

TRANS-PACIFIC PARTNERSHIP AGREEMENT

OUTCOMES: GOODS MARKET ACCESS

The Trans-Pacific Partnership (TPP) aims to expand trade, boost economic growth and integrate regional economies through historic reductions in trade barriers.

The TPP includes some of the world's biggest economies (the US, Japan, and Canada) and three of Australia's top 10 goods export destinations (Japan, the US, and New Zealand). Australia's goods exports to TPP Parties were worth around \$75 billion in 2015-16 – or 31 per cent of Australia's total goods exports.

The TPP will eliminate 98 per cent of tariffs in the TPP region. Tariffs on US\$9 billion of Australia's dutiable exports to TPP countries will therefore be eliminated under the TPP.

The TPP market access outcomes build on existing access Australia has with its FTA partners of Japan, the US, Chile, New Zealand, Malaysia, Singapore, Brunei and Vietnam. The TPP also creates valuable new market access opportunities for Australian exporters in the three TPP Parties where Australia does not have a FTA, namely, Canada, Mexico and Peru. Australia supports the expansion of the TPP over time to include other economies in the Asia-Pacific.

As a regional free trade agreement, the TPP will create additional benefits. The combined effect of new market access and common rules will make it easier for Australian businesses, exporters and consumers to participate in, and benefit from, regional value chains (also known as global value chains). For more information, refer to: [Global value chains and the Trans-Pacific Partnership Agreement](#).

AGRICULTURE

Australia exported around \$16 billion worth of agricultural goods to TPP countries in 2015-16, representing close to 34 per cent of Australia's total exports of these products. The TPP will eliminate tariffs on more than \$4.3 billion of Australia's dutiable exports of agricultural goods to TPP countries upon entry into force of the Agreement. A further \$2.1 billion of Australia's dutiable exports will receive significant preferential access through new quotas and tariff reductions.

Sector	Summary Outcomes
Beef	56 per cent ¹ of Australia's beef exports go to TPP markets. Beef is Australia's largest global agricultural goods export, worth \$8 billion in 2015-16. TPP market access outcomes for Australian beef producers and exporters include:

¹ 56 per cent, ABS Data on the DFAT STARS Database



Beef (Continued)

- Japan's beef tariffs will be reduced to 9 per cent within 15 years of entry into force of the TPP. Australian fresh, chilled and frozen beef exports to Japan were valued at \$1.8 billion in 2015-16;
- The majority of Japan's tariffs on offal will be eliminated over 10 to 15 years of entry into force of the TPP, and tariffs on cheek and head meat significantly reduced to 9 per cent within 15 years of entry into force of the TPP. Australian offal exports to Japan were valued at \$224 million in 2015-16;
- Elimination of Japanese tariffs on processed meat products within 15 years of entry into force of the TPP. Australian exports of these products to Japan were valued at \$26 million in 2015-16;
- Elimination of the United States price-based safeguard under the Australia-United States Free Trade Agreement (AUSFTA) on entry into force of the TPP. Australia beef exports to the US were valued at \$2.5 billion in 2015-16;
- Elimination of Canadian beef tariffs (currently 26.5 per cent) within 10 years of entry into force of the TPP. Australian beef exports to Canada were valued at \$183 million in 2015-16;
- Elimination of all Peruvian beef tariffs (currently 17 per cent) within 10 years of entry into force of the TPP;
- Elimination of all Mexican tariffs on beef carcasses and cuts (currently up to 25 per cent) within 10 years of entry into force of the TPP; and
- Elimination of Mexico's tariff (currently 20 per cent) on "other offal" (used for taco meat) from entry into force of the TPP. Australian exports of this product were valued at \$4 million in 2015-16.

Sheep meat Australia exports around \$1.1 billion in lamb and mutton to TPP markets, 45 per cent of all sheep meat exports.

Key TPP market access outcomes include:

- Tariffs on exports to Mexico will be eliminated within 8 years of entry into force of the TPP. Australia sheep meat exports to Mexico were valued at \$20 million in 2015-16;
- Tariffs on sheep meat exports to all other TPP countries will be eliminated upon entry into force of the TPP.

Wool Total Australian exports of wool were valued at around \$2.9 billion in 2015-16, and wool exports to TPP countries were valued at around \$77 million in 2015-16.

The TPP will eliminate all remaining tariffs on Australian raw wool exports to TPP countries from entry into force of the Agreement. Products produced using Australian wool in Malaysia, Vietnam or any other TPP partner will receive preferential treatment

throughout the TPP region. The rules of origin for textiles will encourage greater demand for the Australian wool used to produce high quality yarns.

Pork

In 2015-16, 72 per cent of Australia's pork exports went to TPP countries, and was valued at \$92 million.

Key TPP market access gains for Australian pork producers and exporters include:

- Building on JAEPA, elimination of the ad valorem component of Japan's pork tariffs within 10 years of entry into force of the TPP;
- Building on JAEPA, a 90 per cent reduction in Japan's specific tariff applied to pork cuts and carcasses within 10 years of entry into force of the TPP;
- Building on the Malaysia-Australia Free Trade Agreement and the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), elimination of all Malaysian pork tariffs within 15 years; and
- Elimination of Mexico's 20 per cent pork tariff on entry into force of the TPP.

Cereals and grains

Total Australian exports of cereals and grains were valued at around \$7.2 billion in 2015-16, around 18 per cent (or \$1.3 billion²) of which was exported to TPP countries.

TPP market access outcomes for Australian cereals and grains producers and exporters include:

- Significant market access improvements in Japan for wheat, barley and malt, building on JAEPA, including:
 - reduction of the mark up on wheat and barley by 45 per cent within 8 years of entry into force of the TPP;
 - the creation of new quota volumes for wheat and barley under the simultaneous buy-sell mechanism. Australia's exports of these products to Japan were worth \$425 million in 2015-16; and
 - new quota access for malt exports.
- Elimination of Mexican tariffs on wheat (currently 67 per cent) within 10 years of entry into force of the TPP;
- Elimination of Mexican tariffs on barley (currently 115 per cent) within 5 years of entry into force of the TPP;
- Elimination of Peru's tariffs on cereals and grains (currently 9 per cent) within 5 years of entry into force of the TPP; and

² Excludes barley exports for the period April 2016 to June 2016 which have not yet been released by the ABS.

- Elimination of all Canadian tariffs on cereals and grains upon entry into force of the TPP.

Dairy

Total Australian dairy products exports were valued at \$2.7 billion in 2015-16, and around 39 per cent (valued at \$1.0 billion) was exported to TPP countries.

Key TPP market access outcomes for Australian dairy producers and exporters include:

- Significant market access improvements in Japan for Australian dairy. Australian dairy exports to Japan were \$461 million in 2015-16. Building on JAEPA, outcomes include:
 - elimination of tariffs on certain cheese products, and tariff reductions and new quota allocations for remaining cheese products;
 - new quotas for butter and skim milk powder with the in-quota mark-up eliminated within 10 years of entry into force of the TPP; and
 - new quotas and tariff reductions for a range of dairy products including ice cream, whole milk powder, condensed milk, yoghurt and infant formula.
- Beyond the outcomes in our bilateral FTA, the US will eliminate all WTO in-quota tariffs for dairy products on entry into force of the TPP and will eliminate all tariffs on milk powders, infant formula, ice cream and selected cheese lines where we have a growing trade. The US will also improve quota administration arrangements. Australia's dairy exports to the US were worth around \$66 million in 2015-16;
- Preferential access into the highly protected Canadian market with new quotas for dairy products including, cheese, milk powders and butter. Tariffs on milk protein concentrates will be eliminated on entry into force.
- Mexico will create new quotas access, including for butter, cheese and milk powders, and will eliminate tariffs on yoghurt.

Rice

Total Australian rice exports were estimated to be valued at around \$416 million in 2015-16. Key TPP market access outcomes include:

- For the first time since 1995, new quota access for Australia into Japan with a new 6,000 tonne quota from entry into force of the TPP, growing to 8,400 tonnes after 12 years, for Australian rice and rice flour exports. Japan will also reduce tariffs on a number of rice preparation products;

- Japan will amend existing administrative arrangements under its WTO quota on rice by allocating 60,000 tonnes towards medium grain rice for processing use, one of the major types of rice that Australia exports;
- Improvements to Japan's tendering process for rice. Japan will now offer tenders 6 times a year, including an additional tender in May in line with Australia's growing season;

Sugar

Total Australian exports of sugar were estimated to be valued at \$1.8 billion in 2015-16, and around one third of these exports (valued at \$568 million) went to TPP countries.

TPP market access gains for Australian sugar producers and exporters include:

- The US will provide Australia with the largest access granted to a sugar exporting country in over 20 years, with an additional 65,000 tonnes of access from entry into force of the TPP. Australia will now have access equivalent to Brazil into the US market. The US will also provide Australia with 23 per cent of future additional quota allocations, which could see Australia's raw sugar exports to the US climb above 400,000 tonnes by 2019/20.
- Building on the JAEPA, elimination of Japan's tariff and reduction in the levy on high polarity sugar exports on entry into force of the TPP. In 2015-16, Australian sugar exports to Japan were estimated to be valued at \$260 million;
- Elimination of Canada's tariffs on refined sugar (currently CA\$30.86/tonne) within 5 years of entry into force of the TPP. Australia already has duty free access for raw sugar into Canada;
- Mexico will also apportion Australia a guaranteed 7 per cent of any tariff rate quota for raw sugar in the years in which it is offered. Australia is only the 6th country Mexico has offered such an outcome;
- Elimination of in-quota tariffs on Vietnam's WTO sugar quota on entry into force.
- Malaysia has committed to allow Australia to engage in the wholesale distribution of refined sugar in Malaysia for use in the food and beverage industry

Cotton

Total Australian exports of cotton were valued at around \$1.3 billion in 2015-16, and 18 per cent of cotton exports (valued at \$223 million) were sent to TPP countries.

All tariffs on Australian cotton exports will be eliminated under the TPP, with most eliminated from entry into force. US tariff elimination will occur in accordance with the timelines in the AUS FTA - by 2023.

Australian cotton producers will also benefit from creation of new regional supply chains into the US and Japanese consumer markets. For example, clothing produced in Vietnam from Australian cotton will benefit from the elimination of US tariffs on cotton products over 10 to 15 years – encouraging greater demand for Australian cotton in the TPP region.

Wine

Total Australian wine exports were valued at \$2.2 billion in 2015-16, and 42 per cent of these exports (valued at \$925 million) went to TPP countries.

TPP market access gains for Australian wine producers and exporters include:

- Elimination of Canada's tariffs (currently 1.87 ¢/litre and 4.68 ¢/litre) upon entry into force of the TPP. Australian wine exports to Canada were valued at \$199 million in 2015-16;
- Elimination of Malaysian tariffs within 15 years of entry into force of the TPP. Australian wine exports to Malaysia were valued at \$50 million in 2015-16 and are currently subject to tariffs ranging from 7 to 23 Malaysian Ringgit per litre;
- Elimination of Vietnamese tariffs within 11 years of entry into force of the TPP. Australian wine exports to Vietnam were valued at \$6.3 million in 2015-16 and are currently subject to tariffs of up to 59 per cent;
- Elimination of Mexican tariffs (currently 20 per cent) within 3 years of entry into force of the TPP for higher quality wine and elimination of all tariffs within 10 years of entry into force of the TPP for all wine; and
- Elimination of Peru's 9 per cent tariffs upon entry into force of the TPP for table wine and within 5 years for other wine.

Horticulture

Total Australian horticulture exports were valued at \$4.0 billion in 2015-16, and 19 per cent of these exports (valued at \$764 million) went to TPP countries.

TPP market access outcomes for Australian horticultural producers and exporters include:

- Building on JAEPA, Japan will extend the period by which oranges will face the lower "out of season" tariff (corresponding to the main growing season in Australia) to an 8 month period (from 1 April to 30 November), and will eliminate that tariff over 6 years. The higher "in season" tariff will be eliminated over 7 years. Australian orange exports to Japan were valued at \$40 million in 2015-16;

- Japan will also eliminate all tariffs on fruit juices within 10 years of entry into force of the TPP, building on the quota arrangements achieved under JAEPA. Australia fruit juice exports to Japan were valued at \$11 million in 2015-16;
- Elimination of all Canada's horticulture tariffs upon entry into force of the TPP. Australia horticultural exports to Canada were valued at \$28 million in 2015-16;
- Elimination of most of Peru's horticulture tariffs (currently up to 17per cent) upon entry into force of the TPP; and
- Elimination of most of Mexico's horticulture tariffs upon entry into force of the TPP and elimination of all tariffs within 15 years of entry into force.

Seafood

Australia's total seafood exports in 2015-16 were worth \$1.4 billion, with exports to TPP countries valued at \$998 million.

TPP market access outcomes for Australian seafood producers and exporters include:

- All Japanese seafood tariffs will be eliminated within 15 years of entry into force of the TPP;
- All Vietnamese seafood tariffs will be eliminated on entry into force of the TPP;
- Canada and Peru will eliminate all tariffs on entry into force of the TPP; and
- Mexico's seafood tariffs will be eliminated within 15 years of entry into force of the TPP, with the majority eliminated on entry into force.

RESOURCES, ENERGY AND MANUFACTURED GOODS

Australian exports of resources, energy, and manufactured products generally face far lower tariff barriers than those facing agricultural goods. Nonetheless, the TPP will eliminate all remaining tariffs on Australian exports of non-agricultural products to TPP countries and create new opportunities for Australian exports.

Resources and energy

Australia's exports of resources and energy products to TPP countries are worth around \$39 billion, representing around 37 per cent of Australia's total goods exports to these countries.

TPP market access outcomes for resources and energy products that are additional to Australia's existing FTAs include tariff elimination on:

- **iron ore, copper, nickel and inorganic chemical** exports to Peru on entry into force of the TPP;
- **butane, propane and liquified natural gas** exports to Vietnam within 7 years of entry into force of the TPP; and

- **refined petroleum** exports to Vietnam within 10 years of entry into force of the TPP. Australia exported \$14 million worth of refined petroleum to Vietnam in 2015-16.

Manufactured and other goods

Australia's exports of manufactured and other goods to TPP countries are worth an estimated \$21 billion. TPP market access outcomes for manufactured and other goods additional to Australia's existing FTAs include **tariff elimination on:**

- **iron and steel products** and **aluminium** exported to Canada on entry into force of the TPP. Australian exports of these products were worth around \$8 million in 2015-16;
- **ships and boats** exported to Canada within 10 years of entry into force of the TPP, with a range of tariffs of up to 25 per cent eliminated on entry into force. Australian exports of these products to Canada were worth \$3 million in 2015-16;
- **leather and sack kraft paper** exported to Mexico on entry into force of the TPP. In 2015-16, Australian exports to Mexico of leather were worth \$3 million and sack kraft paper were worth \$1 million;
- **medicament** exports to Mexico within 10 years of entry into force of the TPP. In 2015-16, Australian exports of medicaments to Mexico were worth \$3 million;
- other manufactured products exported to Mexico within 15 years of entry into force of the TPP. Australia exports of these products to Mexico were valued at \$121 million in 2015-16;
- **iron and steel products** exported to Vietnam within 10 years of entry into force of the TPP; Australian exports of these products to Vietnam were worth over \$96 million in 2015-16;
- **automotive parts** to Vietnam within 10 years of entry into force of the TPP.
- **pharmaceutical exports** to Peru within 10 years of entry into force of the TPP, with tariffs on priority products eliminated upon entry into force;
- **paper and paperboard** products exported to Peru within 10 years of entry into force of the TPP;

In the TPP, Malaysia has committed to provide guaranteed access for Australian providers to engage in the **wholesale distribution of automotive parts and components**. Malaysia has also committed to stop providing excise tax credits for locally produced automotive parts. This scheme had provided an incentive for Malaysian manufacturers to use local parts over imported Australian products.