TRANS-PACIFIC PARTNERSHIP (TPP) AGREEMENT

ANALYSIS OF REGULATORY IMPACT ON AUSTRALIA

27 November 2015

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PART 1: INTRODUCTION

1. This Analysis of Regulatory Impact on Australia (ARIA) relates to the Trans-Pacific Partnership (TPP) Agreement. The TPP Agreement is a regional free trade agreement (FTA) negotiated between 12 economies in the Asia-Pacific: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the United States and Vietnam. The negotiations commenced in March 2010. Trade Ministers from the TPP negotiating countries jointly announced the conclusion of the negotiations on 5 October 2015.

PART 2: PROBLEM IDENTIFICATION

2. The TPP negotiations emerged amidst uncertainty on the future of the Doha Development Agenda Round, which was launched in 2001. Since the conclusion of the Uruguay Round in 1994, members of the World Trade Organization (WTO) have failed to agree on further liberalisation of global trade.
3. More so, the mandate for the Doha Development Round is outdated and limited. It does not cover areas such as competition policy, investment, environment, labour and government procurement. Since 2001, international production, trade and investments are increasingly organised within global value chains (GVCs) where the different stages of the production process are located across different countries. There have also been significant technological advancements allowing for a rapid take up of e-commerce by businesses and consumers from a diverse range of economies. There is a need for a framework that supports global trade in the 21st century.
4. As multilateral negotiations have stalled, major trading economies have entered into bilateral and regional FTAs, with no framework to unite them. Australia has negotiated nine bilateral and regional FTAs since 2001.[1]
5. In the past two decades, the Asia-Pacific has become the fastest growing economic region in the world. With close to half of all global trade and around 70 per cent of Australia's trade flowing through this region, expanding and deepening Australia's trade and investment relationships is critical to Australia's future economic growth and prosperity. It will continue to be the world's fastest growing region in the 21st century.
6. For Australia, the Asia-Pacific is the right place to define the new rules for global trade that covers all barriers and all sectors. Being a participant in TPP negotiations since the beginning has enabled Australia to seize a strategic opportunity to shape the rules that will govern trade in the region.
7. In light of the region's growing importance in the world trading system and the opportunities offered by its growing economies, the absence of a FTA integrating the Asia-Pacific economies is constraining Australia's ability to realise the full potential of trading within the region.
8. Conclusion of the TPP negotiations is the first concrete step towards realising the long-term vision of a Free Trade Area of the Asia-Pacific (FTAAP). TPP

[1] Australia has negotiated FTAs with: ASEAN and New Zealand (2009), Chile (2008), China (2015), Japan (2014), Republic of Korea (2014), Malaysia (2012), Singapore (2002), Thailand (2004), United States (2004).

membership is open to other economies, with a focus on the Asia-Pacific, and Australia is committed to expanding TPP membership over time.

9. More specifically, Australia's existing FTAs with TPP parties have not fully addressed the barriers and restrictions in those markets, which limit the extent to which our goods and services exports can expand. In addition, Australia does not have FTAs with Canada, Mexico and Peru, and our exporters face competitive disadvantages due to these countries having existing FTAs with our competitors. Canada and Mexico[2], in particular, provide significant new opportunities because Australia has underdeveloped economic relationships with both of these G20 economies. The TPP presents an opportunity to address both these issues.

Tariff Barriers Still Faced by Australian Exporters

10. For the United States (US), in spite of the Australia-United States Free Trade Agreement concluded in 2005 (AUSFTA), Australia still faces WTO in-quota and out-of-quota tariffs on dairy of US $2.14/kg tariffs on out-of-quota cheese tariffs. Australia also has no preferential access for sugar beyond our WTO entitlements, and still faces in-quota tariffs of US 1.46 cents/kg and out-of-quota tariffs of US 33.87 cents/kg. Australia also continues to face a price-based safeguard on beef following the elimination of tariffs on that product in 2023 under AUSFTA. This safeguard would equate to 65 per cent of the US' MFN tariff rate for beef – which is currently 23 per cent.

11. With Japan, Australia has secured increased access for many products under the Japan-Australia Economic Partnership Agreement (JAEPA), but will continue to face high tariffs and quota-limited access on Japan's sensitive products. In dairy products face ad valorem tariffs ranging up to 40 per cent and specific tariffs up to ¥1,199/kg ($12.62/kg). Beef tariffs, while significantly reduced under JAEPA, would still be as high as 23.5 per cent after 15 years. Wheat and barley face tariffs of up to ¥50/kg ($0.58/kg) and ¥39/kg ($0.45/kg) respectively, rice is subject to a ¥341/ kg tariff ($3.93/kg) and sugar is subject to a levy on high polarity sugar of 103.10 yen/kg ($1.19-kg). A range of tariffs also remain on other Australian interests in horticulture and seafood.

12. Australia has two existing agreements with Malaysia, the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), and the Malaysia-Australia Free Trade Agreement. Nonetheless, Australia still faces tariffs and quota-limited access into Malaysia on beer, with a tariff of RM5 per litre, wine, where the tariffs are between RM7 and RM23 per litre, and other alcoholic beverages, tariffs on which can be up to RM108.5 per litre. Pork faces a tariff of 25 per cent for in-quota imports and 50 per cent for out-of-quota imports, while liquid milk has tariffs of 20 per cent for in-quota imports, and 50 per cent for out-of-quota imports.

13. Australia has an existing agreement with Vietnam under AANZFTA, however that agreement did not eliminate Vietnamese tariffs on range of products of interest to Australia. These products include refined petroleum, which faces a

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[2] In 2014, Australia's two-way merchandise trade with Canada and Mexico was $3.4 billion and $2.5 billion respectively. Services trade was worth approximately $1.9 billion with Canada and over $200 million with Mexico. Two-way investment with Canada in 2014 totalled more than $80 billion. Australian investment in Mexico was more than $5 billion over the same period. (Source: DFAT country-specific trade and economic fact sheets.)

tariff of 20 per cent, iron and steel products, on which tariffs are as high as 40 per cent. Beer faces a 47 per cent tariff, wine 56 to 59 per cent and spirits a tariff rate of 55 per cent.

14. With regards to Australia's new FTA partners, Canada, Mexico and Peru, Australia faces a wide range of tariff barriers.

15. Access into the Canadian dairy market is currently significantly limited by existing quota and high tariff arrangements. Canada's quota access for dairy products is incredibly small – for example, 332 tonnes for yoghurt, 394 tonnes for cream and 3,274 tonne for butter (2,000 tonnes of which are allocated to New Zealand. While out-of-quota tariffs range up to 369 per cent. Outside of Dairy Canada also imposes tariffs of up to 94 per cent for barley products, and imposes tariffs of 1.87 c/litre for wine, and up to around 20 per cent on industrial products which it has eliminated for its other FTA partners.

16. Mexico has tariffs of up to 67 per cent on wheat, 115.2 per cent on barley, 125 per cent on dairy, 25 per cent on beef, and 20 per cent on wine. On industrial products, Mexico's tariffs can range from 15 to 30 per cent for automotive parts or mining equipment.

17. Peru maintains tariff barriers on a range of Australian interests. Tariffs of up to 17 per cent are currently imposed on Australian beef exports, while dairy and sugar attract tariffs of up to 9 per cent plus a price band mechanism which imposes a specific tariff if the import price is less than a price threshold set by the Peruvian government. Tariffs of 9 per cent are also applied on barley, and tariffs of up to 17 per cent are applied on horticulture products. Industrial products, such as pharmaceuticals, iron and steel, and machinery attract tariffs up to 9 per cent.

Barriers to Australian Services Exporters and Investors in TPP Countries

18. Table 1 summarises key barriers faced by Australian services exporters and investors in TPP countries.

Table 1: Selected barriers to Australian service exporters in TPP countries

Country	Barrier
Brunei	Higher local content requirements for goods and services suppliers in the oil and gas industry.
Brunei	Tertiary education qualifications offered online not recognised.
Canada	Labour certification tests on the temporary entry of Australian professionals and technicians.
Malaysia	Ban on provision of legal services on a fly-in fly-out basis and inability to establish legal practices in Malaysia.
Malaysia	Major restrictions on foreign suppliers providing engineering, quantity surveying, land surveying and architectural services.
Malaysia	Foreign equity caps on banks and insurers.
Malaysia	Tertiary education qualifications offered online not recognised.
Mexico	Inability to supply services to Mexico's energy sector.

Singapore	Ban on provision of brokerage services, on a cross-border basis, for insurance of aviation, maritime and transport-related risks.
Vietnam	Tertiary education qualifications offered online not recognised.
Vietnam	Foreign providers able to offer only limited education courses.
Vietnam	Foreign equity caps on telecommunications providers.
Vietnam	Contractual service suppliers permitted only short stays in limited sectors.

PART 3: OBJECTIVES OF GOVERNMENT ACTION

19. Consistent with Government policy, the primary objective was to conclude a high-standard, ambitious, comprehensive and balanced agreement that will diversify the economy, drive jobs, economic growth and innovation in Australia.

20. In negotiating the TPP, the following specific outcomes were sought:

- improved goods market access through the elimination of tariffs across the board and setting a regional approach to commitments to facilitate GVCs, in particular:
  - securing commercially meaningful market access for exports of sugar and dairy to the US,
  - securing new market access gains for our exporters with Mexico and Canada,
  - improving upon the market access outcomes from JAEPA;
- strong investment protections that would provide greater certainty to Australian investors in TPP countries, whilst retaining the ability to regulate legitimately on social, environmental or other similar public policy matters;
- mutual recognition of professional qualifications (such as for architects and engineers) and best practice regulations for foreign lawyers;
- new opportunities and a level playing field for Australian providers of, and investors in, minerals and energy and related services, education, engineering, financial and legal services and logistics, particularly in Malaysia and Vietnam;
- new commitments addressing the importance of the internet to international trade, providing certainty for Australian businesses of all sizes to move and store data across TPP economies;
- a permanent moratorium on the imposition of customs duties on electronic transactions;

- commitments to address, for the first time, the high cost of International Mobile Roaming;

- enhanced opportunities for Australian business persons seeking to enter and temporarily stay in other TPP countries through expeditious processing of immigration documents, minimised fees and transparency on entry requirements;

- commitments to enable short-term business visitors, intra-corporate transferees, certain independent executives, and contractual service suppliers to enter and stay temporarily in TPP countries;

- improved access for Australian suppliers to the government procurement markets in other TPP countries;

- commitments to ensure rights of Australian intellectual property (IP) holders are protected effectively and enforced by other TPP countries' IP regimes;

- outcomes on pharmaceutical IP that strike an appropriate balance for Australia in promoting investment in innovation, and supporting timely and affordable access to medicines;

- new disciplines that address the role of State-Owned Enterprises (SOEs) in global trade whilst upholding Australia's right to use SOEs for public interest purposes;

- commitments to ensure that the benefits of the TPP are not undermined by anticompetitive practices;

- new commitments that will benefit workers across the region by promoting compliance with internationally-recognised labour rights and the effective enforcement of labour laws;

- commitments in areas where trade disciplines can help to address environmental challenges, including through liberalising trade in environmental goods and services and disciplines on fisheries subsidies that contribute to over-fishing;

- promotion of international efforts to combat corruption and bribery of officials and effective enforcement of anti-corruption laws; and

- a framework for settling disputes under the TPP.

PART 4: ALTERNATIVE MEANS BY WHICH TO ACHIEVE THESE OBJECTIVES

21. The 12 countries that negotiated the TPP represent around 40 per cent of the global economy and a quarter of world trade. Australia's exports of goods and services to these countries were worth $108.9 billion last year – a third of

Australia's total exports.[3] The 12 countries also make up 11.3 per cent of the world's population, providing Australia with a market of 799 million people[4]. In 2014, Australian investment in TPP countries was 45 per cent of all outward investment.

22. The 12 countries that negotiated the TPP also demonstrated a willingness to establish an ambitious and comprehensive agreement that will mark an important step toward our ultimate goal of open trade and regional integration across the region in the 21st century. In particular, these countries were committed to agreeing to:

- **comprehensive market access** by eliminating or reducing tariff and non-tariff barriers across substantially all trade in goods and services; covering the full spectrum of trade, including goods and services trade and investment, so as to create new opportunities and benefits for our businesses, workers, and consumers;
- a **regional approach to commitments** that would facilitate the development of production and supply chains and seamless trade, enhancing efficiency and supporting our goal of creating and supporting jobs, raising living standards, enhancing conservation efforts, and facilitating cross-border integration, as well as opening domestic markets;
- **addressing new trade challenges** by promoting innovation, productivity, and competitiveness by addressing new issues, including the development of the digital economy, and the role of state-owned enterprises in the global economy;
- **inclusive trade** by ensuring that economies at all levels of development and businesses of all sizes can benefit from trade. It includes commitments to help small and medium-sized businesses understand the Agreement, take advantage of its opportunities, and bring their unique challenges to the attention of the TPP governments. It also includes specific commitments on development and trade capacity building, to ensure that all parties are able to meet the commitments in the Agreement and take full advantage of its benefits; and
- a **platform for regional integration** that would welcome additional economies across the Asia-Pacific region.

23. The TPP unites a diverse group of countries – diverse by geography, language and history, size, and levels of development. All TPP countries recognise that diversity is a unique asset, but also one which requires close cooperation, capacity-building for the less developed TPP countries, and in some cases special transitional periods and mechanisms which offer some TPP partners additional time, where warranted, to develop capacity to implement new obligations.

24. The most timely option available to the Government to achieve these objectives is the negotiation of a regional trade agreement with the 11 TPP countries. The following discusses alternative means to achieve these objectives available to the Government.

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[3] Source: ABS Data on the DFAT STARS Database
[4] For the 2013-14 period. Source: ABS Data on the DFAT STARS Database

Multilateral Trade Negotiations

25. As outlined in the 'Problem Identification' section of this ARIA, there has not been a significant global trade agreement since 1994. The WTO Doha Round has stalled. A wide divergence of views between WTO members makes conclusion of the Doha Round unlikely in the short term, nor is it likely that any concluded Doha Round would fulfil all of its Ministerial Declaration mandate[5]. Moreover, given the Doha Round Mandate, concluding the Doha Round would not address Australia's priority trade and investment interests as extensively, or in as timely a way, as is possible under the TPP. Tariff cuts in agriculture, for example, may not have gone further than existing applied tariffs in many markets, which would mean no new commercially meaningful access.

Regional Comprehensive Economic Partnership (RCEP)

26. Australia and six other TPP countries are also participating in another regional trade agreement negotiation, the Regional Comprehensive Economic Partnership (RCEP). RCEP is an ASEAN initiative that seeks to build on ASEAN's FTAs with Australia, China, India, Japan, Korea and New Zealand. Australia is working closely with all RCEP countries to conclude a comprehensive and quality outcome.

27. While RCEP is a forum that can take forward some of the issues addressed by the TPP, it does not provide an alternative option for delivering the same outcomes. First, the scope of the TPP is far broader than RCEP, along with its stated ambition of liberalising trade in goods, services and investment. Second, although there is some overlap in membership, there are important differences that make the two regional FTAs complementary. In particular, the TPP brings in the North American market and gives Australia access to supply chains in that region that would not be addressed by RCEP. RCEP can complement this focus of the TPP by its inclusion of all ASEAN countries, as well as China and India.

28. Together, TPP and RCEP could pave the way for enhancing regional integration across the Asia-Pacific region through an FTAAP.

Bilateral FTAs

29. Australia could enter into separate bilateral FTA negotiations with the TPP negotiating countries with which Australia does not have existing FTAs,[6] and seek to amend and enhance the existing eight FTAs. Nonetheless, it is not certain whether Australia alone could have been able to persuade these countries to lower their longstanding trade barriers in sensitive sectors such as agriculture. Moreover, bilateral agreements cannot deliver the supply chain benefits that the TPP, as a preferential regional deal, can deliver.

No Action

30. Not joining the TPP risks Australia's competitiveness in the region. Taking no action would deny Australian exporters and investors the opportunity to take advantage of new market access and rules that will facilitate GVCs and would put

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[5] World Trade Organization Doha Ministerial Declaration 2001, see: www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

[6] Such countries are Canada, Mexico and Peru.

them at a competitive disadvantage in relation to their competitors from TPP countries.

31. The TPP allows Australia to take an active role in encouraging competitive liberalisation and eventual consolidation of the various FTAs in the region in a manner that advances Australia's trade, economic and foreign policy objectives.
32. The TPP sends a much-needed signal to the international community that diverse economies can agree historic reductions in trade barriers to grow and support cross-border trade and investment in the 21st century.

TPP

33. The WTO system allows for bilateral and regional FTAs as a way of reducing trade barriers among a subset of WTO Members so long as the FTA substantially liberalises trade between the FTA parties.
34. A WTO-consistent FTA with the 11 other TPP countries achieves the Government's objective in a timely manner.

PART 5: IMPACT ANALYSIS

Benefits to the Australian Economy

35. The TPP has delivered high quality outcomes that will open substantial new trade and investment opportunities for Australia. It will promote job-creating growth, further integrate our economy in the fast-growing Asia-Pacific region, and promote and facilitate regional supply chains. The TPP forms part of the government's microeconomic reform strategy to support diversification of our economy in the post-mining boom phase.
36. By setting common international trade and investment standards between member countries, the TPP will make doing business across the region easier, reducing red tape and business costs.
37. Increased and more efficient trade and investment in the region will benefit the Australian economy. Improved market access for Australian goods and services exports and lower import prices will increase capital accumulation, raise productivities and improve utilisation of resources.

Key Goods Market Access Outcomes

38. The TPP includes some of the world's biggest economies (the US, Japan, and Canada) and five of Australia's top 10 goods export destinations (Japan, the US, New Zealand, Singapore and Malaysia). Australia's goods exports to TPP Parties were worth around $88 billion in 2014 – or 33 per cent of Australia's total goods exports.
39. 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.
40. 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 countries where Australia does not have a FTA, namely Canada, Mexico and Peru.

41. 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).

42. Table 2 summarises the agreed tariff elimination schedules that will apply to Australia's goods exports to the other TPP markets. Table 3 outlines the key market access outcomes for Australia for agriculture.

Table 2: Tariff Elimination Schedules

<u>Elimination schedule for Brunei Darussalam's tariffs on imports of Australian goods</u>

Staging category	Tariff lines			Brunei's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	6,258	75.4%	75.4%	49.3	94.1%	94.1%
A: 0% tariff on EIF	1,385	16.7%	92.0%	1.3	2.4%	96.4%
B: 1-5 year phasing	29	0.3%	92.4%	0.0	0.0%	96.5%
C: 6-10 year phasing	624	7.5%	99.9%	1.8	3.5%	100.0%
D: 11+ year phasing	8	0.1%	100.0%	0.0	0.0%	100.0%
Tariff reduction	-	-	100.0%	0.0	-	-
Quota	-	-	100.0%	0.0	-	-
Total	8,304	100.0%	100.0%	52.5	100.0%	0.0%

<u>Elimination schedule for Canada's tariffs on imports of Australian goods</u>

Staging category	Tariff lines			Canada's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	4,470	53.6%	53.6%	1,272.3	79.7%	79.7%
A: 0% tariff on EIF	3,433	41.2%	94.8%	312.2	19.5%	99.2%
B: 1-5 year phasing	124	1.5%	96.3%	4.0	0.3%	99.5%
C: 6-10 year phasing	74	0.9%	97.2%	5.4	0.3%	99.8%
D: 11+ year	142	1.7%	98.9%	2.9	0.2%	100.0%

phasing						
Tariff reduction	-	-	98.9%	0.0	-	100.0%
Quota	94	1.1%	100.0%	0.0	0.0%	100.0%
Total	8,337	100.0%	100.0%	1,596.8	100.0%	100.0%

Elimination schedule for Chile's tariffs on imports of Australian goods

Staging category	Tariff lines			Chile's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	36	0.5%	0.5%	4.5	1.8%	1.8%
A: 0% tariff on EIF	7,299	94.6%	95.1%	235.0	95.2%	97.0%
B: 1-5 year phasing	169	2.2%	97.3%	0.7	0.3%	97.3%
C: 6-10 year phasing	203	2.6%	99.9%	6.6	2.7%	100.0%
D: 11+ year phasing			99.9%			100.0%
Tariff reduction	8	0.0	100.0%	0.0	0.0	100.0%
Quota			100.0%			100.0%
Total	7,715	100.0%	100.0%	1,538.4	100.0%	100.0%

Elimination schedule for Japan's tariffs on imports of Australian goods

Staging category	Tariff lines			Japan's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	3,685	40.8%	40.8%	41,814.9	92.3%	92.3%
A: 0% tariff on EIF	3,914	43.4%	84.2%	520.6	1.1%	93.5%
B: 1-5 year phasing	9	0.1%	84.3%	0.6	0.0%	93.5%
C: 6-10 year phasing	321	3.6%	87.9%	194.3	0.4%	93.9%
D: 11+ year phasing	687	7.6%	95.5%	731.6	1.6%	95.5%
Tariff reduction	77	0.9%	96.3%	1,554.8	3.4%	98.9%
Quota	324	3.6%	99.9%	478.4	1.1%	100.0%
Undefined	8	0.1%	100.0%	0.0	0.0%	100.0%
Total	9,025	100.0%	100.0%	45,295.1	100.0%	100.0%

Elimination schedule for Malaysia's tariffs on imports of Australian goods

Staging category	Tariff lines			Malaysia's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	6,306	60.6%	60.6%	3,183.5	88.5%	88.5%
A: 0% tariff on EIF	2,503	24.1%	84.7%	238.0	6.6%	95.1%
B: 1-5 year phasing	889	8.5%	93.3%	74.0	2.1%	97.1%
C: 6-10 year phasing	607	5.8%	99.1%	69.0	1.9%	99.1%
D: 11+ year phasing	84	0.8%	99.9%	34.1	0.9%	100.0%
Tariff reduction	-	-	99.9%	0.0	-	100.0%
Quota	10	0.1%	100.0%	0.0	0.0%	100.0%
Total	10,399	100.0%	100.0%	3,598.6	100.0%	100.0%

Elimination schedule for Mexico's tariffs on imports of Australian goods

Staging category	Tariff lines			Mexico's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	6,800	56.2%	56.2%	693.0	87.4%	87.4%
A: 0% tariff on EIF	2,552	21.1%	77.2%	67.3	8.5%	95.9%
B: 1-5 year phasing	310	2.6%	79.8%	1.8	0.2%	96.1%
C: 6-10 year phasing	6	0.0%	79.9%	10.0	1.3%	97.4%
D: 11+ year phasing	2,370	19.6%	99.4%	19.2	2.4%	99.8%
Tariff reduction	27	0.2%	99.7%	0.0	0.0%	99.8%
Quota	42	0.3%	100.0%	1.7	0.2%	100.0%
Total	12,107	100.0%	100.0%	793.1	100.0%	100.0%

Elimination schedule for New Zealand's tariffs on imports of Australian goods

Staging category	Tariff lines			New Zealand's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	4,207	57.7%	57.7%	2,890.7	56.0%	56.0%
A: 0% tariff on EIF	2,688	36.9%	94.6%	1,569.3	30.4%	86.4%
B: 1-5 year phasing	133	1.8%	96.4%	439.0	8.5%	94.9%
C: 6-10 year phasing	260	3.6%	100.0%	262.9	5.1%	100.0%
D: 11+ year phasing	-	-	100.0%	0.0	-	100.0%
Tariff reduction	-	-	100.0%	0.0	-	100.0%
Quota	-	-	100.0%	0.0	-	100.0%
Total	7,288	100.0%	100.0%	5,161.9	100.0%	100.0%

Elimination schedule for Peru's tariffs on imports of Australian goods

Staging category	Tariff lines			Peru's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	3,925	53.3%	53.3%	68.9	81.2%	81.2%
A: 0% tariff on EIF	2,030	27.5%	80.8%	8.9	10.5%	91.7%
B: 1-5 year phasing	-	-	80.8%	0.0	-	91.7%
C: 6-10 year phasing	362	4.9%	85.7%	1.5	1.7%	93.4%
D: 11+ year phasing	1,012	13.7%	99.4%	1.3	1.6%	95.0%
Tariff reduction	41	0.6%	100.0%	4.3	5.0%	100.0%
Quota	-	-	100.0%	0.0	-	100.0%
Total	7,370	100.0%	100.0%	84.9	100.0%	100.0%

Elimination schedule for Singapore's tariffs on imports of Australian goods

Staging category	Tariff lines			Singapore's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	7,637	99.9%	99.9%	4,998.7	99.9%	99.9%
A: 0% tariff on EIF	6	0.1%	100.0%	3.8	0.1%	100.0%
B: 1-5 year phasing	-	-	100.0%	0.0	-	100.0%
C: 6-10 year phasing	-	-	100.0%	0.0	-	100.0%
D: 11+ year phasing	-	-	100.0%	0.0	-	100.0%
Tariff reduction	-	-	100.0%	0.0	-	100.0%
Quota	-	-	100.0%	0.0	-	100.0%
Total	7,643	100.0%	100.0%	5,002.5	100.0%	100.0%

Elimination schedule for the US's tariffs on imports of Australian goods

Staging category	Tariff lines			USA's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	3,753	35.8%	35.8%	5,183.6	60.0%	60.0%
A: 0% tariff on EIF	5,991	57.2%	93.0%	3,222.8	37.3%	97.3%
B: 1-5 year phasing	246	2.3%	95.3%	195.7	2.3%	99.6%
C: 6-10 year phasing	112	1.1%	96.4%	5.6	0.1%	99.6%
D: 11+ year phasing	216	2.1%	98.5%	4.2	0.0%	99.7%
Tariff reduction	-	-	98.5%	0.0	-	99.7%
Quota	160	1.5%	100.0%	27.1	0.3%	100.0%
Total	10,478	100.0%	100.0%	8,639.1	100.0%	100.0%

Elimination schedule for Vietnam’s tariffs on imports of Australian goods

Staging category	Tariff lines			Vietnam's imports from Australia		
	No.	% of total	Cumulative (%)	US $m (2007-10)	% of total	Cumulative (%)
MFN 0%	3,030	33.1%	33.1%	774.4	50.3%	50.3%
A: 0% tariff on EIF	2,999	32.7%	65.8%	572.6	37.2%	87.6%
B: 1-5 year phasing	2,177	23.8%	95.3%	122.8	8.0%	99.6%
C: 6-10 year phasing	681	7.4%	96.4%	23.2	1.5%	99.6%
D: 11+ year phasing	241	2.1%	98.5%	45.2	2.9%	99.7%
Tariff reduction	-	-	98.5%	0.0	-	99.7%
Quota	31	0.3%	100.0%	0.3	0.0%	100.0%
Total	9,159	99.4%	100.0%	1,538.4	100.0%	100.0%

Agriculture

43. Australia exported around $15 billion worth of agricultural goods to TPP countries in 2014, representing close to 33 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.

Table 3: Key agricultural market access outcomes for Australia

Sector	Summary Outcomes
Beef	Over 55 per cent of Australia’s beef exports go to TPP markets. Beef is Australia’s largest global agricultural goods export, worth $8.4 billion in 2014. TPP market access outcomes for Australian beef producers and exporters include: . Japan’s beef tariffs will be reduced to 9 per cent within 15 years of entry into force of the TPP. Australian beef exports to Japan were valued at $1.6 billion in 2014; . 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 $161 million in 2014; . 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 $20 million in 2014; . elimination of the United States price-based safeguard under AUSFTA on entry into force of the TPP. Australia beef exports to the US were valued at $2.4 billion in 2014; . 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 $163 million in 2014; . 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 $6 million in 2014.
Sheep meat	Australia exports around $965 million in lamb and mutton to TPP markets, 38 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 $22 million in 2014; and . tariffs on sheep meat exports to all other TPP countries will be eliminated upon entry into force of the TPP.

Sector	Summary Outcomes
Wool	Total Australian exports of wool were valued at around $2.4 billion in 2014, and wool exports to TPP countries were valued at around $82 million in 2014. 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 2014, 70 per cent of Australia's pork exports went to TPP countries, valued at $72 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 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 $8.2 billion in 2014, around 18 per cent (or $1.5 billion) 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 approximately $481 million in 2014; 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

Sector	Summary Outcomes
	. 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 $2.5 billion in 2014, and around 39 per cent (valued at $994 million) 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 $433 million in 2014. 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; – 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 $20 million in 2014; . 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; and . 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 valued at around $554 million in 2014-15. 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; and . improvements to Japan's tendering process for rice. Japan will now offer tenders 6 times a year, including an additional tender

Sector	Summary Outcomes
	in May in line with Australia's growing season.
Sugar	Total Australian exports of sugar were valued at $1.5 billion in 2014, and around one third of these exports (valued at an estimated $510 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 2014, Australia sugar exports to Japan were valued at around $200 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 to which Mexico has offered such an outcome; . elimination of in-quota tariffs on Vietnam's WTO sugar quota on entry into force; and . 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 $2 billion in 2014, and 12 per cent of cotton exports (valued at 251 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 AUSFTA (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.

Sector	Summary Outcomes
Wine	Total Australian wine exports were valued at $1.9 billion in 2014, and 45 per cent of these exports (valued at $837 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 $174 million in 2014; . elimination of Malaysian tariffs within 15 years of entry into force of the TPP. Australian wine exports to Malaysia were valued at $34 million in 2014 and are currently subject to tariffs ranging from RM7 to RM23 per litre; . elimination of Vietnamese tariffs within 11 years of entry into force of the TPP. Australian wine exports to Vietnam were valued at $5.4 million in 2014 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 $2.4 billion in 2014, and 24 per cent of these exports (valued at $577 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 $32 million in 2014; . 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 $18 million in 2014; . elimination of all Canada's horticulture tariffs upon entry into force of the TPP. Australia horticultural exports to Canada were valued at $20 million in 2014; . 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.

Sector	Summary Outcomes
Seafood	Australia's total seafood exports in 2014 were worth $1.2 billion, with exports to TPP countries valued at $907 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

44. Australian exports of resources, energy, and manufactured products generally face far lower tariff barriers than 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

45. Australia's exports of resources and energy products to TPP countries were worth over $47 billion in 2014, representing around 53 per cent of Australia's total goods exports to these countries. This includes around $41 billion of resources and energy exports to Japan.

46. 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 $11 million worth of refined petroleum to Vietnam in 2014.

Manufactured and Other Goods

47. Australia's exports of manufactured and other goods to TPP countries were worth an estimated $23 billion in 2014. 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 $12 million in 2014;

- ships and boats exported to Canada within 10 years of entry into force of the TPP, with tariffs of up to 25 per cent eliminated on entry into force. Australian exports of these products to Canada were worth nearly $9 million in 2014;

- leather and sack kraft paper exported to Mexico on entry into force of the TPP. In 2014, Australian exports to Mexico of leather were worth $7.8 million and sack kraft paper were worth $3.1 million;

- medicament exports to Mexico within 10 years of entry into force of the TPP. In 2014, Australian exports of medicaments to Mexico were worth $4.4 million;

- other manufactured products exported to Mexico within 15 years of entry into force of the TPP. Australian exports of these products to Mexico were valued at over $159 million in 2014;

- 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 $200 million in 2014;

- 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; and

- paper and paperboard products exported to Peru within 10 years of entry into force of the TPP.

48. In the TPP, Malaysia has also committed to provide guaranteed access for Australian providers to engage in the wholesale distribution of automotive parts and components.

Key Services Sector Outcomes

49. TPP countries account for 24 per cent of the world's trade in services, with Australian services exports to TPP countries worth over $20 billion in 2014 (almost 35 per cent of total Australian services exports).

50. The TPP will contribute to a significant expansion and diversification of Australian services exports to Asia-Pacific countries by liberalising key barriers, providing more transparent and predictable operating conditions in TPP countries, and capturing future services sector reforms.

51. TPP investment and services outcomes include:

- Mining Equipment, Technologies and Services (METS) and oilfield services providers: major new commercial opportunities for our world class service providers, including through:

- Mexico’s liberalisation of its energy sector;
- Vietnam opening its mining investment regime;
- Brunei Darussalam and Vietnam locking in future reforms to local content regimes or otherwise committing to a level playing field between Australian and foreign suppliers providing goods and services in the mining, oil and gas sectors;
- New rules on large SOEs such as PEMEX, VINACOMIN and PETROVIETNAM, which will help ensure that Australian goods and services providers can compete fairly for contracts;

. professional services: Malaysia has locked in recent reforms to the legal, architectural, engineering and surveying services sectors, removing a number of restrictions that have long been of concern to Australian businesses;

. financial services: new opportunities for Australian exporters to TPP countries, with guaranteed ability to provide the following cross-border services: (i) investment advice and portfolio management services to a collective investment scheme and (ii) insurance of risks relating to maritime shipping and international commercial aviation and freight, and related brokerage;

. temporary entry of business people: preferential temporary entry arrangements for Australian business people and their spouses into key TPP markets, including the waiving of work permits and provision of work rights for spouses in Brunei Darussalam, Canada and Mexico;

. education services: Australian universities and vocational education providers will benefit from guaranteed access to a number of existing and growth markets in Brunei Darussalam, Japan, Malaysia, Mexico and Peru. Australia will also be well placed to supply online education services across the region;

. transport services: Australian freight and logistics companies stand to benefit from enhanced commitments that support integrated logistics supply chains. Australian providers of transport and logistics services in Malaysia and Vietnam will gain strong trade and investment protections for the first time. The TPP will capture future liberalisation of investment regulations in aviation in Vietnam and freight trucking in Malaysia and Vietnam, key markets for our airlines and logistics providers;

. telecommunications services: Australian companies stand to benefit from the phasing out of foreign equity limits in Vietnam's telecommunications sector five years after the entry into force of the TPP and the ability to apply to wholly-own telecommunications ventures in Malaysia;

. health services: Australian providers of private health and allied services will benefit from greater certainty regarding access and operating conditions in Malaysia, Mexico and Vietnam; and

- hospitality and tourism services: Australian suppliers of travel agency and tour operator services will benefit from guaranteed access in Brunei Darussalam, Canada, Chile, Japan, Mexico and Peru; and greater certainty regarding access and operating conditions in Malaysia and Vietnam. Increased trade and investment among TPP countries will also increase demand for domestic tourism services and support the development of Australia's tourism sector, particularly in regional Australia.

Key Investment Outcomes

52. The TPP will create new investment opportunities and provide a more predictable and transparent regulatory environment for investment.

53. Australian investment in TPP countries more than doubled in the last decade to reach $868 billion in 2014, a rise of 16 per cent over the previous year. Australian investment in TPP countries is 45 per cent of all outward investment. Investment in Australia from TPP countries more than doubled in the last decade to reach $1,109 billion in 2014, a rise of 10 per cent over the previous year. Investment from TPP countries is 40 per cent of all foreign investment in Australia.

54. The TPP will promote further growth and diversification of Australian outward investment by liberalising investment regimes in key sectors such as mining and resources, telecommunications and financial services. For example, Canada will allow Australian investors to apply for an exemption from the 49 per cent foreign equity limit on foreign ownership of uranium mines, without first seeking a Canadian partner. Australian investors will also benefit from preferential investment screening thresholds. Australian investments into Canada below CA$1.5 billion will not be screened. Australian investors will also benefit from commitments offered by Japan, Vietnam and Brunei to only impose conditions on foreign investment on the initial sale of interests or assets owned by the government.

55. The TPP will also promote further growth and diversification of foreign investment in Australia by liberalising the screening threshold at which private foreign investments in non-sensitive sectors are considered by the Foreign Investment Review Board (FIRB), increasing it from $252 million to $1,094 million for all TPP Parties.

56. Under the TPP, Australia has retained the ability to screen investments in sensitive sectors to ensure they do not raise issues contrary to the national interest. All investments by foreign governments will continue to be examined and lower screening thresholds will apply to investment in agricultural land and agribusiness.

57. The TPP's investment obligations can be enforced directly by Australian and other TPP investors through an Investor-State Dispute Settlement (ISDS) mechanism. The ISDS mechanism includes safeguards to protect the Government's ability to regulate in the public interest and pursue legitimate public welfare objectives, such as public health. Australia's tobacco control measures cannot be challenged.

Key Government Procurement Opportunities

58. The TPP will ensure that high government procurement standards exist in overseas markets, creating new market access opportunities for Australian businesses.

59. Australian suppliers will have new opportunities to bid for a comprehensive range of goods contracts, including drugs and pharmaceutical products, electronic components and supplies; which are used for government purposes in Brunei Darussalam, Canada, Malaysia, Mexico, Peru and Vietnam.

60. There are new opportunities for Australian businesses to bid for government procurement services contracts, such as:

- accounting, auditing and taxation services in Brunei Darussalam, Canada, Malaysia, Mexico, Peru and Vietnam;
- management consulting services in Brunei Darussalam, Malaysia, Mexico and Peru;
- computer and related services offers by all TPP Parties, along with maintenance of office machinery in Brunei Darussalam, Canada, Malaysia, Mexico, Peru and Vietnam;
- architectural engineering and other technical services in Brunei Darussalam, Canada, Malaysia, Mexico and Peru;
- land and water transport services in Brunei Darussalam, Malaysia and Peru;
- telecommunication and related services in Brunei Darussalam, Canada, Malaysia and Peru;
- environmental protection services in Brunei Darussalam, Canada, Malaysia, Mexico, Peru and Vietnam;
- education services in Brunei Darussalam, Canada, Japan, Malaysia, Mexico and Peru; and
- health and Social Services in Brunei Darussalam, Malaysia and Peru.

61. For the first time, Australian METS and oilfield service suppliers will also be eligible to bid for government procurement opportunities with Mexico for PEMEX and with Peru for PETROPERU, along with other entities in Peru's government-owned electricity and hydro power sectors.

Key Outcomes for Consumers and Businesses

62. Consistent with Australia's other FTAs, remaining Australian tariffs on imports from TPP countries will be eliminated, with consumers and businesses set to benefit from lower prices.

63. As a regional FTA, the TPP will create additional and longer term benefits for consumers and businesses that are not possible to achieve under a bilateral FTA. Even though Australia has relatively low tariffs, products created via an international supply chain are taxed at the borders over which they pass before they get to our shores. Under the TPP, producers will be able to use inputs from any of the 12 participating countries and trade the good under the TPP preferential trading arrangements. This means lower tariff rates on inputs as well as the final product.

Lowering the Cost of Doing Business

64. The TPP includes additional commitments which will **lower the costs of trade.** Highlights include:

- more transparent and efficient **customs procedures** making it easier for Australian companies to export and do business in the region. For example, TPP Parties will be required to provide an advance ruling on the tariff classification of a good, how it should be valued, whether a good is originating and how to claim preference;
- regional **rules of origin** and a single set of documentary procedures for products traded under the TPP. These arrangements will support the development of regional supply chains by encouraging 'cumulation', which permits inputs used in the production of a good from one TPP Party to be treated as the same as inputs from any other TPP Party when making a good. The arrangements will also allow businesses to save on administrative costs by allowing them to trade under the one set of rules, rather than under existing multiple bilateral FTAs.
- **duty-free temporary admission of pallets and containers**. This TPP commitment will provide significant cost and administrative savings for Australian businesses engaged in providing transport logistics services in the Asia-Pacific;
- mechanisms to address **non-tariff barriers** (NTBs) impeding trade, which will give Australia an important avenue to address NTBs affecting our exports in the region. The TPP will enhance transparency, cooperation and promote good practice with regard to establishment and maintenance of technical regulations. A better understanding of each Party's regulatory systems will improve public safety and benefit Australian consumers; and
- simplified rules and **technical requirements** for several products, including wine and spirits. For example, the Australian wine industry will be able to use the same label on bottles of wine for export to all TPP countries, saving money on marketing and distribution costs.

Addressing Contemporary Trade Challenges

65. The TPP will also address contemporary trade challenges in ways that have not previously been addressed in Australian FTAs. Highlights include:

- commitments ensuring **state-owned enterprises and government designated monopolies** engaged in commercial activities make purchasing and sales decisions on a commercial basis and do not discriminate against Australian suppliers of goods and services. These rules will promote competition, trade and investment in TPP Parties and ensure Australian exporters will be able to compete on a level playing field;

- state of the art **e-commerce** provisions driving the information economy and facilitating trade among TPP Parties. For the first time, certainty for business about their ability to move information across borders and make investment decisions about data storage facilities. Australia's regulatory framework, including the *Privacy Act 1988*, will not be affected;

- **enhancing the online environment for consumers in TPP markets**, including commitments to personal information protection, enforceable consumer rights and addressing 'spam'. Under the TPP, Australia will have a forum to exchange views with other TPP countries about the experiences of Australian consumers when accessing products and services offered online;

- for the first time, a provision addressing the high costs of **international mobile roaming.** Parties will work cooperatively to promote transparent and reasonable rates for international mobile roaming services. The agreement also ensures TPP countries are able to enter into arrangements to regulate rates and conditions for wholesale international mobile roaming services, should they wish to do so;

- assisting **small and medium-sized enterprises** (SMEs) to reap the benefits of the TPP, with an emphasis on moving to paperless trading, making customs and export delivery more effective and efficient, and user-friendly websites targeted at SMEs to provide easily accessible information about the TPP;

- promoting high levels of **environmental protection**, including by liberalising trade in environmental goods and services, and ensuring TPP Parties effectively enforce their domestic environmental laws. TPP Parties must also take measures in relation to a number of important environmental challenges, such as protecting the ozone layer, protecting the marine environment from ship pollution, combatting illegal wildlife trade and combatting over-fishing and illegal fishing. In a breakthrough in the fight against overfishing, subsidies for fishing that negatively affect overfished stocks and subsidies for vessels engaged in illegal fishing will be prohibited;

- enhanced compliance by TPP parties with internationally-recognised **labour rights,** such as elimination of forced labour, abolition of child labour, freedom of association and the right to collective bargaining. The TPP will also enhance cooperation and consultation on labour issues, and effective enforcement of labour laws in TPP Parties;

- robust and transparent **government procurement** rules that would allow suppliers from TPP countries to participate fairly in government processes. The rules will ensure that government from TPP countries do not discriminate against suppliers from other TPP countries when assessing tenders and awarding contracts. Each TPP Party will also be required to establish a review mechanism so that suppliers (both foreign and domestic) can challenge government procurement decisions that do not follow proper processes; and

- robust provisions **combatting corruption** and bribery of public officials, and other acts of corruption adversely affecting international trade and investment. These anti-corruption provisions will provide greater transparency and certainty to Australian individuals and businesses seeking to trade with, and invest in, TPP Parties.

Intellectual Property

63. The Intellectual Property (IP) Chapter establishes a common set of rules for IP protection and enforcement in the TPP region. These rules will help streamline IP transactions, increase transparency and lower the costs of doing business, and support Australia's creative and innovative industries by promoting certainty and opportunities for trade and investment in the region. Australian businesses and consumers will also benefit from increased access to legitimate products and services. The chapter builds on the key areas of IP protection in the WTO's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement), and covers copyright, trade marks, geographical indications, patents, industrial designs, confidential information, plant variety protection, and civil, border and criminal enforcement.

64. The Chapter seeks to promote business certainty for Australian patent applicants in the TPP region. TPP countries commit to provide adequate and effective protection of industrial designs. Trade mark provisions will help Australian traders promote and safeguard their brands in the TPP region. The chapter requires transparency and due process safeguards with respect to the protection of geographical indications (GIs), including for GIs protected through international agreements. TPP countries have agreed to ratify the International Convention for the Protection of New Varieties of Plants (1991), which encourages effective protection of plant breeders' rights and the development of new plant varieties.

65. The Chapter includes provisions that aim to incentivise investment in new pharmaceutical inventions and products, while aiming to ensure TPP countries can take measures to protect public health and support timely and affordable access to medicines. The Chapter requires five years of protection for undisclosed data about the safety or efficacy of new pharmaceutical products submitted to the regulatory authority for the purposes of obtaining marketing approval. On biologics, the TPP has a two-track outcome. TPP countries can choose to provide effective market protection though at least eight years of data protection. Alternatively, TPP countries can choose to provide effective market protection through at least five years of data protection, along with other measures, including existing measures in the case of Australia, and

recognising market circumstances. These measures and circumstances include regulatory settings, patents, and the time it takes for follow-on medicines to become established in the market. Australia will follow the five year option, which reflects our current system, and which will not require changes to our existing settings or increase the cost of medicines in Australia. TPP countries have agreed to review the TPP biologics outcome in 10 years.

66. The Chapter requires TPP countries to protect undisclosed data about the safety or efficacy of new agricultural chemical products for 10 years from the date of marketing approval. This will help attract investment and innovation in new agricultural chemical products in the TPP region, and ensure stronger protections for Australian exporters.

67. The Chapter provides effective and balanced protection for Australian copyright and related rights in the TPP region by protecting the exclusive rights of authors, performers and producers with respect to the reproduction, communication, distribution, and broadcasting of their works, performances and phonograms, while providing for appropriate limitations and exceptions. There are also protections for copyright and related rights through technological protection measures (TPMs) and rights management information, and TPP countries agree to provide a framework of legal incentives for internet service providers to cooperate with content owners to deter unauthorised storage and transmission of copyrighted materials.

68. The Chapter includes civil, criminal and border enforcement measures aimed at reducing trade in counterfeit trade mark and pirated copyright goods in the TPP region. These measures will help protect the rights of Australian innovators and creators, support investment in innovation, promote trade in legitimate products and services, and reduce the availability of infringing products and services in Australia. TPP countries agree to provide for civil and criminal measures in relation to the unauthorised access to and theft of trade secrets, including in computer systems. These measures will not affect countries' laws in relation to whistleblowing.

69. Australia has agreed side letters with the US which clarifies that TPP governs instead of AUSFTA in a number of areas concerning IP commitments. These side letters will: allow Australian generic medicine manufacturers to export products for the purpose of obtaining marketing approval during the term of a patent; to give Australia flexibility to provide for appropriate exceptions to criminal and civil liability for the circumvention of TPMs; to address potential difficulties caused by overlapping standards in the TPP and AUSFTA with respect to how unreasonable delays in the granting of patents are calculated; and to clarify that an Australian government or third person authorised by the government can use a patent without the authorisation of a patent owner where that use is for services of the government.

State and Territory Governments

70. During negotiations, State and Territory Governments raised issues of interest to industries residing in their respective states, their regulatory responsibilities and the administrative implications of the TPP. There are no additional

impacts on State and Territory Governments beyond those discussed in other sections of this analysis.

Australian trade regulations

71. The TPP maintains the integrity of our system of trade remedies and is consistent with our WTO rights and obligations. The TPP provides for a transitional safeguard mechanism, which allows a TPP party to apply a transitional safeguard measure during a certain period of time if import increases as a result of the tariff cuts implemented under the TPP cause serious injury to a domestic industry.

72. The Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) chapters reaffirm the TPP Parties' commitments to relevant WTO agreements and improve consultation arrangements.

73. The TPP also includes TBT annexes related to regulation of specific sectors to promote common regulatory approaches across the TPP region. These sectors are cosmetics, medical devices, pharmaceuticals, information and communications technology products, wine and distilled spirits, proprietary formulas for prepackaged foods and food additives, and organic agricultural products.

74. In addition, in an effort to rapidly resolve SPS matters that emerge between the TPP parties, the TPP establishes a mechanism for consultations between governments.

75. The TPP does not require changes to Australia's biosecurity system. Import risk assessments are carved out of TPP's dispute settlement mechanism.

Dispute Settlement

76. The TPP includes a binding State-to-State dispute settlement mechanism modelled on previous free trade agreements and the WTO system. Most of Australia's obligations in the TPP will be subject to this mechanism, except those found in the chapters concerning Competition Policy, Cooperation and Capacity Building, Competitiveness and Business Facilitation, Development, Small and Medium-Sized Enterprises and Regulatory Coherence, and the Annex on Transparency and Procedural Fairness for Pharmaceutical Products and Medical Devices.

PART 6: TRADE IMPACT ASSESSMENT

77. The TPP will open up market opportunities for Australian exporters and investors in the region.

Impact on Goods Exports

78. Australia's exports to countries in the TPP represented around $88 billion in 2014 – or 33 per cent of total Australian merchandise exports. The TPP Parties include some of Australia's major trading partners, such as Japan – where Australian exports were worth over $48 billion in 2014 and the United States,

where exports were worth close to $12 billion. Four of Australia's top ten trading partners are TPP countries (Japan, the United States, Singapore and Malaysia).

79. The elimination of barriers to trade is expected to increase the volume and value of trade with all TPP Parties. From day one of the Agreement, new quota arrangements into the United States will permit increased exports to that market. At current prices, the newly created 65,000 tonne quota for sugar into the United States instantly opens up new trade worth around $48 million into that country.[7] The consolidation of five current cheese quotas under the bilateral FTA into just two quotas will allow improved quota management, along with 9,000 metric tons of additional market access. WTO in-quota tariffs on all dairy products will be eliminated immediately on entry into force of the Agreement, and the bilateral milk powder quotas will be combined into one and tariffs eliminated over time. The removal of the US price-based safeguard will also ensure trade into our largest export market for beef (valued at $2.4 billion in 2014) will be completely free of tariff barriers in 2023.

80. The elimination and reduction of tariffs and creation of new quota access into Japan will create opportunities in an export market worth around $4 billion for Australian agricultural exports. Significant new tariff reductions and increased safeguard volumes on beef will allow for increased exports to the Japanese market. The elimination of tariffs and creation of new quotas for dairy products will benefit Australian dairy exporters – Australia exported $433 million of dairy products to Japan in 2014. The elimination of tariffs on cheese products alone covers over $100 million of existing Australian trade. Australia will also receive new quota access for wheat, barley, malt and rice and a reduction in the levy on high polarity sugar will mean that Australian high polarity sugar will now face lower duties than exporters of low polarity sugar

81. The elimination of tariffs in our new FTA partners of Canada, Mexico and Peru will create new opportunities in export markets worth $1.83 billion in 2014 for Australia. Particular opportunities will be available for our exports to these markets of beef (over $175 million in exports to these countries in 2014), sheep meat ($87 million in exports), wine ($174 million), machinery ($158 million), and pharmaceuticals ($64 million) into these countries. For the first time Australia will also be afforded genuine new access into to the Canadian dairy market, with Canada offering over 100,000 metric tonnes of access for dairy products per year to TPP Parties.

82. The elimination of tariff barriers on some products previously missed in our FTAs with Malaysia and Vietnam will also create new opportunities for Australia. Malaysia's elimination of tariffs on liquid milk and an interim quota of 3.3 million litres per year will provide substantial new opportunities for our burgeoning fresh milk industry which exported $189 million in 2014. The elimination of tariffs on wine and alcoholic beverages into Malaysia and Vietnam will provide export opportunities for our highly competitive wine

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[7] Based on US 3rd quarter 2015 raw sugar prices, and exchange rate at 3 November 2015.

industry. Tariff elimination on iron and steel products into Vietnam will provide welcome new opportunities for that sector – Australia exported $200 million of iron and steel products to Vietnam in 2014.

83. The regional nature of the TPP agreement will also provide new opportunities for Australian exporters to participate in regional supply chains. Under the rules of origin of the agreement, production in any one of the TPP Parties will be counted towards a goods' originating status, that is, the ability for an exporter or importer to claim a TPP tariff preference for that good. As a result, demand for TPP products will increase in the region. For example, there will be greater demand for Australian agricultural commodities in South-East Asia as new preferences become available into Japan for food and beverage products. Australian manufacturers will also be able to export products under TPP preferences which they have produced using content from other TPP Parties. For example a mining equipment manufacturer could source inputs from Japan for transformation and exportation to Mexico or Peru.

84. Trade, both in terms of imports and exports is also expected to increase as a result of a reduction in the reduced administrative arrangements created by the TPP. Under the TPP an exporter or importer will only need to refer to one rule of origin, and use the same, self-certified documentation when exporting to any of the TPP parties under a tariff preference. This will significantly reduce the administrative arrangements an Australian trader needs to be aware of and comply with to access current tariff preferences. At present Australia has seven different FTAs with TPP Parties, each with its own administrative arrangements.

Impact on Goods Imports

85. The TPP will benefit consumers by increasing greater choice of goods at lower prices. Australia's final tariff offer to TPP countries on goods market access was plurilateral – the same offer was made to all members of the TPP. Consistent with other Australian FTAs and our trade policy settings, Australia's tariff elimination schedule is ambitious, with 93 per cent of all tariff lines eliminated or bound at zero tariff rates upon entry into force of the Agreement.

86. Virtually all remaining tariffs – covering those sectors where tariffs still provide some level of protection against imports, are eliminated in either three or four years. This includes tariffs of mostly 5 per cent on plastics and rubber, textiles, clothing and footwear, iron and steel, motor vehicle components and some machinery and furniture tariffs. The phased elimination of these tariffs aligns with existing FTAs and will not undercut any existing tariff phasing arrangements for sensitive products with existing FTA partners. The only tariffs in Australia's offer that are not eliminated are those on used car imports. Although the 5 per cent ad valorem tariff is eliminated immediately, consistent with our FTAs with Korea and Japan, the larger $12,000 specific tariff is maintained. These tariffs represent only 0.1 per cent of Australia's total tariff lines.

87. Though Australia had already eliminated tariffs for eight of the 11 partner countries in the TPP, elimination of tariffs for Canada, Mexico and Peru will likely encourage further trade with those countries, and lower the cost of imports into Australia. In particular, some increased imports and price reductions can be expected as a result of increased imports of horticultural products from Mexico (imports of $24.2 million in 2014) into Australia and Peru ($14.9 million in 2014), automotive products from Mexico ($212.8 million in 2014) and Canada ($120.2 million in 2014), pharmaceutical products from Canada ($131.4 million in 2014) and Mexico ($42.7 million in 2014), telecommunications equipment from Mexico ($198.6 million in 2014), alcoholic beverages from Mexico ($142.6 million in 2014) and railway products from Canada ($143.6 million in 2014).

<u>Elimination schedule for Australia's tariffs on imports from TPP countries</u>

Staging category	Tariff lines		
	No.	% of total	Cumulative (%)
MFN 0%	2,775	46.2%	46.2%
A: 0% tariff on EIF	2,815	46.9%	93.0%
B: 3 year phasing	210	3.5%	96.5%
C: 4 year phasing	200	3.3%	99.9%
D: Used car tariff (ad valorem component eliminated, specific tariff remains)	8	0.1%	100.0%
Total	6,008	100.0%	100.0%

Impact on Investment

88. The TPP's rules to protect and promote foreign investment are contemporary and robust. In embracing these, Australia demonstrates that it understands and values the role of investment for our economy – in driving competition, productivity and innovation. The raising of FIRB general screening threshold to $1,094 million for foreign investment from TPP countries in non-sensitive sectors will further encourage investment into Australia from the TPP region, particularly from financial hubs such as Singapore.

Impact on Services Exports

89. The TPP will contribute to the growth and diversification of Australian exports of services by liberalising barriers and providing more transparent and predictable operating conditions in TPP countries. Australian services exports to TPP countries were worth over $20 billion in 2014. Australians involved in education, finance, ICT, health, transport and logistics, tourism, mining and professional services sectors all stand to benefit from this deal.

Impact on Domestic Services Sectors

90. The new services market access opportunities created by the TPP will promote a greater export orientation in Australia's services sectors and increased

foreign investment and employment in Australia's export-focused services industries. The TPP will not impact on the provision of social services. As in other FTAs, Australia has preserved policy space in the TPP with respect to sensitive sectors, such as primary education and audiovisual services.

Incentivising R&D

91. The TPP establishes a common set of rules on IP protection and enforcement for the TPP region. Knowing that IP rights can be protected and enforced in TPP markets provides an important incentive for Australia's businesses and investors to expand their activities in the region.

A Competitive Environment

92. The Australian business community will be able to benefit from TPP rules ensuring state-owned enterprises and government-designated monopolies engaged in commercial activities make purchasing and sales decisions on the basis of commercial decisions and do not unjustifiably discriminate against suppliers of goods and services from other TPP Parties. The TPP will help to ensure Australian exporters are able to compete on a more level playing field.

PART 7: CONSULTATION

Business, industry and civil society

93. Stakeholder views were actively encouraged and considered throughout negotiations on the TPP, including through an initial call for public submissions. In November 2008, the Australian Government publicly announced that Australia would participate in the TPP negotiations. Australia's decision to participate in the TPP negotiations followed extensive consultations involving a wide range of stakeholders and State and Territory Governments. Overall, there was widespread support for Australia's participation in the TPP.

94. The Department of Foreign Affairs and Trade (DFAT) engaged in over 1000 TPP stakeholder briefings and consultations over the time period of the negotiations with a wide range of domestic stakeholders, including representatives from peak industry bodies, individual companies, academics, unions, consumer groups, special interest groups and other organisations representing civil society. Many stakeholders were consulted on several occasions and provided more than one written submission.

95. Senior TPP negotiators provided briefings and information on the progress of negotiations to stakeholders on request during the course of the negotiations. In addition, DFAT held public stakeholder consultations in state capitals, for example on 26 March 2014 in Melbourne and 27 March 2014 in Sydney. Such consultations were open to businesses, civil society and interested members of the public, and were advertised on the DFAT website. DFAT provided updates on the TPP negotiations via its website, and consulted stakeholders and interested members of the public via group email address (**Email:** tpp@dfat.gov.au).

96. Written stakeholder submissions were also actively encouraged throughout the negotiations by DFAT. The Government received more than 85 submissions, from a wide range of domestic stakeholders.

States and Territories

97. State and Territory Governments were consulted on a regular basis, including via correspondence, teleconferences, and at meetings of the Trade and Investment Ministers, Senior State and Territory Trade Officials Group (STOG) and Commonwealth-State-Territory Standing Committee on Treaties (SCOT). State and Territory departments were invited to make public submissions at the outset of negotiations and had the opportunity to make submissions throughout the negotiating period. Throughout the negotiations, the Trade Minister wrote to State and Territory leaders seeking endorsement of Australia's services and investment offers, prior to exchanging offers with other TPP negotiating parties, reflecting the responsibilities State and Territory Governments have for regulation of services and investment activities. State and Territory Governments subsequently advised that they supported the initial offer subject to continuing consultations on TPP.

Commonwealth Government agencies

98. Commonwealth Government departments were consulted extensively throughout the negotiations and representatives from relevant departments participated in negotiating sessions held in in Australia and other TPP countries.

Consultations since the TPP negotiations concluded

99. DFAT has continued to consult stakeholders, State and Territory Governments, interested members of the public, and other Commonwealth Government departments since the negotiations concluded on 5 October in Atlanta. DFAT will continue to carry out these consultations in the future. DFAT will also continue to make information on the TPP publicly available in a timely fashion on its website (http://dfat.gov.au/trade/agreements/tpp/) and respond appropriately to emails sent by stakeholders and interested members of the public to the DFAT TPP email address (**Email:** tpp@dfat.gov.au).

100. A large number of business stakeholders have made public comments welcoming the outcomes of the TPP negotiations. Similarly, there have been positive public statements welcoming the TPP outcomes from a number of State and Territory Government representatives. Some civil society groups have expressed concern with the ISDS-related outcomes.

PART 8: CONCLUSION

101. It is in Australia's interests to enter into a regional FTA with Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the United States and Vietnam, given the TPP is expected to:

- deliver commercially meaningful market access gains that will benefit Australian agriculture, resources, energy and manufacturing exporters, service providers, consumers and investors;

- secure Australian exporters' competitive position in the Asia-Pacific;
- deliver faster and deeper market access gains than are possible through multilateral WTO negotiations;
- be consistent with WTO requirements for free trade agreements; and
- complement Australia's efforts to seek additional trade liberalisation from other TPP parties through the WTO and regional mechanisms.

102. It should be noted that:

- the removal of tariffs on merchandise imports from Canada, Mexico and Peru will lead to reductions in tariff revenue, and thereby affect the Government's fiscal position, although this would be offset over time by the second-round effects of increased economic activity. The tariff reduction will also result in lower costs to Australian consumers; and
- Australia will virtually eliminate tariffs on all products within four years following the TPP's entry into force. Australia will gradually phase out tariffs on a small number of products, mostly plastics and rubber, and textiles, clothing and footwear, iron and steel, motor vehicle components and some machinery and furniture. The only tariffs in Australia's offer that are not eliminated are those on used car imports. These tariffs represent only 0.1 per cent of Australia's total tariff lines.

PART 9: IMPLEMENTATION AND REVIEW

103. Implementation of the TPP will require changes to: the *Customs Act 1901*; the *Customs Tariff Act 1995* and associated regulations; and the *Foreign Acquisitions and Takeovers Regulations 1989*.

104. Minor regulatory changes relating to encoded broadcasts will be required in order to extend benefits in Part VAA of the *Copyright Act 1968* that Australia already extends to parties to *the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organization 1961* (the Rome Convention) to broadcasts from Malaysia, Singapore, Brunei and New Zealand;

105. The TPP will also require new legislation to implement the domestic review obligation in the Government Procurement Chapter. This will involve a scheme under which procurement decisions would be subject to administrative or judicial review.

106. The TPP will enter into force 60 days after all original signatories have completed their domestic treaty-making procedures (i.e. ratified it). If this has not occurred within two years of signature, the Agreement will enter into force 60 days after at least six original signatories accounting for 85 per cent of the combined gross domestic product of the original signatories have ratified the Agreement.

107. A TPP Commission established under the Agreement will be responsible for the operation of the TPP. The Commission will review the operation of the

TPP three years after entry into force of the Agreement and at least every five years thereafter.

108. To amend the Agreement, all Parties must agree in writing. Any state or separate customs territory that is a member of APEC (or a non-APEC member, if agreed by the Parties) may accede to the TPP if it is prepared to comply with the provisions of the Agreement, other terms and conditions specified, and if all TPP Parties agree to the accession.

109. Any Party may withdraw from the TPP by providing written notice to the Depositary and other Parties. A withdrawal shall take effect six months after a Party provides written notification, unless the Parties agree on a different period.

ATTACHMENT: REGULATORY BURDEN AND COST OFFSET ESTIMATE

1. The entry into force of the Trans-Pacific Partnership (TPP) is expected to result in a small reduction in ongoing business compliance costs for Australian exporters to TPP Parties. The reduction arises from two sources. First, the ability of exporters to use one set of documentary procedures to export to 11 other markets instead of under eight separate FTAs plus three non-FTA partners. Second, the possibility that some businesses that previously sought and obtained non-preferential certificates of origin (COOs) may now be able to self-certify the origin of their goods for exports to Brunei Darussalam, Canada, New Zealand, Mexico, Peru, Singapore and Vietnam. Existing agreements allow businesses to self-certify the origin of their goods for exports to Chile, Japan, Malaysia and the United States.

2. There is a significant level of uncertainty regarding the number and composition of COOs issued in respect of Australian exports into TPP Parties. Accordingly, the estimates of the compliance costs under the status quo – as well as the likely incremental changes – are largely assumption driven and should be interpreted as such. However, based on the available data, it is possible to gain an appreciation of the order of magnitude of these changes.

Certificates of Origin

3. COOs are issued by industry groups such as the Australian Chamber of Commerce and Industry and the Australian Industry Group. Preferential certificates account for around 10 per cent of all certificates issued. Preferential certificates are generally issued in respect of countries with whom Australia has a free trade agreement, but which do not allow for self-declaration.

4. TPP Parties represent 33 per cent of Australia's total goods exports and include five of Australia's top 10 goods export destinations (Japan, the US, New Zealand, Singapore and Malaysia).

Direct Costs

5. Where businesses seek third-party certification from industry groups, the cost of each certificate varies from between $20-70 at an average of $33. The cost of a certificate depends on a range of factors, such as whether an applicant is a member of the issuing body and the level of complexity.

Administrative costs

6. The ongoing administrative costs incurred by a business in preparing the documentation to obtain a COO are likely to be relatively low. The bulk of Australian exports to TPP Parties are 'wholly obtained' goods. Further, while new businesses may expend considerable time applying for certification for their initial consignment, as a matter of practice this information is re-submitted for subsequent certifications. In addition, much of the information required would be collected for other purposes. The administrative time burden for each application is therefore estimated to be modest.

7. Similarly, the records related to a COO are required to be kept for five years by most foreign customs agencies. However, businesses are required under Australian Tax Law to retain these records for seven years. The incremental compliance burden associated with record keeping for COOs is therefore assessed as nil.

Incremental reduction in number of certificates under the TPP

8. COOs are required for Australian exports to TPP Parties for a range of purposes in addition to tariff compliance. For example, overseas customs agencies may require COOs for the purpose of calculating import quotas. Alternatively, foreign banks may require COOs in order to provide letters of credit.

9. Therefore, it is possible that of the total number of Australian COOs currently issued in respect of TPP Parties, some of these will no longer be required as a result of the TPP. However, each business will have to consider for themselves, as a commercial decision, whether the benefits of obtaining a COO are outweighed by the costs (administrative or otherwise).

10. It is therefore assumed that there will be a modest reduction in the number of COOs issued in respect of Australian exports to TPP Parties as a result of the Agreement. To the extent that this reduction occurs, those businesses will save the direct costs of certification by industry bodies; together with the administrative costs.

Regulatory Burden and Cost Offset (RBCO) Estimate Table

Average Annual Compliance Costs (from business as usual)				
Costs ($m)	**Business**	**Community Organisations**	**Individuals**	**Total Cost**
Total by Sector	($147 823.62)	$	$	($147 823.62)
Cost offset ($m)	**Business**	**Community Organisations**	**Individuals**	**Total by Source**
Agency	$	$	$	$
Within portfolio	$	$	$	$
Outside portfolio	$	$	$	$
Total by Sector	$	$	$	$
Proposal is cost neutral? **☑ yes □ no**				
Proposal is deregulatory **☑ yes □ no**				
Balance of cost offsets **$147 823.62**				