (Japan, Canada, Mexico and Peru) is 67% bigger than China's GDP was in 2008. Additionally, in 2016, the combined value of New Zealand's exports (goods and services) to the remaining TPP countries was \$21.5 billion compared to \$12.3 billion to China (NZD).

Let me know if you need anything clarified or would like further information.

Angus

Angus Senior

Policy Officer, FTA Implementation Unit
Trade Negotiations Division
New Zealand Ministry of Foreign Affairs & Trade | Manatū Aorere

T E s9(2)(a)

From: ..s9(2)(a) (Inet)
Sent: Friday, 26 May 2017 5:23 p.m.
To: SINCLAIR, Brody (TND); SENIOR, Angus (TND)
Cc: VITALIS, Vangelis (DS TEG); KELLY, Clare (TND); ..s9(2)(a) (Inet)
Subject: TPP facts

[SEEMAIL][]

Hi TPP team

We are looking to develop a line on TPP for expected questions in the House. Can you please advise whether the following statement is true?

- TPP11 will still be our biggest ever FTA (in terms of existing trade, new market access, global GDP, or anything else you can think of)?
- Specifically, is it bigger than the China FTA was in 2008 when we signed?

With apologies for the tight timeline, could we have an answer by Monday midday please?

Heads up that we may then also have some specific wording to be fact-checked in a rush before the Minister delivers answers to questions in the House.

Thanks

s9(2)(a)

s9(2)(a)

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TPP

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Background

Benefits of TPP

The US withdrawal from TPP means that it will be impossible for the Agreement, in its current form, to enter into force for any country. There are strategic reasons why the remaining TPP signatories should consider pushing on with TPP, including in the form of a 'TPP11 Agreement', including to:

- 1.1. Secure the positive economic benefits of the current version of TPP signed in February 2016, and look to realise them for the remaining members' businesses and consumers. A noodle bowl of bilateral agreements won't achieve the same outcome, and risks fragmenting the regional architecture and creates additional transaction costs for business.
- 1.2. Demonstrate commitment by the remaining members to trade liberalisation and a rules-based international trading system. This 'momentum' effect would be a significant confidence boost in international markets in the face of otherwise growing protectionist pressures;
- 1.3. Enable current members to shape regional rules which, once in force, would provide a platform for further economic integration in the Asia-Pacific. s9(2)(j)

1.4.

s6(a), s9(2)(j)

2. Along with the collective benefits, a TPP11 Agreement would deliver significant economic benefits for New Zealand:
 - 2.1. It would be our first FTA with Japan, Canada, Mexico, and Peru, delivering improved access to those markets.
 - 2.2. s9(2)(g)(i)

s9(2)(g)(i)

- 2.3. Tariff savings, while not a directly attributable gain to New Zealand, would also be significant. Savings under a TPP11 Agreement are estimated at \$222 million, compared to \$274 million under the current Agreement with the US. s9(2)(j)

- 2.4. s9(2)(j)

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7.

Trade Negotiations Division
Ministry of Foreign Affairs and Trade
February 2017

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TPP11 public modelling and analysis brief

Since the United States' withdrawal from the Trans-Pacific Partnership (TPP) a number of organisations and academics have tried to assess what the benefit is for the remaining 11 signatories. This document synthesises publicly-released TPP11 analysis and modelling based on an identical agreement with only a modified entry into force provision. So far, research indicates that there are significant benefits to be had by TPP11 members; for some, the benefit could even be greater than under TPP12.

Ken Kawasaki

- Kawasaki's model predicts that New Zealand would benefit under both TPP12 (4.27% increase in real GDP) and under TPP11 (4.3% increase in real GDP).
- Kawasaki's model predicts that Japan would benefit under both TPP12 (1.37% increase in real GDP) and under TPP11 (1.11% increase in real GDP).
- Kawasaki's model predicts that the United States would benefit under both TPP12 (0.77% increase in real GDP) and, to a lesser extent, under TPP11 (0.14% increase in real GDP) because of the spillover effect of reductions in non-tariff barriers in the TPP region. If only considering the impact of tariff reductions, Kawasaki predicts the US would face a 0.01% decrease in real GDP.

S. Rajaratnam School of International Studies (RSIS)

- RSIS' modelling estimates that the net benefit of TPP11 to all its members is 0.4% of their combined GDP and that TPP11 would add some US\$5 billion to global welfare.
- RSIS predicts that the United States would be the most significant "loser" under TPP11, with an expected GDP contraction of 0.2%. They note that any US jobs saved in manufacturing and extractive industries would be more than offset by job losses in the agricultural and services sectors.
- RSIS expects that countries without privileged trading relations with the US would be worse off under TPP11 relative to their predicted gains under TPP12. Nevertheless, they estimate the impact on Japan's GDP under TPP11 at 0.5%.

Asian Trade Centre

- ATC argues that the benefits of a TPP11 agreement remain, "whether or not the United States ever re-joins the deal" because the US is already:
 - an open market with which many TPP countries already have free trade agreements; and
 - in alignment with most of the TPP rules, whether or not it proceeds with the agreement.
- TPP11 continues to offer "substantial market access benefits" to the participating countries because firms that operate in and across the TPP region will face fewer tariff barriers in TPP markets, with the majority of tariffs falling to zero upon EIF. Once fully implemented, nearly all will be at zero for all TPP members.
- Similarly, TPP outcomes in the areas of services and investment, market access, rules of origin, and customs and trade facilitation will make for a "much more dynamic, integrated and competitive region with benefits that are limited to TPP-member firms. Non-TPP member firms will not have access to these preferential benefits."
- As such, TPP11 would lead to greater competition, better value products, and newly-viable export markets while providing firms with lower risk, greater certainty, and improved opportunities for doing business across TPP member markets.

*Trade Negotiations Division
Ministry of Foreign Affairs & Trade
March 2017*