

# Trans-Pacific Partnership (TPP) Agreement: Key facts for the sheep and beef sector



1. New Zealand's sheep and beef sector depends on the consistent and predictable access to a wide range of overseas markets. Market access is critical for the success of our sector as over 80% of beef and 90% of all sheepmeat is exported. The better access New Zealand has to overseas markets, the more competitive our sheep and beef exports compared to domestic products or imports from third countries in those markets. New Zealand sheep and beef products face a range of tariff and non-tariff (i.e. all barriers other than tariffs) in overseas markets.
2. The Trans-Pacific Partnership (TPP) is a Free Trade Agreement (FTA) between New Zealand and 11 other Pacific-rim countries including Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, United States (US) and Viet Nam. The 12 TPP member countries collectively account for approximately 36% of the world's Gross Domestic Product, worth a total of US\$28 trillion.
3. Exports of sheep and beef products to TPP countries totalled over NZ\$2.9 billion for calendar year 2015. This is around one third of New Zealand's total red meat and co-product exports to the world. Beef exports to TPP countries covered almost 63% of New Zealand's total beef exports.
4. Once fully implemented, the majority of tariffs on sheep and beef exports to TPP countries will be eliminated over time. This is estimated to reduce overall tariffs paid in TPP countries of approximately NZ\$72 million in tariffs per annum<sup>1</sup>. Beef + Lamb New Zealand (B+LNZ) estimate that after full implementation of the TPP Agreement, this equates to a beef tariff reduction of approximately NZ\$0.16 per kilogram of carcass weight.
5. Japan is the only TPP member country that will not completely remove all beef tariffs. However, Japanese beef tariffs will significantly reduce from 38.5% to 9% over 16 years, providing safeguard levels are not exceeded. This is the lowest beef tariff Japan has agreed to in any trade agreement.
6. New Zealand does not currently have FTAs with the US, Canada, Mexico, Japan and Peru. The TPP offers the opportunity to gain improved market access in these markets and ensure New Zealand red meat exporters will be able to compete on a level playing with their main competitors in the future, particularly in important beef markets like the US and Japan.
7. The TPP deal is about more than just cutting tariffs – it also addresses non-tariff barriers. Under the TPP, there are improvements in regulatory measures, which are aimed at reducing the cost and compliance burden associated with behind-the-border measures that can sometimes block access into a market irrespective of the applied tariff. The TPP also offers the opportunity for New Zealand's regulators to develop closer relationships with their TPP-country counterparts.
8. In addition, provisions in the customs administration, trade facilitation and rules of origin chapters are all expected to facilitate trade and provide greater certainty for exports of New Zealand sheep and beef products. These provisions combined with the extensive geographical coverage of the TPP Agreement are expected to be significant in assisting the promotion of regional supply chains.
9. It is important to note the impact on trade if New Zealand was not a signatory to this agreement. The US, Australia, Canada and Mexico are all major beef producers and exporters and would have a significant trading advantage over New Zealand beef exports in key markets.
10. The TPP Agreement also provides the opportunity for future expansion to include new members. So far, Taiwan, Thailand, Philippines, Indonesia, Columbia and South Korea have all expressed an interest in joining the TPP Agreement. The inclusion of new members would offer New Zealand future additional market access improvements.

<sup>1</sup> Based on trade data for the year ended December 2014

# Trans-Pacific Partnership (TPP) outcomes by country\*



COUNTRY	BEEF	SHEEPMEAT	OTHER PRODUCTS
 Australia	Already zero under the Closer Economic Agreement (CER)	Already zero under CER	Already zero under CER
 Brunei	Already zero under the ASEAN Australia New Zealand FTA (AANZFTA)	Already zero under AANZFTA	Already zero under AANZFTA
 Canada	All beef tariffs eliminated in 6 years	Already applied at zero but TPP will bind them at zero.	Eliminated over six years or less
 Chile	Already zero under the P4 Agreement	Already zero under P4	Already zero under P4
 Japan	Tariffs on key lines reduced from 38.5% to 9% over 16 years, with a TPP-wide safeguard set above current TPP trade volumes	All sheepmeat tariffs already applied at zero but TPP will bind at zero	Eliminated over 16 years or less
 Malaysia	Already zero under AANZFTA	Already zero under AANZFTA	Eliminated the few lines that were not already zero under AANZFTA
 Mexico	Beef tariffs at 25% eliminated over 10 years	Sheepmeat tariffs at 10% eliminated over 8 years	Eliminated over 15 years or less
 Peru	Beef tariffs at 17% eliminated over 11 years	Sheepmeat tariffs at 9% eliminated on Entry into Force (EIF)	Eliminated
 Singapore	Already zero under AANZFTA	Already zero under AANZFTA	Already zero under AANZFTA
 US	Out of quota tariff at 26.4% eliminated over 5 years. In-quota tariff (US4.4c/kg) eliminated immediately on EIF.	Sheepmeat tariffs eliminated on EIF	Eliminated on EIF
 Vietnam	Zero from 2018 under AANZFTA	Zero from 2016 under AANZFTA	Eliminated the few lines that were not already zero under AANZFTA

\* Please note this is for information purposes only. This information should not be relied upon to make any financial decisions and independent professional advice should be obtained.