

TRANS-PACIFIC PARTNERSHIP AGREEMENT

OUTCOMES AT A GLANCE

The Trans-Pacific Partnership Agreement (TPP) is a regional free trade agreement (FTA) of unprecedented scope and ambition with great potential to drive job-creating growth across the Australian economy.

The 12 countries that negotiated the TPP – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam – 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 \$109 billion last year – a third of Australia's total exports.¹ In 2014, Australian investment in TPP countries was 45 per cent of all outward investment.

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. The Asia-Pacific is a key driver of global economic growth. 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. TPP membership is open to other Asia-Pacific economies and Australia is committed to expanding TPP membership over time.

The TPP has delivered high quality outcomes that will:

- open substantial new trade and investment opportunities for Australia;
- promote job-creating growth;
- further integrate our economies in this fast-growing region; and
- promote and facilitate regional supply chains.

By setting common rules and promoting transparency of laws and regulations, the TPP will provide certainty for businesses and reduce costs and red tape for Australian exporters, service suppliers and investors.

FOR AUSTRALIAN GOODS EXPORTERS

- The TPP will eliminate more than 98 per cent of tariffs in the TPP region.
- Tariffs on US\$9 billion of Australia's dutiable exports to TPP countries will be eliminated.
- These outcomes build on the strong trading relationships Australia already has with many TPP countries, underpinned by FTA arrangements with Brunei Darussalam, Chile, Japan, Malaysia, New Zealand, Singapore, the United States and Vietnam.

¹ Source: ABS Data on the DFAT STARS Database



For **agriculture**, the TPP will eliminate tariffs on more than \$4.3 billion of Australia's dutiable exports of agricultural goods. A further \$2.1 billion of Australia's dutiable exports will receive significant preferential access through new quotas and tariff reductions. In 2014, around 33 per cent, or \$15 billion, of Australia's agricultural exports were to TPP countries.

Further information on the **agriculture outcomes**, refer to [Outcomes: Goods market access](#). Highlights include:

- **Beef:** the TPP will see significant reductions and elimination of tariffs on beef and beef products into Japan (building on the Japan-Australia Economic Partnership Agreement (JAEPA)); elimination of tariffs on beef and beef products into Mexico and Canada over 10 years and elimination of the AUSFTA beef safeguard into the US;
- **Sugar:** for the first time in over 20 years, Australia has been granted guaranteed new access into the US; tariff elimination and levy reduction for high polarity sugar into Japan adding further to the competitive advantage of JAEPA; elimination of the tariff on refined sugar into Canada;
- **Rice:** for the first time in over 20 years, quota expansion for Australian rice into Japan and agreement to new administrative arrangements to facilitate trade;
- **Dairy:** elimination of tariffs on a range of cheeses covering over \$100 million in existing trade with Japan, new preferential access for a further estimated \$100 million of trade, building substantially on JAEPA and new quota arrangements for Australia on butter/skim milk powder. In the US, elimination of tariffs on dairy products including milk powders, ice-cream, infant formula and selected cheeses, increased quota access of 9000 tonnes for Australian cheese exports and improved quota administration arrangements. New preferential access into Mexico and the highly-protected Canadian market;
- **Cereals:** elimination of tariffs on wheat and barley into Mexico (within 10 years) and Canada (upon entry into force). Reduction of the mark-ups applied to wheat and barley in Japan and the creation of new quota arrangements above and beyond JAEPA;
- **Wine:** elimination of tariffs into Mexico (between 3 to 10 years) and Canada (upon entry into force), Peru (within 5 years) and, for the first time, Malaysia (within 15 years) and Vietnam (within 11 years); and
- **Seafood:** elimination of all tariffs into Canada, Peru and Vietnam on entry into force, and Mexico and Japan within 15 years.

Australia's exports of **resources and energy products** to TPP member countries were worth close to \$47 billion in 2014, representing 30 per cent of Australia's total exports of these products. This includes around \$41 billion of resources and energy exports to Japan. While the majority of Australia's major exports, such as coal, iron ore and liquefied natural gas already enter TPP countries duty-free, the TPP has secured additional market access, including:

- Immediate elimination of tariffs **on iron ore, copper and nickel** to Peru;
- Elimination of tariffs on **butanes, propane and liquefied natural gas** to Vietnam over 7 years;

- Elimination of Vietnam's 20 percent tariffs on **refined petroleum** over 10 years – Australia exports were valued at \$11 million in 2014.

Australia's exports of **manufactured goods** to TPP countries were worth an estimated \$23 billion in 2014. New market access outcomes include:

- Immediate elimination of tariffs on **iron and steel products** in Canada and in Vietnam within 10 years;
- Elimination of **ship tariffs** in Canada over 5 to 10 years;
- Elimination of tariffs on **pharmaceutical, machinery, mechanical and electrical appliances, and automotive parts** to Mexico within 10 years;
- Elimination of duties on **paper and paperboard** to Peru over 10 years;
- Elimination of tariffs on **automotive parts** to Vietnam over 10 years;
- A requirement for Malaysia to cease providing excise tax credits for locally produced automotive parts, which had favoured the use of Malaysian components over parts imported from Australia; and
- Australian businesses will now be able to bid for tenders to supply goods (such as pharmaceutical products, electronic components and supplies) used for government purposes in Brunei Darussalam, Canada, Malaysia, Mexico, Peru and Vietnam.

FOR AUSTRALIAN SERVICE SUPPLIERS

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).

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.

A snapshot of the extensive TPP investment and services outcomes include:

- **Mining Equipment Services and Technologies (METS) and oilfield service providers:** Major new commercial opportunities for our world class service providers, including through:
 - Mexico's historic 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; and
 - New rules on large state-owned enterprises such as PEMEX, VINACOMIN and PETROVIETNAM, which will help ensure that Australian goods and service 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.
- **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.
- **Government procurement:** 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 offer 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.

Further details on the TPP services outcomes, refer to: [Outcomes: Resources and Energy](#), [Outcomes: Education Services](#), [Outcomes: Professional Services](#), [Outcomes: Transport and Logistics](#), [Outcomes: Temporary Entry of Business persons](#), and [Outcomes: Trade in the Digital Age](#).

FOR INVESTORS

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

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.

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.

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.

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.

The TPP's investment obligations can be enforced directly by Australian and other TPP investors through an Investor-Statement 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.

Further information, refer to: [Outcomes: Investment](#).

FOR AUSTRALIAN CONSUMERS AND BUSINESSES

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

As a regional free trade agreement, 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.

Further information, refer to: [Global Value Chains and the TPP](#).

LOWERING THE COST OF DOING BUSINESS

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

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 example, TPP Parties have committed to allow the movement and storage of data across borders, providing a platform for growth in Australian ICT exports. The TPP will ensure appropriate consumer protections and the right of governments to regulate in the public interest. Australia's regulatory framework, including the Privacy Act, will not be affected.
- 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.
- Ensuring balanced **intellectual property** rules which aim to encourage investment in new ideas, support creative and innovative industries, address and prevent piracy and counterfeiting, and promote the dissemination of information, knowledge and technology. The TPP will not require any changes to Australia's domestic intellectual property regime, but will create opportunities for Australian businesses in the region.
- 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 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.

For more information, refer to the sector specific outcomes documents.

NEXT STEPS

The TPP treaty text was made available to the public on 5 November 2015. The treaty must also undergo a process of legal review, translation and verification.

In accordance with Australia's treaty-making process, before binding treaty action is taken, the TPP text and accompanying National Interest Analysis will be tabled in Parliament for 20 joint sitting days. Following tabling, the Joint Standing Committee on Treaties will conduct an inquiry into the TPP and will report back to Parliament. Parliament will also consider any legislation that may be necessary to implement the Agreement.

When a country has completed its domestic treaty-making processes, it will notify other TPP countries that it has done all that is required for the Agreement to enter into force. The Trans-Pacific Partnership Agreement will enter into force 60 days after all original signatories have notified completion of their domestic legal procedures. If this has not occurred within two years of signature, the Agreement will enter into force 60 days after the expiry of that two year period if at least six original signatories accounting for 85 percent of the combined gross domestic product of the original signatories have ratified the agreement.

For more information, refer to: [Background document: Implementation timeline](#).