Grant Thornton
An instinct for growth™

High Level Summary of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)

For consideration by DEDJTR

May 2018

Statement of Limitation

This report is based on an earlier report prepared for the Department of Economic Development, Jobs, Transport and Resources (the **Department**) in accord with the Request For Quotation (**RFQ**) titled "Analysis of the Trans-Pacific Partnership Agreement", and subsequent to the letter of engagement dated 12 February 2016 between Grant Thornton Australia Ltd (**Grant Thornton**) and the Department (**Letter of Engagement**).

That 2016 Engagement sought to analyse the content of the Trans-Pacific Partnership Agreement (**TPPA**), and to compare the opportunities in the TPPA to those in Australia's existing Free Trade Agreements, in accord with the scope of services referred to in the RFQ (**Purpose**).

This report has also been prepared for the Department and seeks to analyse the successor agreement to the TPPA (signed but not yet in force), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (**TPP-11**). As the TPP-11 incorporates the provisions of the TPPA, with the exception of a number of provisions to be suspended, this report relies on the earlier TPPA report and includes re-written text to refresh the impacts on trade in goods as reflected under the TPP-11. With the exception of trade in goods, all other aspects of this report are reflective of the 2016 TPPA Engagement and have not been re-assessed.

This report is a high-level analysis, and as such deeper investigation, the passage of time and manifestation of latent conditions or impacts of future events may require further examination of the data and subsequent analysis, and re-evaluation of the data, findings, observations and conclusions expressed in this report.

Grant Thornton has prepared this report in accordance with the usual care and thoroughness of the consulting profession, for the Purpose described above, and only that purpose, and by reference to applicable standards, guidelines, procedures and practices at the date of issue of this report. For the reasons outlined above, however, no other warranty or guarantee, whether expressed or implied, is made as to the data, observations and findings expressed in this report, to the extent permitted by law.

This report should be read in full and no excerpts are to be taken as representative of the findings. No responsibility is accepted by Grant Thornton for use of any part of this report in any other context. This report has been prepared on behalf of, and for the exclusive use of the Department, and is subject to, and issued in accordance with, the provisions of the Letter of Engagement. Grant Thornton accepts no liability or responsibility whatsoever for, or in respect of, any use of, or reliance upon, this report by any third party.

Finally we wish to highlight that as this engagement was initiated in December 2015, the original analysis is based on the Trans Pacific Partnership Agreement (TPPA) text version released on 5 November 2015, which included tariff schedules in HS2007 version; an English language version of the legally verified TPP text was subsequently released on 26 January 2016 with tariff schedules in HS 2012 version.

Table of Contents

High Level Summary of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) 1

Statement of Limitation i

Table of Contents iii

List of Tables and Figures vi

Glossary of Terms viii

Preamble 1

Executive Summary 3

Section 1: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) 9

1 Trade in Goods – Summary of TPP-11 Outcomes 9

2 Access to Australia for TPP originating goods 12

3 Access to TPP partner countries for Australian goods – Introduction 14

3.1 Tariff Staging Schedule 15

3.2 Case Studies 15

4 Access to TPP partner countries for Australian goods 19

4.1 Japan 19

4.2 Malaysia 28

4.3 Vietnam 32

4.4 Canada 36

4.5 Mexico 41

4.6 Chile 45

4.7 Peru 46

4.8 Brunei Darussalam 48

5 Other Areas of Note in Relation to Trade in Goods 50

5.1 Approach to Rules of Origin and Exceptions 50

5.2 Certificates of Origin 52

5.3 Non-Tariff Barriers 52

5.4 Other 53

6 Trade in Services 54

6.1 Key principles and approach to Non-Conforming Measures 54

6.2 Access to Australian Market 55
6.3 Access to Other TPP Partner Countries 55
6.4 Professional, technical and other business services 56
6.5 Education Services 58
6.6 Mining, Oil & Gas, METS and Oilfield Goods & Services 59
6.7 Transport and Logistics Services 61
6.8 Health Services 62
6.9 Ecommerce and Telecommunication Services 63
6.10 Financial Services 65
7 Investment Chapter 67
7.1 General provisions 67
7.2 Investor State Dispute Settlement (ISDS) 67
7.3 Access to TPP Partner Countries 68
8 Movement of Natural Persons 71
8.1 Key principles 71
8.2 Key Outcomes for each TPP Country 72
8.3 Comparative Analysis 73
9 Government Procurement Access 74
9.1 Key principles 74
9.2 Australia 74
9.3 Access to Other TPP Parties 74
9.4 Comparative Analysis 76
10 Other aspects of note of the TPP text 77
10.1 Electronic Commerce 77
10.2 Telecommunications 77
10.3 State Owned Enterprises (SOEs) and Designated Monopolies 77
Section 2: Sector Focus Studies 79
11 Food and Fibre Sector 79
11.1 Overview 79
11.2 Implications (opportunities/threats) 80
11.3 Summary of TPP Access Benefits 81
12 Medical Technologies and Pharmaceuticals 93
12.1 Overview 93
12.2 Implications (opportunities/threats) 93
12.3 Summary of TPP Goods Access Benefits 93
12.4 Summary of TPP Health Services Access Benefits 94
13 New Energy Technology 96
13.1 Overview 96
13.2 Implications (opportunities/threats) 96
13.3 Summary of TPP Goods Access Benefits 96
14 Defence, Construction and Transport Technologies 97

14.1 Overview 97
14.2 Implications (opportunities/threats) 97
14.3 Summary of TPP Goods Access Benefits 98
14.4 Construction Technologies 98
14.5 Transport Technologies 99
15 International Education 101
15.1 Overview 101
15.2 Implications (opportunities/threats) 101
15.3 Summary of TPP Access Benefits 101
16 Professional Services 103
16.1 Overview 103
16.2 Implications (opportunities/threats) 103
16.3 Summary of TPP Access Benefits 104
Appendix 106
Appendix 1: Canada: TPP-wide TRQ 106
Appendix 2: Japan: TPP-wide TRQ 107
Appendix 3: Key Outcomes for each TPP Country: Temporary Entry for Business Persons 109
Appendix 4: Japan comparative analysis: TPP-11 vs JAEPA 110
Appendix 5: Comparative Analysis: TPP vs MAFTA 115
Appendix 6: Comparative Analysis: TPP vs AANZFTA Vietnam Schedule 117

List of Tables and Figures

Figure 1: Australia's % of Goods with Zero Tariff....12
Figure 3: Japan's % of Goods with Zero Tariff....20
Figure 4: Malaysia's % of Goods with Zero Tariff....28
Figure 5 Vietnam's % of Goods with Zero Tariff....32
Figure 6: Canada's % of Goods with Zero Tariff....36
Figure 7: Mexico's % of Goods with Zero Tariff....41
Figure 8: Chile's % of Goods with Zero Tariff....45
Figure 9: Peru's % of Goods with Zero Tariff....46
Figure 10: Brunei's % of Goods with Zero Tariff....48

Table 1: Comparison of TPP Tariff Schedules with prior agreements....10
Table 2: Australia's TPP Tariff Schedule....12
Table 3: Top Imports from Canada, Mexico and Peru (2016)....12
Table 4: Australian and Victorian Goods Imports from TPP-11 Countries....13
Table 5: Tariff elimination summary analysis....14
Table 6: Australian and Victorian Goods Exports to TPP-11 Countries....14
Table 13: Japan's TPP Tariff Schedule....20
Table 14: Japan's TRQ categories....21
Table 15: Japan's Country Specific Quota (CSQ) categories made available to Australia....22
Table 16: Comparison of countries receiving preferential access via CSQ....22
Table 17: Safeguard measures included in Japan's tariff schedule....23
Table 18: Seasonal access control and corresponding staging categories....24
Table 19: Victoria's top 10 exports to Japan FY2015....25
Table 20: Key to tariff reduction staging schedules referred to in the Top 10 Exports table (Table 19)....26
Table 21: Summary comparison of TPP and JAEPA....27
Table 22: Malaysia's TPP Tariff Schedule....28
Table 23: Malaysia's TPP wide-TRQ....29
Table 24: Victoria's top 10 exports to Malaysia FY2015....30
Table 25: Summary comparison of TPP and MAFTA....31
Table 26 Vietnam's TPP Tariff Schedule....32

Table 27: Victoria's top 10 exports to Vietnam FY2015 33
Table 28: Summary comparison of TPP and AANZFTA 35
Table 29: Canada's TPP Tariff Schedule 36
Table 30: Victoria top 10 exports to Canada FY2015 38
Table 31: Mexico's TPP Tariff Schedule 41
Table 32: Mexico's Country Specific Quota (CSQ) categories made available to TPP countries 42
Table 33: Victoria's top 10 exports to Mexico FY2015 43
Table 34: Chile's TPP Tariff Schedule 45
Table 35: Victoria's Top 10 exports to Chile FY2015 45
Table 36: Peru's TPP Tariff Schedule 46
Table 37: Victoria's top 10 exports to Peru FY2015 47
Table 38: Brunei's TPP Tariff Schedule 48
Table 39: Victoria's top 10 exports to Brunei FY2015 49
Table 40: Rules of Origin summary analysis 52
Table 41: Summary of key outcomes on temporary entry for business persons 72
Table 42: Comparison of outcomes for movement of business persons 73
Table 43: Implications for the food and fibre sector 81

Glossary of Terms

AANZFTA	Australia-ASEAN-New Zealand Free Trade Agreement
EIF	Entry Into Force; the date an FTA takes legal effect
ACIFTA	Australia-Chile Free Trade Agreement
AUSFTA	Australia-United States Free Trade Agreement
CSQ	Country Specific Quota (country specific tariff rate quota)
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services, a treaty of the WTO
JAEPA	Japan-Australia Economic Partnership Agreement
MAFTA	Malaysia-Australia Free Trade Agreement
PAFTA	Peru-Australia Free Trade Agreement
TPP-11	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (signed March 2018)
TPPA	Trans-Pacific Partnership Agreement (signed February 2016)
TRQ	Tariff Rate Quota: access for a specified quantity of imports at a preferential tariff rate, generally zero. Effectively a low tariff rate is applied to an initial increment of imports (the **in-quota** quantity) and a very high tariff rate on imports entering above that initial amount (the **over-quota** quantity).
WTO-TRQ	World Trade Organisation compliant TRQs that are independent of FTA preferences

Ad valorem tariff	The customs duty is calculated as a percentage of the value of the product
Base Rate	As all member countries of the TPP are WTO members, the term Base Rate is interchangeable with MFN Rate.
MFN Rate	A tariff applied to a country with *most favoured nation* status. The MFN rate is the highest tariff rates that WTO members may charge one another.
Non-ad valorem tariff	Specific tariffs computed on the physical quantity of the good being imported, e.g. $1.22/kg; or compound tariffs made up of ad valorem and a specific component, e.g. USD 0.88 per litre plus 25 percent.
Tariff Lines	Each national tariff schedule defines products in slightly different ways. All TPP countries base their tariff schedules on the World Customs Organization's Harmonized System (HS) nomenclature, which specifies products using six digits, from 010110 (purebred breeding live horses, asses, and ninnies) to 970600 (antique works of art exceeding 100 years in age). Countries then append additional digits to distinguish between different tariff lines. Among TPP countries, the tariff schedules show tariff lines at 8 digit level, (eg. Australia and USA), 9 digit (Japan and Malaysia), or 10-digit (Peru and Vietnam) levels.

Grant Thornton
An instinct for growth™

Preamble

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) is a separate treaty that incorporates, by reference, the provisions of the original Trans-Pacific Partnership Agreement (TPPA) as signed by Ministers in February 2016.

The key changes between the TPPA and TPP-11 have come about as a result of the withdrawal of the United States from the agreement.

Under the TPP-11 Agreement, signatories will implement the original TPPA between them, with the exception of a limited number of provisions which will be suspended.

The twenty-two suspended provisions are a combination of mechanical provisions, (relating to accession, entry into force, withdrawal and so on) and provisions that reflect the withdrawal of the United States. The latter mostly concern intellectual property, with four broad areas having been struck out:

1 Provisions for additional time to be added to patents if parties experienced delays (18.46 and 18.48).
2 Provisions related to pharmaceutical patents, including the whole section on biologics (18.51) and patent test data (18.50).
3 Provisions related to new ways of protecting technology and information, including technological protection measures (TPMs), rights management information, encrypted satellite and cable signals, and safe harbors for internet service providers (ISPs).
4 The copyright term length has not been extended to life of the creator plus 70 years, but is reset to life plus 50 years.

The suspended elements constitute only a small fraction of the overall agreement, with zero changes to most chapters of the legal texts (beyond removing references to the United States)[1].

It is important to note that the suspended provisions may be reinstated at some future date, as may be the inclusion of the US, and a number of other countries who have officially declared interest. The withdrawal of the US does of course impact the overall size of the economic pie, but given Australia already has excellent access to the generally open US economy through our bilateral FTA, the impact is negligible in terms of Australian exports to the US.

Rather, the withdrawal (or delay) in the US joining a trans-pacific FTA has some interim advantage to Australia.

[1] Beyond removing references to the United States, there are no changes to the original chapters for 1-4 (definitions, market access for goods, rules of origin, textiles), 6-8 (trade remedies, sanitary and phytosanitary, technical barriers to trade), 12 (temporary movement of business persons), 14 (electronic commerce), 16-17 (competition, state owned enterprises), 19 (labor), 21-25 (cooperation and capacity building, competitiveness and business facilitation, development, SMEs, regulatory coherence), and 28 (dispute settlement).

If the US had not withdrawn, the TPP would have been the United States' first FTA with Japan, Vietnam, Malaysia, NZ and Brunei. The most significant goods access benefits of the TPP are for agricultural goods (beef, dairy products and sugar in particular), yet this would have been tempered by a post-TPP enhanced competitive position of the US, the globe's number one agricultural exporter. There is no doubt Australia's competitive advantage in markets such as Japan will be eroded when the US finally enters into an FTA with that market, whether via a regional or bilateral FTA.

Australian exporters should start to prepare for the TPP-11 coming into force, with an appreciation of the evolving competitive landscape that is part and parcel of the evolving 'global spaghetti bowl" of bilateral and regional FTAs.

Grant Thornton
An instinct for growth™

Executive Summary

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) is an economic agreement negotiated by 11 countries in three continents, namely Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand (NZ), Peru, Singapore and Vietnam. Collectively these countries represent 15.3% of world trade, (or 22.3% of Australia-TPP two-way trade).

The agreement has been designed so that it is open to other Parties joining over time, with South Korea, Taiwan, the Philippines, Colombia, Thailand, Laos, Indonesia, Cambodia, Bangladesh and India already expressing interest. The conclusion of negotiations and signing of the TPP-11 in March 2018 is a significant achievement and will provide benefits for all member states including Australia.

The TPP-11 will enter into force (EIF) 60 days after at least 50% of the original signatories to the Agreement have notified each other that their domestic legal treaty-making procedures are complete.

The TPP-11 has unprecedented coverage and includes chapters that go beyond the scope of traditional FTAs including issues related to the Internet and the digital economy, the participation of state-owned enterprises in international trade and investment and the ability of small businesses to take advantage of trade agreements. At the outset, the TPP Preamble establishes itself as an economic integration treaty, and it has been touted as the first step in building a free trade area in the Asia-Pacific[2].

Overall Benefits

Inclusion in the TPP-11 will give Australia a competitive advantage in the Asia Pacific region. Benefits are expected to derive primarily from improved access to TPP-11 agriculture markets as a result of reduced tariffs over time and improved access to some services markets. Further benefits are likely from reforms in the domestic Australian market such as increasing the Foreign Investment Review Board (FIRB) threshold for a number of countries for the first time. Australia already has free trade agreements (FTAs) with eight of the TPP-11 members (Brunei, Chile, Japan, Malaysia, NZ, Peru[3], Singapore and Vietnam), however the agreement will result in new preferential access to Mexico and Canada.

There is also the prospect of Australia participating in future TPP-11 negotiations as the 'living document' evolves. The TPP-11 represents a first step in establishing a set of trade and investment rules for the Asia Pacific, as such there are advantages in participation from the outset, not least the capacity to influence further evolution of the agreement and determining and assessing new signatories.

[2] Trans-pacific Partnership Text – Preamble. http://dfat.gov.au/trade/agreements/tpp/official-documents/Documents/preamble.pdf
[3] Peru-Australia Free Trade Agreement (PAFTA was signed in February 2018 but has not yet entered into force.

Trade in Goods

As with all FTAs, the immediate definitive and tangible outcomes relate to preferential tariff treatment of trade in goods. Most other outcomes will take many years to fully implement (and assess their impact), as some of the less well-defined commitments are shaped and the various TPP-11 working groups undertake the 'built-in agenda' to develop the agreement over time.

The trade in goods outcomes seem impressive prima facie, but as Australia already has FTAs with eight of the TPP Parties, an in-depth comparative analysis is required to understand if, and to what extent, the TPP-11 delivers further benefits. In the longer term, once fully implemented the TPP-11 will provide greater goods access (in terms of goods covered) than many of Australia's existing FTAs. However, during the relatively long implementation period, access under the TPP-11 can be the same, better or less advantageous than existing FTA access. The extent of the additional benefit provided by the TPP-11 depends on the particular product and the year in question. Of course increased access is also only useful in those product segments in which Australia is competitive and able to supply significant volumes.

In the case of goods trade with NZ, Singapore, Chile and Brunei, the TPP-11 delivers no additional benefits as access is largely unrestricted by tariffs. For Canada and Mexico, with whom there will be an FTA for the first time, the TPP-11 provides obvious benefits. However, with regard to Japan, Malaysia and Vietnam, exporters may need to simultaneously utilise prior FTA and TPP-11 tariff preferences for the best outcomes[4], depending on what goods they export and the year in question.

Trade in Services

With regard to trade in services, many of the country commitments lock in existing market access conditions, and thereby importantly provide greater certainty for service exporters. Among those service sectors of particular interest to Victoria, key access improvements have been negotiated for financial services, professional and technical services and health services. New access to Vietnam's education market is particularly notable and could result in important benefits and first-mover advantages for Australian education providers.

Investment & Other Key Chapters

The TPP-11 investment commitments open new opportunities, including in the mining and resources, telecommunication and financial sectors. Undertakings on temporary entry of business persons provide similar or improved outcomes compared to respective access in earlier FTAs. The TPP-11 provides the first Government Procurement commitments to Australia for access to Brunei, Vietnam, Malaysia, Canada, Peru and Mexico. However, traditionally such opportunities have proven excessively difficult to translate into new business.

Implementation Challenges

While finding a number of important benefits to being in the TPP-11, this analysis also highlights a number of possible implementation challenges at the individual business level.

Increased Complexity

The interaction of the TPP-11 with existing FTAs is complex in some cases, as it does not necessarily provide the best market access compared to other agreements during the

[4] A comparative analysis with Peru-Australia bilateral FTA was not included in the terms of reference for this report.

implementation period. Each dutiable item is subject to a tariff reduction schedule that locks in reducing annual tariff rates over 0 to 20 years, and this pattern of reduction may be longer/shorter or deeper/shallower than reductions under existing FTAs. In some cases, such as for exporters to Malaysia, businesses will have to assess the relative merits of three FTAs (Australia-NZ-ASEAN FTA, Malaysia-Australia FTA and the TPP-11).

As the TPP-11 does not negate the need to continue using the earlier Australian bilateral/regional FTAs in many cases, exporters must also understand and comply with multiple, or rather yet another set of Rules of Origin, with subtle but nevertheless potentially significant differences. The TPP-11 will require exporters to re-assess whether their procedures, compliance and documentary processes are sufficiently sophisticated to leverage the full benefits and mitigate risk, a particularly difficult challenge for some smaller enterprises.

Changed Competitive Landscape in the Region

The TPP-11 represents the first FTA between a number of the TPP participants. For example it will be New Zealand's first FTA with Japan, Canada, Mexico and Brunei; and Canada's first FTA with Japan, Singapore, Malaysia, Vietnam, Australia, NZ and Brunei.

The most significant goods access benefits of the TPP-11 are for agricultural goods (beef, dairy products and sugar in particular), yet this is tempered by the post-TPP-11 enhanced competitive position of significant agricultural exporters including NZ and Canada.

The real 'game changer' will come about if the US, the globe's number one agricultural exporter, subsequently becomes a party to the TPP, as will likely provide first time preferential access to US goods entering a number of markets in which Australian agricultural goods compete, including Japan.

Exporters will need to appreciate how the TPP-11 impacts their relative competitive position in each market, and re-assess this situation as new Parties join the Agreement over time. Within the TPP-11 framework itself, a number of countries have established the provision of differential tariff treatment to each other TPP-11 Party. This has a minor impact on Australia's relative access at present, but once again, will need to be re-assessed as new Parties join the TPP.

Summary

The TPP-11 offers some modest gains for exports of Australian goods in the immediate term, with greater gains likely as implementation proceeds. However, some gains are likely be negated to some extent by heightened competition in the TPP-11 area, with a number of member countries undertaking an FTA with each other for the first time.

In the longer term, as the various aspects of economic integration bear fruit (mutual recognition of professional qualifications, technical standards conformity, streamlined processes supporting cross-border trade and so on), further and wider reaching benefits are likely to be realised.

Grant Thornton
An instinct for growth™

KEY POINTS

1. **Modest initial gains**
   The definitive and immediate gains are largely limited to goods access.
   These are modest - the greatest gains are predominantly for agricultural goods.

2. **Altered competitive landscape**
   These gains will be outweighed to some extent by the altered competitive situation. For example, the TPP-11 will be New Zealand's first FTA with Japan – giving it equal preferential access to Japanese dairy markets and nullifying the competitive advantage of the JAEPA.

3. **The situation for goods access is extremely complex**
   - Many exporters will need to simultaneously use prior FTAs and the TPP-11 to leverage best outcomes
   - companies will need to step up their export management systems and compliance
   - most companies rely on their Customs Broker to ensure they obtain the best access; however Customs Brokers are increasingly process driven and do not deliver on this front.

4. **"You have to be in it, to win it"**
   Australia is certainly not harmed by being involved, and should have a voice at the negotiation table as the FTA, a 'living document', evolves.

5. **Potentially significant long term gains**
   Longer term benefits will be realised as the economic integration intent takes effect.

RECOMMENDATIONS

- Conduct education sessions for exporters

- Consider developing practical on-line tools for Australian exporters to help companies navigate the TPP-11 and other FTAs, and leverage best outcomes.

  Such tools could, for example:

  - Clarify the competitive positioning (access preferences) of other countries in the market in question;

  - Identify which FTA to use in which export market, by product. In the case of those export destinations which necessitate switching between FTAs to get the best tariff preferences, clearly identify in which years to use which agreement.

  - In depth materials could also be tailored for sub-sectors, including dairy, beef, meat, horticulture, grains, and so on.

Grant Thornton
An instinct for growth™

Overview of access to each TPP partner country for Australian goods

Key highlights of the goods access for Australian exports to each TPP Party follows; the column titled "Rank" refers to the country's rank as an export destination for Victorian goods in 2014-15.

	Rank
NEW ZEALAND (NZ) (Not covered in the scope of this assignment.) The TPP-11 is NZ's first FTA with Japan, Canada, Mexico and Peru.	**3**

JAPAN • The TPP-11 enhances and improves upon access benefits under JAEPA for Australian goods entering Japan. • While the original JAEPA schedule included 891 line items that were excluded from tariff reduction commitments, there are no excluded goods under TPP-11; these goods are subject to tariff reduction, tariff elimination or TRQ access preferences. • Australia has notionally inferior access compared with other TPP Parties in relation to access for roasted malt, whey permeate & whey for infants. • Non-tariff barriers remain as yet un-addressed and significant impediments to Australian exports of agricultural goods and beef, pork, grains and horticulture products in particular.	**4**

SINGAPORE (Not covered in the scope of this assignment.) The TPP-11 is Singapore's first FTA with Canada and Mexico.	**5**

MALAYSIA • Generally the MAFTA provides better access benefits than the TPP, however there are some exceptions to this trend: swine meat, rice, tobacco, alcoholic beverages and weapons preferences are better under the TPP. • This is the first FTA between Canada and Malaysia, and as such a competitor of Australia in some product areas will now have equally preferential access to Malaysia, eroding Australia's competitive advantage delivered through MAFTA as the TPP-11 staged tariff reductions take effect. • In some cases it will be important to implement preferences under both agreements for the same product, over periods of time. - This is because MAFTA-TRQ and TPP-TRQ will operate simultaneously; and - The rate of tariff reduction is not consistent between agreements. Exporters will need to know in which years to specify MAFTA preferences and in which years to specify TPP preferences for the same good, to get the best outcome. For example, the MAFTA-TRQ over-quota tariff for chicken meat is 20%, whereas the TPP-TRQ over-quota tariff reduces from 50% in 15 annual stages to 0% from year 16 onwards. As a result, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 10, and then switch to TPP preferences from year 11 when the TPP reducing over-quota tariff will fall below the 20% level.	**9**

Grant Thornton
An instinct for growth™

VIETNAM • There is no clear 'rule' as to whether exporters should rely on TPP-11 or AANZFTA for the best preferential access: depending on the good in question, the TPP preferences are worse, better or the same as AANZFTA preferences. • This is the first FTA between Canada and Vietnam, and as such exporters to Vietnam will need to assess whether this will have a negative competitive impact. In such cases, Australia's competitive advantage over Canadian goods, won through AANZFTA preferences, will be rapidly lost as the TPP-11 staged tariff reductions take effect. • As with Malaysia, exporters to Vietnam will need to utilise preferences under both agreements for the same product, over periods of time. - This is because AANZFTA-TRQ and TPP TRQ will operate simultaneously; and - the rate of tariff reduction is not consistent between agreements. - Exporters will need to know in which years to specify AANZFTA preferences and in which years to specify TPP preferences for the same good, to get the best outcome.	12

CANADA • This is Australia's first FTA with Canada. • The TPP-11 is also Canada's first FTA with Japan, Malaysia and Vietnam. • Tariff outcome: from 53.7% goods duty-free base rate to 94.9% on EIF. • Of note the agreement provides improved access to beef, starch, inulin, wheat gluten, fruit, and dairy • Remaining tariffs of non-agricultural goods of export significance to Australia eliminated on EIF.	26

MEXICO • This is Australia's first FTA with Mexico. • Tariff outcome: from 56% of goods duty-free base rate to 77% on EIF. • It provides improved access to dairy (through TRQ), beef, lamb, goat meat and wine Australia-only access for sugar through quotas, only "when demand requires it". • Remaining tariffs of non-agricultural goods of export significance to Australia eliminated on EIF or by year 10.	42

CHILE • The TPP-11 will have no impact on trade with Chile as Australia already enjoys duty free access for all goods (as of 1 January 2015) under AClFTA.	54

PERU • Tariff outcome: from 53% of goods duty-free base rate to 81% on EIF. • Remaining tariffs of both agricultural and non-agricultural goods of export significance to Victoria eliminated on EIF. • [A comparative analysis with the Peru-Australia FTA was not covered under the terms of this report.]	57

BRUNEI • The TPP-11 will have no impact on trade with Brunei as Australia already enjoys better preferential access under AANZFTA.	62

Section 1: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)

1 Trade in Goods – Summary of TPP-11 Outcomes

The TPP-11 includes four of Australia's top 10 goods export and goods import destinations (Japan, NZ, Singapore and Malaysia). It provides a platform for regional integration and includes comprehensive market access as well as provisions to enhance participation in regional value chains.

The TPP Parties agree to eliminate or reduce tariffs on all goods and reduce non-tariff barriers. Most tariff elimination in industrial goods will be implemented immediately, with longer timeframes on certain products as notified by each TPP country. With regard to agricultural tariffs, the implementation timeframe extends up to 20 years in the case of some TPP countries. All TPP countries have agreed to promote policy reforms, including the elimination of export subsidies, and promote general principles of transparency and cooperation.

The market access outcomes build on existing access Australia has with Singapore, New Zealand, Japan, Chile, Malaysia, Brunei, Peru and Vietnam established in previously concluded FTAs. The TPP also creates first-time preferential access to Canada and Mexico, who are not covered in earlier FTAs.

The Goods Chapter includes mechanisms for ad hoc discussions on any matter related to market access for goods (including non-tariff measures) and regular meetings of a Committee on Trade in Goods. Other associated Chapters establish other Committees with built-in agendas to address issues around Rules of Origin and Origin Procedures, Technical Barriers to Trade, Sanitary and Phytosanitary Measures, Customs, and so on.

1.1 Comparative Analysis

This paper also includes a comparative analysis of individual country TPP tariff preferences with tariff preferences offered by those countries under prior FTAs, where such FTAs are in place[5].

As demonstrated in the following table, there is no simple rule as to whether the TPP-11 or a prior agreement serves exporters better. Rather, in many cases there is a complex interplay between agreements, requiring exporters wishing to leverage the best preferential outcomes, to utilise both TPP preferences and prior FTA preferences for goods export to a single country.

TPP Country Tariff Schedule	Prior Agreement	Outcome	Comment
Brunei	AANZFTA	Prior Agreement better	Very minor exception being 11 items of no trade significance
Canada	(N/A)	TPP provides first-time preferential access.	
Chile	ACIFTA	Prior Agreement better	All goods enter Chile duty-free under ACIFTA
Japan	JAEPA	Both Agreements are necessary to leverage full benefits	In some cases TPP is better or worse and in many cases both agreements are necessary for TRQ or other access preferences on the same goods.
Malaysia	MAFTA	Both Agreements are necessary to leverage full benefits	MAFTA is largely better but many exceptions; TPP also provides uplift through new TRQ access.
Mexico	(N/A)	TPP provides first-time preferential access.	
Peru	PAFTA	[Comparative analysis not included in the terms of engagement for this report]	
Vietnam	AANZFTA	Both Agreements are necessary to leverage full benefits	Both agreements are equally necessary.

Table 1: Comparison of TPP Tariff Schedules with prior agreements

As the TPP-11 does not negate the need to utilise our prior FTAs with Japan, Malaysia and Vietnam, exporters will need to understand and comply with multiple, or rather yet another set of Rules of Origin, with subtle but potentially significant differences. The TPP-11 will require exporters to re-assess whether their procedures, compliance and documentary processes are sufficiently sophisticated to leverage the full benefits and mitigate risk.

[5] The Peru-Australia FTA however was not included in the terms of the engagement for this report.

1.2 New Competitive Landscape

The TPP-11 will alter the relative competitive positioning of Australian goods in most TPP countries. Australian exports will need to examine this situation carefully and determine if action is necessary to maintain their current export market share in TPP countries.

The competitive landscape has been altered by the TPP-11 in two ways:

- Japan, Mexico (and to a lesser extent, Canada), provide differential tariff preferences to each of the other TPP Parties. That is, their schedules of tariff reduction commitments provide for different tariff treatment of goods, depending on the origin of the goods. While this has a minor impact on Australia's relative access at present, this impact will need to be re-assessed as new Parties join the TPP[6].

- The TPP-11 is the first time a number of the TPP Parties will be undertaking an FTA with each other. The table below illustrates that Chile is the only TPP country that already has FTAs with all other TPP countries. For all other TPP countries, the TPP-11 framework will represent their first FTA with two to seven other Parties.

	Japan	NZ	Singapore	Malaysia	Vietnam	Canada	Mexico	Chile	Peru	Brunei	Aust
Japan		■				■					
NZ	■					■	■		■		
Singapore						■	■				
Malaysia						■	■		■		
Vietnam						■	■		■		
Canada	■	■	■	■	■					■	■
Mexico		■	■	■	■					■	■
Chile											
Peru		■		■	■					■	■
Brunei						■	■		■		
Aust						■	■		■		

Notably, this is Japan's first FTA with the New Zealand and Canada; Canada's first FTA with Japan, Singapore, Malaysia, Vietnam, Australia, New Zealand and Brunei; and so on.

[6] This is particularly pertinent if the suspended clauses in relation to the US are reinstated if and when the US joins the TPP.

2 Access to Australia for TPP originating goods

All TPP originating goods will enter Australia duty free by 1 January of Year 4 of the agreement.

Australia's TPP Tariff Schedule	
Number of excluded goods	Nil
Highest tariff prior to TPP Agreement	5.0%
Highest tariff on EIF	5.0%
Number of years to full implementation	4 years
Number of goods with tariff reduction but not elimination	Nil (see footnote 5)
Treatment for all TPP parties the same?	Yes

Table 2: Australia's TPP Tariff Schedule

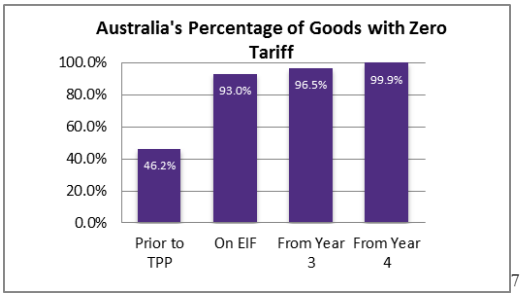


Figure 1: Australia's % of Goods with Zero Tariff

The duties of 5% or less which remain in the tariff reduction schedule between year 1 and 4 of the agreement, before being eliminated, relate predominantly to automotive components/materials and textile, clothing and footwear (TCF) items.

Australia provides the same treatment to all TPP countries. Given this extent of access preference has been available to eight of the TPP Parties through our previously concluded FTAs, the real impact in the Australian market will be the new duty-free access for goods from Canada and Mexico, with whom we do not yet have FTAs.

Australia's Top 5 goods imports from each of these countries are:

Top 5 Imports from Canada $2.11 billion (2016)		Top 5 Imports from Mexico $2.51 billion (2016)	
1. Non-electric engines	$139m	1. Telephones	$446m
2. Agricultural machinery (excl tractors) & parts	$133m	2. Medical Instruments	$237
3. Medicaments & Veterinary	$116m	3. Alcohol Bev - Beer	$221
4. Sulphur & iron pyrites	$93m	4. Other ores & concentrates	$215
5. Aircraft, spacecraft & parts	$84m	5. Motor vehicles	$129

Source: DFAT, (dfat.gov.au/trade/resources/trade-at-a-glance)

Table 3: Top Imports from Canada and Mexico (2016)

However, imports from Mexico and Canada rank 20 and 24 respectively as Australian goods import sources, or 17 and 22 respectively as Victorian import sources (2017); and as such, the tariff reductions are likely to have a negligible impact.

[7] Australia's TPP Tariff Schedule shows 8 items which are "excluded" from tariff reduction commitments, and related to a $12,000 non ad-valorem tariff on used vehicles, however Australia has taken a unilateral decision to eliminate these tariffs in 2018 independently of the TPP-11.

Australia Merchandise Imports 2017

Rank	Country	Import Value A$'000	% Imports
4	Japan	20,972,761	7.3
7	Malaysia	10,973,413	3.8
8	Singapore	8,198,136	2.8
9	New Zealand	7,678,166	2.7
14	Vietnam	5,072,788	1.8
20	Mexico	2,782,765	1.0
24	Canada	2,133,161	0.7
46	Chile	453,883	0.2
50	Peru	355,570	0.1
56	Brunei	271,570	0.1

Victoria Merchandise Imports 2017

Rank	Country	Import Value A$'000	% Imports
3	Japan	4,785,196	6.5
6	New Zealand	2,790,137	3.8
7	Malaysia	2,519,432	3.4
11	Singapore	1,772,937	2.4
15	Vietnam	1,314,599	1.8
17	Mexico	806,910	1.1
22	Canada	585,778	0.8
47	Brunei	116,412	0.2
50	Chile	91,327	0.1
62	Peru	40,001	0.1

Source DEDJTR

Table 4: Australian and Victorian Goods Imports from TPP-11 Countries

Grant Thornton
An instinct for growth™

3 Access to TPP partner countries for Australian goods – Introduction

While DFAT notes "the TPP will eliminate 98% of tariffs in the TPP region", this will take some years to realise, with TPP signatory countries' tariff reduction commitments requiring up to 20 years to fully implement. With regard to the eight countries covered below, by year 10 of the agreement 94.4% of tariffs will be eliminated.

Item for analysis	Brunei	Canada	Chile	Japan	Malaysia	Mexico	Peru	Vietnam
Goods with zero tariff Base Rate	75.4%	53.7%	0.5%	40.1%	60.6%	56%	53.4%	32.5%
Goods with zero tariff on EIF	92.0%	94.9%	95.1%	86.1%	85.0%	77%	80.7%	64.6%
Goods with zero tariff by year 10	99.6%	97.3%	100.0%	89.8%	93.4%	98%	86.0%	91.5%
Number of excluded goods	Nil	Nil	Nil	8 items	Nil	Nil	Nil	19 items
Number of goods with tariff reduction but not elimination, as applied to Australia	Nil	95 TRQ	8 items	71 items + 199 TRQ	10 TRQ	27 items + 40 TRQ	47 SPFP	169 TRQ
Number of years to full implementation	10	11 (18 for TRQ phasing)	7	20	15	15	15	20
Australia disadvantaged against other TPP parties?	No	No	No	Yes: whey, malt	No	Yes: dairy, sugar	No	No

Table 5: Tariff elimination summary analysis

The TPP-11 is notable in that it delivers access improvements which go beyond existing bilateral or regional FTAs with TPP countries, including for example, very few so-called "excluded goods" (meaning goods excluded from a tariff reduction commitment).

Australian exporters will have significantly improved market access to Canada and Mexico for the first time: currently only 54% of goods enter those countries duty free, and under the TPP, this will increase immediately to around 84%, reaching 94% by year 10 of the agreement.

It is worth noting however, that Canada and Mexico are less significant export destinations, ranked 24 and 33 respectively as Australian export destinations, and ranked 26 and 42 respectively as Victorian export destinations (2017).

Australia Merchandise Exports 2017

Rank	Country	Export Value A$'000	% Exports
2	Japan	44,099,409	14.6
6	New Zealand	8,961,701	3.0
10	Singapore	6,627,920	2.2
13	Malaysia	5,693,795	1.9
17	Vietnam	4,609,221	1.5
24	Canada	1,617,613	0.5
33	Mexico	223,258	0.1
46	Chile	388,286	0.1
67	Peru	66,296	0.02
83	Brunei	40,808	0.01

Victoria Merchandise Exports 2017

Rank	Country	Export Value A$'000	% Exports
3	New Zealand	2,222,180	8.5
4	Japan	1,788,680	6.8
5	Singapore	893,764	3.4
9	Malaysia	701,555	2.7
12	Vietnam	597,006	2.3
26	Canada	145,831	0.6
42	Mexico	67,343	0.3
54	Chile	23,378	0.1
57	Peru	19,821	0.1
62	Brunei	14,734	0.1

Source DEDJTR

Table 6: Australian and Victorian Goods Exports to TPP-11 Countries

While it may be suggested that the exports to these destinations is low because of the respective countries' import barriers, as eight of Australia's top 10 export goods are natural resources (Iron ores & concentrates, Coal, Natural gas, Gold, Crude petroleum, Aluminium

ores & concentrates, Copper ores & concentrates, Other ores & concentrates) with very low or no import duty, the export patterns are unlikely to be affected.

This is true for Victorian exports alike.

That said, some impact may result from:

- Canada's reduction on beef WTO-TRQ over quota volume tariffs and new TPP-TRQ for dairy; and
- Mexico's tariff reduction on beef and lamb, dairy, and wine tariffs.

3.1 Tariff Staging Schedule

All parties have agreed Year 1 of the agreement is the date the agreement comes into force ("Entry Into Force" or EIF), and all parties, except Japan, view subsequent years as the twelve-month period which begins on January 1 of that year. In the case of Japan, subsequent years begin on April 1.

3.2 Case Studies

Case Study 1: Australian table grape exports to Japan

The majority of Table Grape farms in Australia are family owned and operated. Growth is occurring as a result of second and third generations taking a more active role resulting in growth and productivity. 71% of exports were sourced from Victoria, and Japan was the 4th largest export market in 2015/16 accounting for 9% of exports (after China, Indonesia and Hong Kong).

Source : Hort Innovation Table Grape 2017-2021 SIP

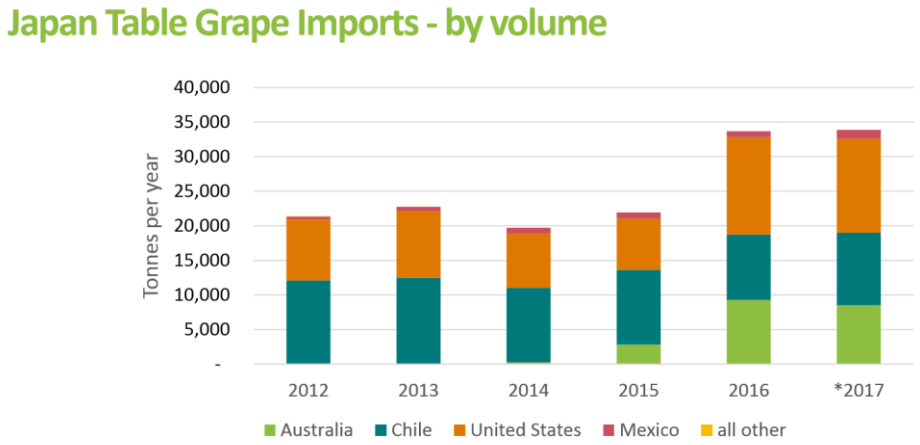
Australian exports to Japan have only been significant since 2015 when the JAEPA came into effect. The JAEPA delivered tariff elimination schedule which saw

- The in season tariff (base rate 17%) reduce to 9.3% in April 2018, and zero tariff by April 2024 if exported between 1 Mar and 31 Oct; and
- The out of season tariff (base rate 7.8%) reduce to 2.9% in April 2018 and zero tariff by April 2021 if exported between 1 Nov and end Feb.

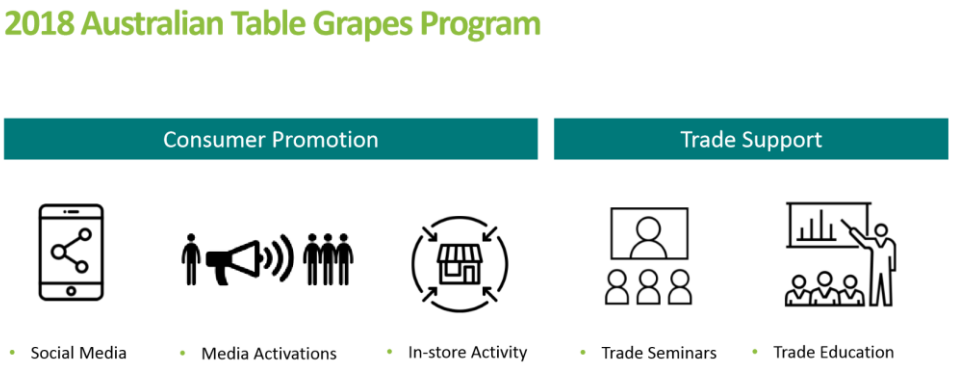
The other key exporters to Japan are Chile, USA, and to a lesser extent, Mexico. Chile and Mexico already have bilateral FTAs with Japan; USA does not.

Grant Thornton
An instinct for growth™

The TPP will deliver tariff elimination on grapes exported to Japan from Australia, Chile and Mexico (all TPP Parties) on EIF.



Source : ITC Trademap; Fresh Intelligence analysis



Source: "Table Grapes International Trade Seminars, 23 and 25 January 2018", Austrade

Product differentiation is the key for Australian table grape growers, according to Australian Table Grape Association CEO, Mr Jeff Scott.

"Major competitors Chile, South Africa and Peru have significant production advantages with cheap labour and lower input costs, by which the average Australian grower is unable to complete," he said.

"In order to command a premium price over the significant volumes being produced by Chile, the Australian grower must supply fruit with high sugar content, crisp berries and consistent bunch colour."

Mr John Argiro, Chairman of the Australian Table Grapes Association, indicated that Australia's primary competitive advantage was the "quality of our product… We really are number one in the world for taste." Mr Argiro, said he felt that while other countries had tried to differentiate themselves in marketing, packaging and presentation Australia's quality was the key factor that had allowed Australia's grape exports (and market share) to climb significantly in the last few years.

In addition, other countries such as Chile, Peru and the USA are counter-seasonal, meaning Australia is not always in direct competition with them. By contrast, Australia's

long season means its table grape producers are able to fill a market niche competitors cannot fill. This has presented a new and lucrative market for the industry to pursue.

On the issue of tariffs, Mr Argiro noted that tariffs on Australian exports to Japan had already reduced relatively steeply over the last few years, indicating that much of the heavy lifting had already been done and that the impact of the TPP-11 in this area would be minimal.

Close working relationships between the ATGA, Austrade and the Victorian Government have also been credited as major reasons for Australian achieving significant gains in the space of three years.

Case Study 2: Australian cheese exports to Japan

Tariff reductions under the TPP-11 are likely to bring down the cost of Australian cheese exported to Japan as tariffs (as opposed to other market forces) are the major competitive item. This is a positive impact for Australia, a key supplier to the Japanese market, which is very price sensitive. As a result, the volume of, and investment in, cheese exports to Japan are likely to increase.

Notwithstanding this, Grant Crothers, CEO of Burra Foods, believes that Australia will struggle to increase its share of the Japanese market, primarily due to the increased competition from New Zealand and Canada also gaining preferential access to Japan for the first time. Mr Crothers said "New Zealand is our biggest competitor. While Canada also poses a threat, it doesn't currently have as big market share as New Zealand when it comes to cheese exports to Japan."

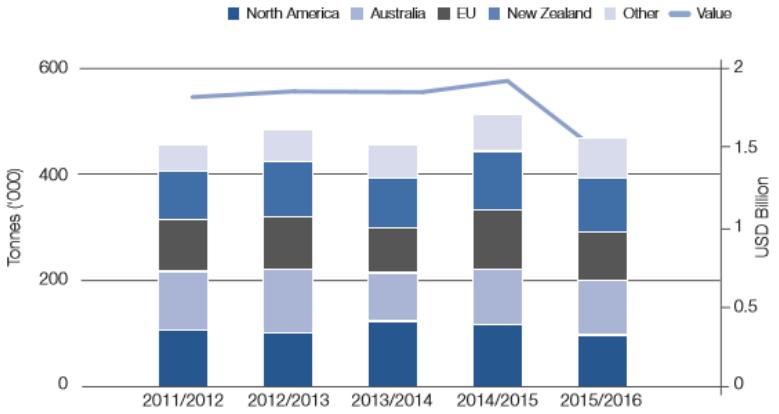
Should the USA remain out of the TPP-11, it will be vulnerable to competition and it is likely that some amount of market share can be taken from the USA, by other nations. However, should the USA re-enter the TPP Agreement, then the current status quo of market share would likely remain as it currently stands?

In relation to the potential for Australian exports of cheese to Canada and Mexico, Mr Crothers did not believe the TPP-11 would be a significant benefit. "There are a number of factors for this, mainly due to NAFTA (North American Free Trade Agreement), whereby Australia does not enjoy the same competitive access as the USA. There are also other disadvantages such as transportation, distance and times zone differences that negatively impact our ability to service those markets."

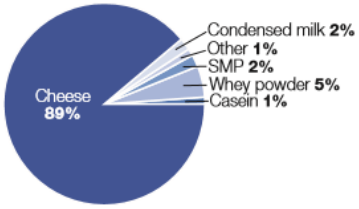
In summary, it is likely that the TPP-11 will see an overall increase in cheese volumes being exported. Japan is Australia's most important export market for dairy, with Australian ranked number two in terms of share of the Japan import volume. North America ranks number one and New Zealand number four. Cheese accounts for over 80% of Australia's exports by volume, and fresh cheese is the most important export, worth $200m USD in 2015.

Grant Thornton
An instinct for growth™

Dairy imports Japan



Top Australian dairy exports by USD value (Japan)



Source: Dairy Australia

TPP-11 tariff commitments have delivered improvements over the initial preferential access granted through JAEPA, with additional TRQ volumes and most out-of-quota volume tariffs eliminated by year 16.

			JAEPA		TPP-11	
Description	**Tariff**	**Base Rate**	**TRQ volumes (duty free volumes) - MT**	**In quota Tariffs**	**TRQ volumes**	**Tariffs**
Bulk uncured cheese	0406.10.020	22.4%	N/A [excluded goods]	N/A	N/A	Duty free by yr 16
Cheese (uncured cheese for processing)	0406.10.090, 0406.40.090	29.80%	4,000 to 20,000 t over 20 years	Free, with provisions	TPP wide TRQ (Aggregate quota quantity set by Japanese government)	In-quota tariff free; out of quota tariff eliminated yr 16 for low fat and full fat tariff reduced by 10%. Blue cheese out of quota reduced by 50% of base rate through yr 11
Cheese (processed, grated or powdered)	0406.20	26.3% - 40%	200 to 1,000 t over 10 years	25.1% on EIF, reducing to 13.2% in 10 equal annual instalments	N/A	All volumes duty free by yr 16
Cheese (processed, not grated or powdered)	0406.30	40%	50 to 100 t over 10 years	Reducing to 20% in 11 equal annual instalments	Country specific TRQ from 100 to 150t by yr 11	In quota tariff 36.3% in yr 1 to 0% in yr 11; out of quota MFN rate
Cheese (for shredding)	0406.90	29.80%	1,000 to 5,000 t over 10 years	Free, with provisions		Out of quota tariff eliminated by yr 16 (excluding soft cheese)

Source: High Level Summary of JAEPA, Grant Thornton Australia

4 Access to TPP partner countries for Australian goods

A summary of trade in goods for each of the TPP Parties follows, in order of their ranking as an export destination. New Zealand and Singapore are not included, as agreed with the Department, in light of the fact that Australia already has open two-way goods access with these two countries.

4.1 Japan

Japan maintains a high level of tariff protection for domestic industry and a complex tariff schedule within the TPP-11 is offered as a means of carefully managing the impact of increased imports under the Agreement.

KEY POINTS

- The TPP-11 does enhance and improve upon access benefits under JAEPA for Australian goods entering Japan.
- While the original JAEPA schedule included 891 line items that were excluded from tariff reduction commitments, there are no excluded goods under TPP-11; these goods are subject to tariff reduction, tariff elimination or TRQ access preferences.
- Australia has notionally inferior access compared with other TPP Parties in relation to access for roasted malt, whey permeate and whey for infants.
- Non-tariff barriers remain as yet un-addressed and significant impediments to Australian exports of agricultural goods and beef, pork, grains and horticulture products in particular.[8]

While in most cases Japan applies the same tariff treatment to all TPP Parties, differential treatment is applied, predominantly in the case of agricultural items and predominantly as a result of the application of country-specific tariff rate quotas.

Japan's tariff schedule, as it applies to Australian goods, includes 93 tariff staging categories:

- 26 tariff elimination categories
- 19 tariff reduction (not elimination) categories
- 33 general tariff rate quota (TRQ) categories
- 7 country specific tariff rate quota (CSQ) categories
- 8 Safeguard categories

While a high percentage of goods classifications are subject to immediate tariff elimination (from 40% duty free Base Rate to 86% of goods duty-free on EIF), the tariff complexity and import controls are all designed to regulate the potential impact of imports, and agricultural imports in particular.

[8] Refer "High Level Summary of JAEPA, September 2014" prepared by Grant Thornton for DEDJTR.

Japan's TPP Tariff Schedule	
Highest tariff prior to TPP Agreement	586% inc. non-ad valorem
Highest tariff on EIF	586% inc. non-ad valorem
Goods with tariff reduction but not elimination	71 items + 199 TRQ
Number of excluded goods	8 (glucose & fructose)
Number of years to full implementation	20
Australia disadvantaged against other TPP Parties?	Yes (whey, malt)

Table 7: Japan's TPP Tariff Schedule

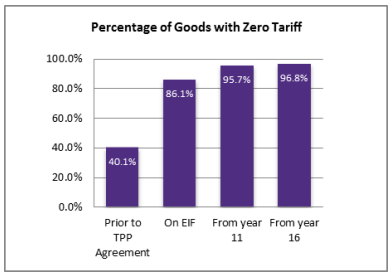


Figure 2: Japan's % of Goods with Zero Tariff

While the percentage of goods with tariff elimination on EIF is a good market opening outcome, the tariff commitments take 20 years to be fully implemented, and 3.2% of goods (all agricultural) will benefit from tariff reduction but not tariff elimination.

Eight sugar classifications (glucose and fructose) are excluded from a tariff reduction commitment and will remain at MFN base rates.

These restrictions on agriculture goods access are countered somewhat by WTO quota access, Tariff Rate Quotas (TRQ), and Country Specific Quotas (CSQ), allowing specified volumes to enter under preferential tariff rates (including duty-free on some items), and under specified conditions and terms, including Safeguard Measures and seasonal access arrangements.

Tariff Rate Quotas

Japan's tariff elimination schedule includes 33 TPP-wide TRQ categories and 7 Country Specific Quotas (CSQ) which are designated for specified Australian agricultural goods access.

The 33 TPP-wide TRQ categories cover 119 (10-digit) tariff line items and provide preferential duty access (duty-free on some items) for specified aggregated volumes of the following agricultural goods:

Grant Thornton
An instinct for growth™

No.	Description	In-quota Tariff: Duty Free	Additional to WTO TRQ
TWQ-1	Wheat Products	✓	✓
TWQ-2	Food preparations made primarily of wheat	✓	
TWQ-3	Wheat Flour, Pellets, Rolled & Food Preparations	✓	✓
TWQ-4	Uncooked Udon, Somen and Soba	✓	
TWQ-5	Food Prep'ns of Barley	✓	✓
TWQ-6	Barley Flour, Groats & Pellets	✓	✓
TWQ-7	Barley	✓*	✓
TWQ-8	Fresh Cheese for Shredded Cheese production	✓	
TWQ-9	Butter	×	✓
TWQ-10	Skimmed milk powder	×	✓
TWQ-11	Milk powder and butter milk powder	×	✓
TWQ-12	Milk powder (used in chocolate prod'n in Japan)	✓	✓
TWQ-13	Food preparations containing cocoa	×	✓
TWQ-14	(additional volumes if used in chocolate prod'n)	✓	✓
TWQ-15	Prepared edible fats & oils	×	
TWQ-16	Evaporated milk	✓*	✓
TWQ-17	Condensed milk	✓	✓
TWQ-18	Chewing gum and other sugar confec., w. cocoa	✓	
TWQ-19	Cocoa preparations, containing added sugar	✓	
TWQ-20	Coffee, tea mixes and food preparations and	✓	
TWQ-21	Prep'ns of peas, beans and leguminous vegetables	✓	
TWQ-22	Candies, white chocolate and confectionary	✓	
TWQ-23	Chocolate	✓	
TWQ-24	Food preparations	✓	
TWQ-25	Cane sugar under 98.5 polarimetric	✓*	
TWQ-26	Cocoa powder w. sugar	×	
TWQ-27	Cocoa powder	×	
TWQ-28	Food preparations	×	
TWQ-29	Food prep'ns containing more than 50% sucrose	×	
TWQ-30	Food prep'ns-vitamins and sugar is largest	✓	
TWQ-31	Food preparations containing sugar and dairy	×	
TWQ-32	Sugar	✓*	
TWQ-33	Starch	×	✓

Key:
✓*= Duty Free with provisions, including mark-up
× = Not Duty Free: preferential tariff applied, generally subject to tariff reduction over 11 years and held at year 11 rate.

Note: Refer to Appendix 2 for details of Japan's TPP-wide TRQ.

Table 8: Japan's TRQ categories

The table above also shows where the TPP-wide TRQ are provided in addition to TRQ in Japan's Schedule to the WTO Agreement, or other "Pooled Quota" volumes that sit outside FTA arrangements.

The 7 Country Specific Quota (CSQ) categories made available to Australia cover an additional 30 (10-digit) tariff line items and provide preferential tariff access (including duty-free in some cases for specified aggregated volumes of:

Grant Thornton
An instinct for growth™

No.	Description	In-quota Tariff: Duty Free	WTO Access	Note
CSQ-2	Rice	✓*	✓	Australia's quota reaches 8,400 mt by year 13
CSQ-4	Mixes and doughs and cake mixes	✓		Aggregated access for TPP areas reaches 8,000 mt by year 6
CSQ-6	Wheat	×	✓	Australia's quota reaches 50,000 mt by year 9
CSQ-9	Malt, roasted	✓	✓	From year 1: Canada 89,000 mt; Australia 72,000* mt * includes JAEPA TRQ amounts
CSQ-12	Malt, not roasted	✓	✓	By year 12: Canada 4,000 mt; Australia from year 1: 3,000mt
CSQ-15	Processed cheese	×		NZ receive the same CSQ volumes and rates
CSQ-18	Whey: mineral concentrate	×	✓	Subject to safeguard measure (SG4) NZ also obtains CSQ for Whey Permeate and Whey for Infant Formula and Australia does not.

Key:
✓*= Duty Free subject to mark-up
× = Not Duty Free: preferential tariff applied, subject to tariff reduction over 6-11 years and held at that rate.

Table 9: Japan's Country Specific Quota (CSQ) categories made available to Australia

Other countries to receive preferential access via CSQ are Canada, New Zealand and Chile. Fully implemented in-quota volumes (MT) are shown below in the comparative table:

Full Implementation by year		AU	CAN	NZ	CL
Rice	13	8,400			
Mixes and doughs and cake mixes	6	*8,000			
Wheat	9	50,000	53,000		
Malt, roasted	1	3,000	4,000		
Malt, not roasted	1	72,000	89,000		
Processed cheese	11	150		150	
Whey: mineral concentrate	11	5,000		3,000	
Whey: prepared whey for infant formula	1				
Whey Permeate	11				
Inulin	11				50

*TPP parties aggregated volume

CSQ volumes increase from an amount in year one by annual increments until fully implemented, at which point volumes are held at that level

Table 10: Comparison of countries receiving preferential access via CSQ

Evidently these Australian quota volumes reflect historical shares of trade[9]. Australia did not obtain CSQ for prepared infant whey, whey permeate or inulin.

[9] DFAT

Finally, in a side-letter to the TPP-11, Japan confirms the operation of the Simultaneous Buy-Sell (SBS) mechanism for the Australian CSQ for Rice. It includes detail on how the tenders will be administered and managed.

Safeguard Measures

Eight safeguard measures, affecting 55 (9-digit) tariff classifications for beef, pork, whey, oranges and race horses are included in Japan's tariff schedule.

Japan Safeguard Measures							
SG#	**Description**	**Tariff Staging**	**Base Rate**	**SG Trigger Yr 1**	**SG Trigger Yr 2 Onwards**	**SG Tariff Yr 1**	**SG Tariff Subsequent Yrs**
SG1*	Beef - fresh/chilled & frozen	JPR2[1]	38.5%	Vol = 590000 MT	Increasing by 11,800p.a. through to yr 10+, then as per listed levels	38.5%	Reduces anually to 18% in yr 15, and holds for subsequent yrs
SG1**	Beef - cheek meat and head meat	Duty free by year 10	39.0%	Vol = 590000 MT	Increasing by 11,800p.a. through to yr 10+, then as per listed levels	39.0%	Reduces anually to 18% in yr 15, and thereafter reducing 1% p.a. (provided a safeguard is not triggered)
SG2	Pork (above Gate Price)	Duty free by year 10	4.3%	If volume of imports of pork exceeds 112% of largest volume from the three prior years	Increasing annually as per listed levels	4.00%	Decreasing by 0.6% every two years an dholding at 2.2% from year 10, then terminates
	Pork (below Gate Price)	JPR5[2]	361 yen/kg or 482 yen/kg				Decreases annually and terminates in year 12
SG3	Processed pork	Duty free by year 11	8.5%	If volume of imports of pork exceeds 115% of largest volume from the three prior years	Increasing annually as per listed levels	85% of base rate	Reduces to 45% of base rate by year 10 & for 11, then terminates
SG4*	WPC (milk protein>25% and<45%)	Duty free by year 21	29.8% + 687 yen/kg	Volume = 4500 MT	Increasing annually as per listed levels	29.8% + 120 yen/kg	Reduces anually to 13.4% + 75 yen/kg in yr 16, and holds until yr 20, could be terminated by yr 24
SG4**	Whey powder (milk protein<25%)	Duty free by year 16	29.8% + 687 yen/kg	Volume = 5000 MT	Increasing annually as per listed levels	29.8% + 75 yen/kg	Reduces anually to 13.4% + 30 yen/kg in yr 16, and holds until yr 20, could be terminated by yr 18
SG5	Fresh oranges (imported during 1 Dec-31 May)	Duty Free by year 8	32.0%	Volume = 35000 MT	Increasing by 2,000 p.a. through to yr 7	28.0%	Reduces anually to 20% in yr 7, then terminates
SG6	Race horses	Duty free by year 16	3.4m yen/animal	If CIF is < 7.65m yen	As negotiated	As per TPP scheduled tariff reduction + scheduled premium	Reduces anually until yr 16, then terminates
Ref (1)	JPR2:	Reduce to 27.5% on EIF; reduce to 20% in 9 annual stages from year 2; reduce to 9% in 6 annual stages from year 11 and hold at 9% from year 16					
Ref (2)	JPR5:	From 482 yen per kilogram (kg) to 125 yen/kg immediately and reduce it further to 50 yen/kg by year 11					

Table 11: Safeguard measures included in Japan's tariff schedule

Other Controls

1. Seasonal access controls (higher tariffs during Japan's local growing season) will continue to be applied to bananas, oranges[10] and grapefruit during the tariff phasing period. The tariffs will be eliminated by year 6, year 8, or year 11 (B6, JPB8, and B11 staging categories respectively), and as noted above, safeguard measures will apply to fresh oranges.

[10] Noting the seasonal orange safeguard affects Northern Hemisphere exports and not Australia's exports.

Tariff	Description	Base Rate	Staging Category
080300100	Fresh bananas: (1)If imported during the period from 1st April to 30th September (2)If imported during the period from 1st October to 31st March	 20% 25%	B11
080510000	Fresh Oranges: 1 If imported during the period from 1st June to 30th November 2 If imported during the period from 1st December to 31st May	 16% 32%	B6 JPB8**, SG5
080540000	Fresh Grapefruit: - If imported during the period from 1st June to 30th November - If imported during the period from 1st December to 31st May	 10% 10%	B6
081290100	Bananas (provisionally preserved): (1)If imported duirng the period form 1st April to 30th September (2)If imported duirng the period form 1st October to 31st March	 20% 25%	B6
081290200	Oranges (provisionally preserved): (1)If imported duirng the period form 1st June to 30th November (2)If imported duirng the period form 1st December to 31st May	 16% 32%	B11
081290300	Grapefruit (provisionally preserved): (1)If imported duirng the period form 1st June to 30th November (2)If imported duirng the period form 1st December to 31st May	 10% 10%	B6

Table 12: Seasonal access control and corresponding staging categories

2. In addition to TPP-11-specific safeguards, Japan will continue to apply 'special safeguards" under the Temporary Tariff Measures Act (TTMA), in accord with WTO principles. These special safeguards can be applied to meat (beef, pork and processed pork), dairy (fluid milk, milk powder, whey powder and butter), and processed cereals (wheat, barley, maize and rice)[11].

   Under the TPP-11, Japan has exempted other Parties from special safeguard action on beef (muscle cuts only) and pork. Australia is already exempted from such action on all beef cuts under JAEPA. Japan also exempts other Parties from action on pork and processed pork. Australia did not receive this exemption under JAEPA, and hence the TPP-11 provides a market access improvement to Australian pork exporters in that respect. The TPP-11 does not exempt other TPP Parties from special safeguard action on other listed items (dairy and processed cereals).

Key Outcomes

The TPP provides improved market access for 8 of Victoria's top 10 exports, being: cheese & curd; aluminium; fresh, chilled and frozen beef; animal feed; meat other than beef; edible products and preparations; milk, cream, whey & yoghurt; and starch, inulin and wheat gluten. The other 2 goods categories in Victoria's top 10 exports already receive duty free market access (liquefied propane & butane, and transmission shafts & parts).

[11] "Special Safeguards and Agricultural Trade Liberalisation", RIRDC

Grant Thornton
An instinct for growth™

Victoria's Top 10 exports to Japan FY 2015				
Rank	**SITC Description**	**Value ($M)**	**Base Rate**	**TPP Access Benefit**
1	024 Cheese & curd	345.61	22.4% - 40%	• Cheese intended for use as materials for processed cheese (base rate 29.8%): duty free access for TPP-wide TRQ; over quota tariff on cream cheese with less than 45% milk fat eliminated by year 16, over quota on cream cheese with more than 45% milk fat tariff reduced by 10% (JPR7), and MFN for all others. • Other fresh (unripened or uncured) cheese (base rate 22.4%) eliminated by year 16. • Grated/powdered cheese categories tariff of 22.4% to 40% eliminated by year 16. •Country-specific TRQ for processed cheese(base tariff 40%): **in-quota** tariff eliminated by year 11 • Blue-veined cheese (base rate 29.8%): WTO-TRQ in quota tariff eliminated and over quota tariff reducing by 50% over 11 years (JPR13). • Other cheese (WTO quota for cheese intended for used as materials for processed cheese excluding soft cheese) base rate 29.8%: in quota tariff eliminated on EIF and over quota tariff eliminated by year 16.
2	684 Aluminium	200.62	2% - 7.5%	Eliminated on EIF
3	011 Beef, f.c.f.	150.06	38.5%	Subject to JPR2 tariff reduction (not elimination) and safeguard measure. Equivalent to JAEPA.
4	342 Liquefied propane & butane	110.13	0%	Nil
5	081 Animal feed	70.24		Remaining tariffs eliminated on EIF except a few categories to be eliminated by year 6. (Certain dog/cat food with tariff 52.50 - 59.5 yen/kg + 5.3 - 6 yen per 1% exceeding 10% by weight of lactose)
6	012 Meat (excl beef), f.c.f.	52.67	4.3% - 50%	• TRQ access for pork, subject to TPP-specific safeguard (exempted from WTO "special safeguard"). Pork is divided in 3 groups for tariff preferences: group 1 with 4.3% base rate, tariff eliminated year 16. Group 2 & 3 are subject to 'gate pricing' mechanisms: under TPPA the non advalorem tariff will be reduced signficantly (but not eliminated) over 10 years (JPR4 & JPR5). • Lamb & goat already duty free. • Beef offal (other than cheek/head meat): tariffs up to 21.3% eliminated by year 11, 13, or 16 depending on line item. • Beef cheek/head meat: 50% tariff subject to beef safeguard and tariff reduction (JPR3) • Swine offal: reduction (not tariff elimination) as per 3 pork groups above. • Chicken meat & offal: tariffs 8.5-11.9% eliminated by year 11 (some items by year 6) • Turkey, duck and other fowl: tariffs up to 9.6% eliminated on EIF (exception fresh duck by year 6)
7	098 Edible products & preparations, nes	51.13	3.8% - 25%	• Food preparations of flour, groats, meal, starch, malt extract (not containing cocoa): a) preparations for infant use: WTO in quota tariff of 25% eliminated by year 6; other non-WTO quota items with tariffs up to 24% eliminated by year 11 b) other preparations containing milk: WTO in-quota tariff of 21% subject to tariff reduction (JPR12) c) other preparations (mostly containing rice, wheat, barley, starch: new TRQ access with 3 TPP-wide and one country specific TRQ d) other preparations containing sugar: new TRQ access with 4 TPP-wide TRQ; other line items subject to tariff reduction (JPR12, JPR17, JPR18, JPR19) • Pasta tariffs 5.1-23.8% eliminated by year 11 • Yeasts: 3.8-10.5% tariffs eliminated on EIF • Sauces/condiments: 7.2-21.3% tariffs eliminated on EIF, or year 4-11 depending on tariff line • Soups & broths, 7-12% tariffs eliminated on EIF • Other food preparations, nes: WTO in-quota tariffs reduced JPR6, JPR12, JPRR13, JPR21; new TRQ access with 7 TPP-wide TRQ and one country-specific TRQ; balance of items (tariffs up to 29.8%) duty free by year 6 or year 11
8	022 Milk, cream, whey & yoghurt	46.70	21% - 35%	• Milk & Cream, not concentrated: WTO in-quota tariff of 25% reduced (JPR6); non WTO quota items with 21.3% tariff eliminated year 11 or subject to tariff reduction (JPR7 & JPR8) • Milk & Cream, concentrated: new TRQ access with 5 TPP-wide TRQ • Yoghurt & buttermilk: frozen yoghurt 21.3-29.8% tariff eliminated year 11; other tariff lines benefit from TPP-wide TRQ, or preferential treatment for WTO TRQ on products with sugar, with in-quota tariffs of 25-35% subject to tariff reduction (JPR6, JPR10, JPR11) • Whey: new country specific TRQ for MCW; other whey (only for feeding) tariff eliminated on EIF, otherwise depending on protein level tariff elimination in 6, 16 or 21 years AND subject to safeguards; balance of goods WTO in quota tarff reduced (JPR11, JPR12) or in some cases, elimination by year 6. • Ice cream: 21-29.8% tariffs either reduced (JPR23, JPR24, JPR25) or eliminated by year 11.
9	748 Transmission shafts & parts	45.94	0%	Nil
10	592 Starches, inulin & wheat gluten	42.17	2.9% - 21.3%	• Wheat starch: new TPP-wide TRQ access in addition to WTO access • Other starches and inulin: new TPP-wide TRQ access • Wheat gluten 21.3% tariff eliminated by year 11 • Caseinates and albumin 2.9% tariff eliminated on EIF • Gelatin 17% tariff eliminated by year 16 • Other protein substances tariff up to 5.1% eliminated on EIF • Dextrin & modified starch: 21.3% tariff eliminated by year 11 • Prepared glues: 3.9% tariff eliminated on EIF
	Sub Total Top 10	**1115.25**		
	Total all Victorian exports to Japan	**1821.38**		

Table 13: Victoria's top 10 exports to Japan FY2015

Grant Thornton
An instinct for growth™

Key to tariff reduction staging schedules referred to in the Top 10 Exports table:

Tariff Reduction Staging Schedules Key				
Staging Category	EIF	Stage 2	Stage 3	Hold at:
JPR2	27.5%	20% by year 10	9% by year 16	9%
JPR3	39%	20% by year 10	9% by year 16	9%
JPR4	Annual reduction through year 10			37.5 yen/kg
JPR5	Annual reduction through year 10			50 yen/kg
JPR6	Reduce by 70% of base rate through year 6			Year 6 level
JPR7	Reduce by 10% of base rate			EIF level
JPR8	Reduce by 55% of base rate through year 6			Year 6 level
JPR9	Reduce by 50% of base rate through year 6			Year 6 level
JPR10	Reduce by 90% of base rate through year 6			Year 6 level
JPR11	Reduce by 72% of base rate through year 6			Year 6 level
JPR12	Reduce by 75% of base rate through year 6			Year 6 level
JPR13	Reduce by 50% of base rate through year 11			Year 11 level
JPR14	Reduce by 15% of base rate			EIF level
JPR15	Reduce by 25% of base rate			EIF level
JPR16	Reduce by 15% of base rate through year 6			Year 6 level
JPR17	Reduce by 5% of base rate			EIF level
JPR18	Reduce by 25% of base rate through year 6			Year 6 level
JPR19	Reduce by 15% of base rate through year 4			Year 4 level
JPR20	Reduce by 60% of base rate through year 9			Year 9 level
JPR21	Reduce by 55% of base rate through year 9			Year 9 level
JPR22	Reduce by 60% of base rate through year 6			Year 6 level
JPR23	Reduce by 63% of base rate through year 6			Year 6 level
JPR24	Reduce by 66.6% of base rate through year 6			Year 6 level
JPR25	Reduce by 67% of base rate through year 6			Year 6 level

Table 14: Key to tariff reduction staging schedules referred to in the Top 10 Exports table (Table 19)

Comparative Analysis: TPP vs JAEPA

A comparative analysis was undertaken between Japan's tariff schedules in the TPP and JAEPA agreements.[12]

The analysis identified three key trends:

- Generally the TPP-11 offers improved access benefits over JAEPA; however
- There are many exceptions to this trend, making it imperative to check individual products without making assumptions; and
- Further, in many cases it will be important to implement preferences under both agreements for the same product, over periods of time. This occurs where Australia benefits from JAEPA-TRQ and TPP-TRQ simultaneously, or in other cases where the rate of tariff reduction is not consistent between agreements and as a result it is necessary to swing between them. While the TPP-11 is being implemented (bearing in mind full implementation will take 20 years), exporters will need to evaluate both JAEPA and TPP-11 carefully to determine in which years to specify JAEPA preferences and in which years to specify TPP-11 preferences for the same good, to get the best outcome.

[12] This analysis was undertaken in 2016 using the draft schedules to the TPPA in which the Japan schedule employed the HS2007 classification system. The WCO publishes a conversion table for HS2007 to HS2012 but it only covers the classifications at a 6-digit level; we were unable to find an official English language conversion table on the Japan Customs website for the 9-digit level employed by Japan. Further, Japanese Customs issues tariff schedule updates once or twice a year, it appears Japan used a 2010 update in the TPP Annex. Given these difficulties, we have had to manually adjust the alignment of the JAEPA and TPP schedules in the attached Japan Tariff Schedule to conduct the comparative analysis and as a result, note the potential for some human error.

Illustrative example

The following example for Racehorses illustrates this last point: the JAEPA (in pink) shows a tariff reduction schedule that holds at 50% of base rate from year 8 of that Agreement. In contrast the TPP (lowest row) offers a worse rate in years 1 through 7 (red), the same rate in year 8 (amber) and then a better rate from year 9 (green).

	Racehorses: Base Rate 3.4 million yen per each:															
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
JAEPA:	2.13	1.91	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
TPP:	3.19	2.98	2.76	2.55	2.34	2.13	1.91	1.70	1.49	1.28	1.06	0.85	0.64	0.43	0.21	0.00

Comparative goods tariff analysis of TPP-11 and JAEPA outcomes:

TPP Better than JAEPA	TPP Better than JAEPA (with exceptions)	Use of both Agreements Necessary
Live swine, prepared swine meat & swine offal	Fish, fresh or chilled, excluding Fish fillets	Racehorses
Bovine meat	Fish, frozen, excluding fish fillets	Live cattle
Milk, cream and butter	Fish fillets and other fish meat, chilled	Swine meat
Whey	Fish fillets and other fish meat, frozen	Bovine offal
Grains and flours	Fish, dried, salted or in brine	Swine offal
Malt, roasted, not roasted	Crustaceans	Chicken, meat & offal
Starches, inulin	Vegetables, Fruit and nuts[13]	Beef Meat salted, in brine, dried or smoked
Ground nuts	Seaweeds and other algae	Edible flours & meals of meat or meat offal
Sugar	Animal or vegetable fats and oils	Buttermilk, yogurt & other fermented/acidified milk & cream
Preparations of cereals, flour, starch or milk; pastrycooks' products	Meat/seafood preparations	Cheese and curd
Coffee/tea extracts	Beverages, spirits and vinegar	Ice cream and other edible ice
Soups/broths	Raw hides and skins and leather	Natural honey
Food preparations, nes	Textiles, clothing and footwear	Sugar confectionary
Dog or cat food, put up for retail sale		Preparations of vegetables, fruit, nuts or other parts of plants
Plastics and articles thereof		
Wood and wood articles		
Jewellery		

Note: Refer to Appendix 4 for detailed comparison of TPP and JAEPA.

Table 15: Summary comparison of TPP and JAEPA

13 Some horticultural items that receive further tariff reduction benefits under TPP-11 are prohibited imports from Australia based on quarantine issues. This is particularly relevant for stone fruit, vegetables with seeds and berries. The Japanese currently restrict negotiation on new access to one variety at a time. Negotiations can take anywhere up to ten years.

4.2 Malaysia

Tariffs on goods entering Malaysia range up to 90% (with tariffs over 1000% on alcoholic beverages) according to WTO statistics[14], and tariff peaks in animal products, dairy products, fruit & vegetables, cereals and preparations, beverages & tobacco.

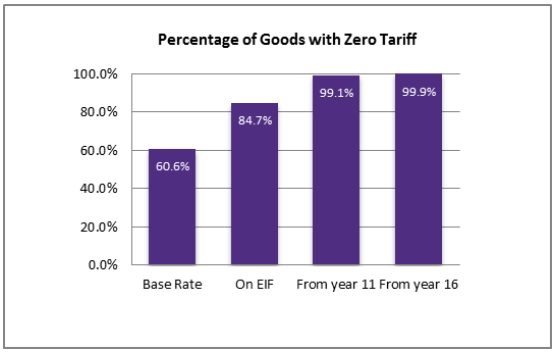
KEY POINTS

- Generally the MAFTA provides better access benefits than the TPP, however there are some exceptions to this trend: swine meat, rice, tobacco, alcoholic beverages and weapons preferences are better under the TPP.
- This is the first FTA between Canada and Malaysia, and as such a competitor of Australia in some product areas will now have equally preferential access to Malaysia, eroding Australia's competitive advantage delivered through MAFTA as the TPP-11 staged tariff reductions take effect.
- In some cases it will be important to implement preferences under both agreements for the same product, over periods of time.
  - This is because MAFTA-TRQ and TPP-TRQ will operate simultaneously; and
  - the rate of tariff reduction is not consistent between agreements.

  Exporters will need to know in which years to specify MAFTA preferences and in which years to specify TPP preferences for the same good, to get the best outcome. For example, the MAFTA-TRQ over-quota tariff for chicken meat is 20%, whereas the TPP-TRQ over-quota tariff reduces from 50% in 15 annual stages to 0% from year 16 onwards. As a result, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 10, and then switch to TPP preferences from year 11 when the TPP reducing over-quota tariff will fall below the 20% level.

The TPP tariff elimination commitments will eliminate almost 100% of tariffs within 15 years of EIF, with only 10 tariff line items falling under TRQ arrangements that will benefit from tariff reduction but not tariff elimination. That is, even on those categories with outstanding tariffs, specified capped volumes of these goods will enter duty-free under TRQ arrangements.

Malaysia's TPP Tariff Schedule	
Goods with tariff reduction but not elimination	10 (TRQ)
Excluded goods	Nil
Highest tariff prior to TPP Agreement	90%*
Number of years to full implementation	15
Australia disadvantaged against other TPP Parties?	No



**Disregarding higher peaks on alcoholic beverages*

Table 16: Malaysia's TPP Tariff Schedule **Figure 3: Malaysia's % of Goods with Zero Tariff**

Malaysia's TPP tariff schedule includes seven staging categories for tariff elimination and a single TRQ staging category capturing arrangements for 15 tariff line items. Malaysia's tariff

[14] http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=MY

schedule commitments are TPP-wide, without differential treatment provisions for individual parties.

Malaysia's schedule does not include any Safeguard Measures, however it provides a list of 157 items which are subject to Export Duties.

Tariff Rate Quotas

Malaysia's TRQ schedule provides for duty free access of specified volumes of 15 (10-digit) tariff classification items, which can be grouped as follows:

- Live chickens (day old chicks and fowls)
- Swine meat, fresh/chilled and frozen
- Chicken meat and edible cuts and offal
- Liquid milk
- Eggs

All of the TPP-TRQs are in fact enhanced arrangements for items which are currently subject to WTO-TRQ. The current WTO in-quota tariffs (10% - 25%) are eliminated for TPP-TRQ volumes. The current WTO over-quota tariffs (20% - 50%) will be subject to tariff elimination by year 16, or tariff reduction scheduling over 6 - 16 year timeframes under the TPP-TRQ.

NO	HS CODE 2007	DESCRIPTION	UNIT	MFN RATE		ALL TPP PARTIES		
				IN-QUOTA TARIFF	OUT-QUOTA TARIFF	OUT- QUOTA TARIFF (%)	IN-QUOTA VOLUME: rising by 1% compounded annually	IN-QUOTA VOLUME
1	010511900	DAY OLD CHICKS OF THE SPECIES GALLUS DOMESTICUS WEIGHING NOT MORE THAN 185 GRAM	HEAD	10	20	10% after 15yr	2,000,000 rising to 2,321,938 in year 16	Capped Yr 16
2	010594190	FOWLS OF SPECIES GALLUS DOMESTICUS WEIGHING NOT MORE THAN 2,000 GRAM	HEAD	10	20	10% after 5yr	30,000 rising to 34,829 in year 16	Capped Yr 16
3	020311000	MEAT OF SWINE, FRESH OR CHILLED – CARCASSES AND HALF-CARCASSES	KG	25	50	0% after 15yr	2,000 rising annually until open access in year 16	open
4	020321000	MEAT OF SWINE, FROZEN: CARCASSES AND HALF-CARCASSES	KG	25	50	0% after 15yr	200,000 rising annually until open access in year 16	open
5	020711000	MEAT OF FOWLS OF THE SPECIES G. DOMESTICUS NOT CUT IN PIECES, FRESH OR CHILLED	KG	20	40	20% after 15yr	2,000 rising to 2,322 in year 16	Capped Yr 16
6	020712000	MEAT OF FOWLS OF THE SPECIES G. DOMESTICUS NOT CUT IN PIECES, FROZEN	KG	20	40	20% after 15yr	400,000 rising to 464,388 in year 16	Capped Yr 16
7	020713000	EDIBLE CUTS AND OFFAL OF THE SPECIES GALLUS DOMESTICUS, FRESH OR CHILLED	KG	20	40	20% after 5yr	50,000 rising to 58,048 in year 6	Capped Yr 6
8	020714000	EDIBLE CUTS AND OFFAL OF THE SPECIES GALLUS DOMESTICUS, FROZEN	KG	20	40	20% after 10yr	20,000,000 rising to 23,219,379 in year 11	Capped Yr 11
9	040110110	OF FAT CONTENT, BY WEIGHT, NOT EXCEEDING 1%: MILK: LIQUID	LITRES	20	50	0% after 15yr	300,000 rising annually until open access in year 16	open
10	040120110	OF FAT CONTENT, BY WEIGHT, EXCEEDING 1% BUT NOT EXCEEDING 6%: MILK: LIQUID	LITRES	20	50	0% after 15yr	2,000,000 rising annually until open access in year 16	open
11	040130110	OF FAT CONTENT, BY WEIGHT, EXCEEDING 6%: MILK: LIQUID	LITRES	20	50	0% after 15yr	1,000,000 rising annually until open access in year 16	open
12	040700111	FOR HACTHING: HENS' EGGS	UNIT	10	50	25% after 10yr	70,000 rising to 81,268 in year 11	Capped Yr 11
13	040700112	DUCKS' EGGS IN SHELL FOR HACTHING	UNIT	10	50	25% after 10yr	70,000 rising to 81,268 in year 11	Capped Yr 11
14	040700910	OTHER: HENS' EGGS	UNIT	10	50	25% after 10yr	200,000 rising to 232,194 in year 11	Capped Yr 11
15	040700920	DUCKS' EGGS IN SHELL, PRESERVED OR COOKED- OTHER	UNIT	10	50	25% after 10yr	200,000 rising to 232,194 in year 11	Capped Yr 11

Table 17: Malaysia's TPP wide-TRQ

Key Outcomes

Most of the goods in Victoria's top 10 export categories to Malaysia already enter duty free and has such, there is minimal impact from the TPP access benefits. Modest improvements impact:

- liquid milk
  - as a result of TRQ access, which also provides for open market access by year 16; and
- processed foods and fruit
  - as a result of tariff elimination commitments.

Victoria's Top 10 exports to Malaysia FY 2015				
Rank	**SITC Description**	**Value ($M)**		**TPP Access Benefit**
			Base Rate	**TPP Preference**
1	334 Refined petroleum	83.72	0%-5%*	Nil impact except Petroleum oils and Other medium oils at 5% with tariff eliminated on EIF
2	022 Milk, cream, whey & yoghurt	82.07	0%-5%*	Nil impact except TRQ for liquid milk products providing duty-free access on in-quota volumes and tariff elimination by year 16 on over quota volumes.
3	012 Meat (excl beef), f.c.f.	74.14	0%*	Nil impact except Chicken meat & Offal, and fresh & frozen swine carcasses/half-carcasses subject to WTO-TRQ. Tariffs on in-quota WTO-TRQ volumes eliminated by year 16.
4	268 Wool & other animal hair (incl tops)	59.15	0%	Nil
5	041 Wheat	44.04	0%	Nil
6	098 Edible products & preparations, nes	41.20	5-20%	Free on EIF
7	684 Aluminium	31.18	0%-30%	Aluminimium Bars, wire, foil, tubes and pipes 25% base rate; tariffs eliminated by year 11 Aluminium sheets 30% base rate; tariffs eliminated by year 11 Unwrought Aluminium and Aluminium powders already duty free.
8	024 Cheese & curd	30.56	0%	Nil
9	011 Beef, f.c.f.	30.49	0%	Nil
10	057 Fruit & nuts	19.65	0%-20%*	All nuts already duty free. Fresh Bananas, pineapples, guavas, mangoes, melons and tropical fruit tariffs of 5% + up to 1.3227 RM eliminated by year 11. Fresh Figs, avocadoes, grapes, apples, pears, berries, stone fruit and citrus fruit tariffs of 5% eliminated on EIF Dried fruits and fruit/nut mixtures with tariffs up to 20% eliminated on EIF
	Sub Total Top 10	**496.21**		
	Total all Victorian exports to Malaysia	**775.79**		

* With minor exceptions

Table 18: Victoria's top 10 exports to Malaysia FY2015

Comparative Analysis: TPP vs MAFTA

There are only 120 tariff line items with remaining duties under MAFTA. By contrast, when the TPP-11 comes into force, 1590 items will still be dutiable in year 1. The TPP-11 provides important enhancements to Australian goods' access preferences, largely through the addition of TPP-wide TRQ and removal of in-quota tariffs on WTO-TRQ.

The analysis shows three key trends:

- Generally the MAFTA provides better access benefits than TPP-11; however

- There are some exceptions to this trend, (swine meat, rice, tobacco, alcoholic beverages and weapons) making it imperative to check individual products without making assumptions; and

- Further, it will be important to implement preferences under both agreements for the same product, over periods of time. This occurs where Australia benefits from MAFTA-TRQ, TPP-TRQ and improved WTO-TRQ access provided through the TPP-11 simultaneously[15], or in other cases (predominantly on over-quota volumes) where the rate of tariff reduction is not consistent between agreements and as a result it is necessary to swing between them. In other words, exporters will need to know in which years to

[15] Noting Australia may also access TRQ under AANZFTA

specify MAFTA preferences and in which years to specify TPP preferences for the same good, to get the best outcome.

While MAFTA generally offers better outcomes than TPP-11 for goods access, the following table provides key highlights were the reverse is true (the TPP offers better outcomes) or use of both agreements is necessary to obtain the most advantageous tariff treatment.

TPP Better than AANZFTA	Use of both Agreements Necessary
Live swine	Live poultry
Tobacco	Swine meat
Rice	Poultry meat and offal
Alcoholic beverages	Milk
Weapons	Eggs

Note: Refer to Appendix 5 for detailed comparison of TPP and MAFTA.

Table 19: Summary comparison of TPP and MAFTA

Grant Thornton
An instinct for growth™

4.3 Vietnam

Tariffs on Vietnam's agricultural goods range up to 135% on tobacco, with tariff peaks of 40% on animal products, fruit & vegetables, coffee & tea, cereals & preparations, and sugars & confectionary.

KEY POINTS

- There is no clear 'rule' as to whether exporters should rely on TPP-11 or AANZFTA for the best preferential access: depending on the good in question, the TPP preferences are worse, better or the same as AANZFTA preferences.
- This is the first FTA between Canada and Vietnam, and as such exporters to Vietnam will need to assess whether this will have a negative competitive impact.
  In such cases, Australia's competitive advantage over Canadian goods, won through AANZFTA preferences, will be rapidly lost as the TPP-11 staged tariff reductions take effect.
- As with Malaysia, exporters to Vietnam will need to utilise preferences under both agreements for the same product, over periods of time.
  - This is because AANZFTA-TRQ and TPP TRQ will operate simultaneously; and
  - the rate of tariff reduction is not consistent between agreements.

  Exporters will need to know in which years to specify AANZFTA preferences and in which years to specify TPP preferences for the same good, to get the best outcome.

Vietnam's MFN schedule includes 32.5% of goods with zero tariffs and this will increase to 64.6% on EIF of the TPP-11. The TPP tariff commitments will eliminate almost 100% of tariffs within 15 years of EIF. Twelve items relating to over-quota volumes of tobacco are subject to 20 year tariff elimination schedules and 188 items are excluded from tariff reduction commitments:

- WTO-TRQ over-quota volumes on 19 items (eggs, sugar and salt items); and
- TPP-TRQ over quota volumes on 169 items (used vehicles)

Vietnam's TPP Tariff Schedule	
Goods with tariff reduction but not elimination	Nil
Number of excluded goods	19 items + 169 TRQ
Highest tariff prior to TPP Agreement	135%
Highest tariff on EIF	127%
Number of years to full implementation	20
Australia disadvantaged against other TPP Parties?	No

Table 20 Vietnam's TPP Tariff Schedule

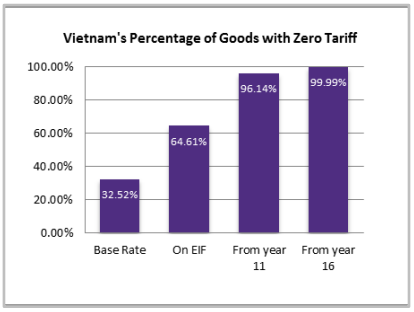


Figure 4 Vietnam's % of Goods with Zero Tariff

Vietnam's TPP tariff schedule includes 40 staging categories:

- 36 tariff elimination categories (0-20 years);
- 3 TRQ categories; and
- 1 staging category for goods that are excluded from tariff reduction commitments. The 19 (10-digit) line items under this category are all WTO-TRQ over-quota volumes of eggs, sugar and salt items.

Vietnam's schedule includes three TRQ, two for used vehicles and one for tobacco, and a schedule of export duties. The schedule does not include any Safeguard Measures.

Tariff Rate Quotas

Vietnam provides three TPP-wide TRQ which provide preferential access for aggregated volumes:

- Two TRQ cover used vehicles and apply a 15-year tariff elimination schedule for in-quota combined volumes of 60 vehicles in year 1 growing to 75 vehicles in year 16. Over-quota volumes will continue to attract MFN tariff rates.
- One TRQ covers unmanufactured tobacco and tobacco refuse. The base rate of 80-90% will be subject to 10 year tariff reduction schedules for the TRQ volume of 500 MT in year 1 increasing to 975 MT in year 20. The over-quota tariff will be removed in year 21 at which time there will be open market access for unmanufactured tobacco and tobacco refuse.

The TRQs are likely to be of little benefit to Victoria: the used vehicle volume access is negligible and tobacco is ranked as Victoria's 192nd largest export with a total value in 2015 of only $2.82 million.

Other Controls

Vietnam also published its Export Dutiable goods and a schedule for tariff reduction or elimination. Export Duties of 1% to 40% are applied to 469 listed goods; the schedule provides 10 tariff elimination categories (over 6 - 16 years) and 1 category for no reduction, which captures 70 line items or 15% of export dutiable goods.

This schedule only contains one agricultural good (Pharmaceutical plant -agarwood); the balance of listed goods is minerals, wood, stones/jewellery, iron and steel, articles of various metals.

Key Outcomes

Most of the goods counted among Victoria's top 10 exports to Vietnam (seven of ten) are agricultural goods. While all top 10 categories benefit from tariff elimination commitments, none are more advantageous that the access privileges through AANZFTA agreement:

Victoria's Top 10 exports to Vietnam FY 2015				
Rank	**SITC Description**	**Value ($M)**	**Base Rate**	**TPP Access Benefit**
1	Crustaceans, f.c.f.	111.34	0%-20%	Free at EIF
2	Wheat	63.18	0%-5%	Free at EIF
3	Plastic plates, sheets & film	32.09	3%-17%	Free at EIF or eliminated in Year 4
4	Milk, cream, whey & yoghurt	30.60	0%-20%	Variable duty free status EIF - B5 Milk & Cream not concentrated: 15% base rate eliminated by year 3 or 4 Milk & Cream concentrated, powdered: 3-5% base rate eliminated on EIF or by year 3 Milk & Cream concentrated, not powdered: 10-20% base rate eliminated year 5 Yoghurt/buttermilk: 7% base rate eliminated by year 3 Whey: already duty free Ice cream: 20% base rate eliminated by year 5
5	Aluminium	21.76	0%-10%	Free at EIF
6	Meat (excl beef), f.c.f.	19.82	0%-40%	Variable base rate 0% - 40%; Duty free status variable EIF - B13 Swine: 15-27% base rate eliminated by year 10 Lamb & goat: 7% base rate eliminated by year 4 Offal of bovine, swine, lamb: 10% base rate eliminated mostly by year 5 (one item in year 11) Chicken meat and offal: base rate 15-40% eliminated byear 11-13
7	Oil-seeds & oleaginous fruits, soft	18.81	0%-10%	Free at EIF
8	Cereal preparations	18.45	5%-40%	Eliminated by Year 4 on most goods except for maize preparations (year 5) and noodles containing egg (Year 8)
9	Medicaments (incl veterinary)	16.55	0%7%	Free at EIF
10	Beef, f.c.f.	12.37	15%-31%	All eliminated by year 3
	Sub Total Top 10	**344.97**		
	Total all exports	**479.43**		

Table 21: Victoria's top 10 exports to Vietnam FY2015

Grant Thornton
An instinct for growth™

Comparative Analysis: TPP vs AANZFTA Vietnam Schedule

Vietnam's AANZFTA tariff schedule shows that 1328 line items or 14% of goods remain dutiable from 1 January 2019. When the agreement is fully implemented in 2022, there will still be 850 line items or 9% of goods that are subject to ongoing duties.

The 1328 line items that remain dutiable under AANZFTA do not necessarily coincide with the 3308 line items which remain dutiable under the TPP after EIF. Nor can exporters make any assumptions about which agreement provides better access privileges, as depending on the specific good, the TPP preferences may be worse, better or the same as AANZFTA preferences.

Further, it will be important to implement preferences under both agreements for the same product, over periods of time. This occurs where Australia benefits from AANZFTA-TRQ and TPP-TRQ simultaneously, or in other cases where the rate of tariff reduction is not consistent between agreements and as a result it is necessary to swing between them. In other words, exporters will need to know in which years to specify AANZFTA preferences and in which years to specify TPP preferences for the same good, to get the best outcome.

Illustrative Example

The following example for wine illustrates this last point:

- the AANZFTA (blue) states that goods will be held at the MFN rate until 2022 when it will drop to 20% and hold at that rate;
- the TPP (pink) provides a tariff reduction schedule delivering duty free outcomes by 2029;
- The table shows green cells where the TPP provides a better outcome and red cells where the TPP outcome is worse, and amber cells where both agreements deliver the same outcome.
  Exporters will need to use TPP in 2019-2021, then switch to AANZFTA preferences from 2022 through 2025, and then swing back to TPP preferences from 2026 or 2027.

AANZFTA						TPP-11										
Classification	Base rate (MFN 2010)	2019	2020	2021	2022 and later	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2204.10.00.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.21.11.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.21.12.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.21.21.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.21.22.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.29.11.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.29.12.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.29.21.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0
2204.29.22.00	56	56	56	56	20	45	41	36	32	27	23	22	20	15	10	0

On EIF of the TPP, 35.4% of goods will still be dutiable, whereas under the AANZFTA's commitments in the same year (2019), only 14% of goods are dutiable. As a result, the AANZFTA generally offers better outcomes than TPP-11 for goods access. The following table provides key highlights were the reverse is true (the TPP offers better outcomes) or use of both agreements is necessary to obtain the most advantageous tariff treatment.

TPP Better than AANZFTA	Use of both Agreements Necessary
Fish, crustaceans and molluscs	Poultry meat and offal, fresh, chilled or frozen
Some rice items	Preparations of meat, of fish or of seafood
Poppy seeds	Alcoholic beverages
Petroleum oils	Tobacco
Pharmaceuticals	Iron and steel
Polymers of vinyl chloride	Motor vehicles for transport of >10 people
Retreaded or used pneumatic tyres of rubber	Passenger motor vehicles
Paper	Motor vehicles for the transport of goods
Padlocks	
Tanks and other armoured fighting vehicles	
Fishing vessels; factory ships and other vessels for processing or preserving fishery products	
Military weapons	

Note: Refer to Appendix 6 for detailed comparison of TPP and AANZFTA.

Table 22: Summary comparison of TPP and AANZFTA

Grant Thornton
An instinct for growth™

4.4 Canada

Tariffs on goods entering Canada range up to 476% (including non-*ad valorem* components) according to WTO statistics[16], with peaks in animal products, dairy products, fruit & vegetables, coffee, tea, cereals, oilseeds, beverages & tobacco.

KEY POINTS

- This is Australia's first FTA with Canada (Victoria's 23rd largest export destination).
- Tariff outcome: from 53.7% goods duty-free base rate to 94.9% on EIF.
- Of note the agreement provides improved access to beef, starch, inulin, wheat gluten, fruit, and dairy
- Remaining tariffs of non-agricultural goods of export significance to Australia eliminated on EIF.

The TPP tariff commitments will eliminate 94.9% of tariffs in year 1 (on EIF) and 98.9% of tariffs within 11 years of EIF, with outstanding dutiable goods falling under TRQ classifications. That is, even on those categories with outstanding tariffs, specified capped volumes of these goods will enter duty-free under TRQ arrangements.

Canada's TPP Tariff Schedule	
Goods with tariff reduction but not elimination	95 items (TRQ)
Number of excluded goods	Nil
Highest tariff prior to TPP Agreement	476% including non-*ad valorem*
Highest tariff on EIF	476% including non-*ad valorem*
Number of years to full implementation	11 (18 for TRQ phasing)
Australia disadvantaged against other TPP Parties?	No

Table 23: Canada's TPP Tariff Schedule

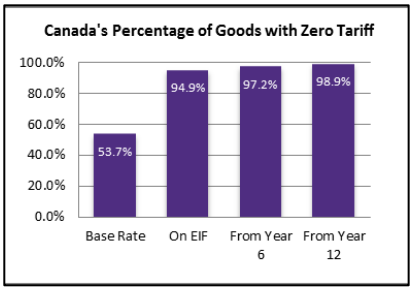


Figure 5: Canada's % of Goods with Zero Tariff

Canada's tariff schedule includes 8 staging categories for tariff elimination arrangements, and a further 21 staging categories are provided to cover TRQ arrangements.

Canada's schedule does not include any Safeguard Measures or other TPP-specific goods controls.

Tariff Rate Quotas

Canada's tariff elimination schedule includes 21 TRQ categories covering 95 tariff line items. These TPP-wide TRQ provide duty free access for specified aggregated volumes of:

- Milk
- Cream
- Skim milk powders
- Milk powders
- Cream powders
- Concentrated milk
- Yoghurt and buttermilk
- Powdered buttermilk

[16] http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=CA

- Whey powder
- Products consisting of natural milk constituents
- Butter
- Industrial cheese
- Mozzarella and prepared cheese
- Cheeses of all types
- Ice cream and mixes
- Other dairy
- Broiler hatching eggs and chicks
- Chicken
- Turkey
- Eggs

Note: Refer to Appendix 1 for details of Canada's TPP-wide TRQ.

While the in-quota volumes enter duty free, the over-quota volumes revert to the MFN rate in most cases, and these are universally high, in the range of 155% to 196%. In the case of two of the tariff line items (of the 95 line items covered in TPP-TRQ), being butter substitutes and whey powder, over-quota volumes are subject to 6 and 11 year tariff elimination schedules respectively.[17]

Importantly however, these TPP-TRQ are provided in addition to Canada's general system of import controls (not specific to any FTA), which offer TRQ volumes under the *Export and Import Permits Act (EIPA).* All of the goods covered in the TPP-TRQ are covered under the import control legislation; further, TPP Parties will benefit from duty free access for "within access commitments" (rather than the albeit lower tariff regime for within access commitments).

Finally, it should be noted that while Canada does not provide additional volumes of duty free access for beef (chilled/fresh or frozen) in the TPP-TRQ schedule, these items are covered in the Import Control List, which sets an access level of 76,409,000 kg as follows:

- 29,600,000 kilograms is available for imports from New Zealand (NZ);
- 35,000,000 kilograms is available for imports from Australia;
- 11,809,000 kilograms is available within the MFN pool for imports from eligible non-FTA countries, including those from New Zealand and Australia once their country-specific reserves are fully utilized.

[17] Refer to Appendix for further detail of Canada's TPP-TRQ.

Grant Thornton
An instinct for growth™

Key Outcomes

Beef: the "within access commitments" under Canada's EIPA legislation will continue to enter duty free, with over quota volumes to be eliminated by year 6. The over quota tariff base rate is 26.5%.

Other: benefits of note for Victoria are plastic film, alcoholic beverages (sparkling wine, cider & spirits), starch, fruit and dairy:

Victoria's Top 10 exports to Canada, FY 2015				
Rank	**SITC Description**	**Value ($M)**	**Base Rate**	**TPP Access Benefit**
1	012 Meat (excl beef), f.c.f.	21.74	Up to 249%	New duty free access of Chicken and Turkey for TRQ volumes. (Lamb and pork base rate 0%)
2	542 Medicaments (incl veterinary)	18.83	0%	Nil impact
3	011 Beef, f.c.f.	17.81	26.5%	Already covered on "import control list"; over access commitment tariff eliminated by year 6.
4	792 Aircraft, spacecraft & parts	12.62	0%-15.5%	(Almost all tariff items duty free base rate)
5	582 Plastic plates, sheets & film	11.85	6.5%	Tariffs eliminated on EIF
6	112 Alcoholic beverages	11.75	up to 35c/l	Beer and most wine line items already duty free: remaining tariffs eliminated on EIF (including Cider and sparkling wine tariff of 28.16¢/litre)
7	289 Precious metal ores & conc (excl gold)	9.86	0%	Nil impact
8	592 Starches, inulin & wheat gluten	8.83	6.5%-270%	• Starches & inulin- wheat starch and barley starch within access commitment tariff 0.95c/kg and 0.83c/kg respectively eliminated. Over access commitment eliminated by year 11. Other starches/inulin 6.5% to 10.5 % tariff eliminated on EIF. • Wheat gluten within access commitment tariff of 7.5% tariff eliminated on EIF, over access commitment eliminated by year 11 • Albumin 6.5% tariff eliminated on EIF • Milk protein substances over access commitment tariff of 270% eliminated on EIF • Dextrins and other modified starch tariff 6.5% -8% eliminated on EIF
9	057 Fruit & nuts	4.13	0%-10.5%	Most fruit base rate 0% , however remaining tariffs of up to 10.5% eliminated on EIF
10	022 Milk, cream, whey & yoghurt	2.19	0%-7.5%	New access through TRQ: within access commitment tariff of up to 7.5% eliminated on EIF for import control list dairy items. New duty free TPP TRQ volumes.
	Sub Total Top 10	**119.60**		
	Total all Victorian exports to Canada	**155.54**		

Table 24: Victoria top 10 exports to Canada FY2015

Grant Thornton
An instinct for growth™

Non-Tariff Barriers

Agriculture

Canada uses supply management systems to regulate its dairy, chicken, turkey, and egg industries. Canada's supply management regime involves production quotas, producer marketing boards to regulate price and supply, and TRQs.

Cheese Compositional Standards

Canada's compositional standards for cheese restrict access of certain dairy products to the Canadian market. These regulations limit the ingredients that can be used in cheese making, requiring the use of a minimum percentage of fluid milk in the cheese-making process, and hold importers more accountable for ensuring that the imported product is in full compliance. The compositional standards also apply to cheese that is listed as an ingredient in processed food.

A side-letter to the TPP provides the following:

> "Canada confirms that Australian dairy products, including those imported under HS Chapter 3504 such as milk protein concentrates, can be utilized in dairy processing in Canada to the fullest extent possible, including in cheesemaking"

Geographical Indications

The Canada-EU FTA contains agreement on the use of geographical terms which may have far reaching impacts. More than 170 food and beverage terms have been protected as geographical indications without providing for due process safeguards, it raises concerns about the right for future producers to use those terms and for producers to use generic terms with respect to other products.

Grain

Under the Canada Grain Act, imported wheat and barley are not eligible to receive Canadian statutory grades, which are reserved exclusively for grains grown in Canada. Imported grain must be segregated under Canada's grain handling system from Canadian varieties that are eligible for grading.

Wine, beer and spirits

Most Canadian provinces restrict the sale of wine, beer and spirits through province-run liquor control boards. Other market access barriers include cost-of-service mark-ups, restriction on listings (products which the liquor board will sell), reference prices (either maximum prices the liquor board is willing to pay or prices below which imported products may not be sold in order to avoid undercutting domestic prices), labeling requirements, discounting policies (requirements that suppliers offer rebates or reduce their prices to meet sales targets), distribution and warehousing policies.

A side-letter to the TPP provides the following:

1. Cost-of-service differentials applied by SOEs will not exceed the actual difference in the costs of distribution/marketing/sale of the imported products
2. Cost-of-service differentials applied to non-Parties to the TPP-11 will also reflect the actual difference in costs
3. Mark-ups, cost of service or any other pricing measure will be applied on a non-discriminatory basis
4. If SOEs or regional governments in Canada apply a cost of service differential with respect to internal sales/distribution that cost differential will be made publicly available.

Fresh or processed foods
Canada prohibits import of fresh or processed foods and vegetables in packages exceeding certain standard package sizes unless the Government of Canada grants a ministerial easement or exemption.

Dairy (excerpt from Australian Dairy Industry Inc submission to TPP negotiations:
"Canada, by contrast, follows a very protectionist approach to dairy trade. It regularly advocates supply control and trade restriction in international dairy policy forums. The actions of the Canadian Government over many years give cause for considerable reservations about their willingness to liberalise dairy trade. The track record since signing of the Canada-USA FTA in 1987 has involved a systemic approach to undermine their dairy trade liberalisation commitments."

Pork (excerpt from Australian Pork Ltd submission to TPP negotiations:
"APL is concerned about the use of subsidies, such as Canada's Ontario Risk Management Program which Canada's own Federal Minister of Agriculture, the Hon Gerry Ritz publically described as "completely countervailable" in comments to the Canadian House of Commons. These subsidies cause significant distortions in the Australian market, and put Australian producers at a major competitive disadvantage; in reality we cannot "compete on a level playing field". The termination of these subsidy programmes must be pursued if the vision of a comprehensive free trade agreement is to be achieved. Their persistence is contrary to the spirit of the TPP."

Grant Thornton
An instinct for growth™

4.5 Mexico

Tariffs on goods entering Mexico range up to 254%, with peaks in animal products, dairy products, fruit & vegetables, coffee & tea, cereals & preparations', oilseeds, fats & oils and sugars and confectionery.

KEY POINTS

- This is Australia's first FTA with Mexico (Victoria's 36th largest export destination).
- Tariff outcome: from 56% of goods duty-free base rate to 77% on EIF (98% from year 10).
- It provides improved access to dairy (through TRQ), beef, lamb, goat meat and wine
- Australia-only access for sugar for CSQ duty-free volumes, only "when demand requires it".
- Remaining tariffs of non-agricultural goods of export significance to Australia eliminated on EIF or by year 10.

The TPP tariff elimination commitments will eliminate almost 100% of tariffs within 16 years of EIF; goods that will retain tariffs are:

- with 27 tariff line items subject to tariff reduction but not tariff elimination (coffee and extracts of coffee; and used vehicles - all categories)
- 27 tariff line items falling under TRQ arrangements that will benefit from duty free access for specified capped volumes.
- 13 sugar tariff line items that fall under a TRQ only available to Australia and referred to as a "Specific Allocation on Sugar".

Mexico's TPP Tariff Schedule	
Goods with tariff reduction but not elimination	27 items (+40 TRQ)
Excluded goods	Nil
Highest tariff prior to TPP Agreement	254%
Highest tariff on EIF	254%
Number of years to full implementation	16
Australia disadvantaged against other TPP Parties?	No*

*Australia is the only TPP Party to have "Specific Allocations on Sugar"; other TPP parties subject to MFN

Table 25: Mexico's TPP Tariff Schedule

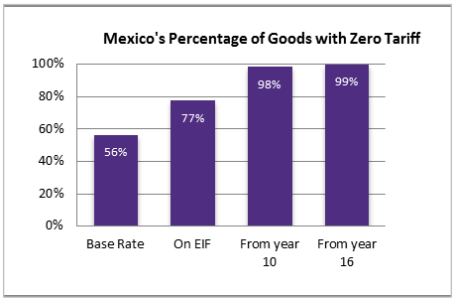


Figure 6: Mexico's % of Goods with Zero Tariff

Mexico's TPP tariff schedule includes 14 elimination staging categories (0-16 years); 7 reduction staging categories (1.25% to 47.5% tariffs maintained); and 9 TRQ categories including a special allocation for sugar only available to Australia.

Mexico's schedule does not include any Safeguard Measures or other TPP-specific import controls.

Grant Thornton
An instinct for growth™

Tariff Rate Quotas

Mexico provides 8 TRQs which are available to Australia for dairy sector access. Duty free access for the volumes noted below are available as an aggregated amount to 8 countries (Australia, Brunei, Canada, Japan, Malaysia, New Zealand, Singapore & Vietnam)[18] for all CSQ except in the case of CSQ-MX5, which excludes Japan.

	Description	Tariff	Base Rate	No. of items	CSQ volumes	
					Volume Year 1	Volume Year 11 and subsequent
CSQ-MX1	Milk & cream, not concentrated or containing sugar or other sweetening	0401	10%	6	250,000 litres	375,000 litres
CSQ-MX2	Milk powder	0402.10.01 0402.21.01	63%	2	25,000 MT	42,000 MT
CSQ-MX3	Evaporated milk	0402.91.01 0402.91.99	45% 20%	2	500 MT	750 MT
CSQ-MX4	Condensed milk	0402.99.01 0402.99.99	15% + 0.36 USD/kg on sugar content 20% + 0.36 USD/kg on sugar content	2	1,000 MT	1,500 MT
CSQ-MX5	Products consisting of natural milk constituents	0404.90.99	20%	1	1,000 MT	2,000 MT
CSQ-MX6	Butter	0405.10 0405.20	20% 20% + 0.36 USD/kg	3	1,500 MT	2,000 MT
CSQ-MX7	Cheese	0406	20 - 125%	9	4,250 MT	6,500 MT
CSQ-MX8	Dairy-based preparations	1901.90.04 1901.90.05	10% 109%	2	2,000 MT	2,500 MT

Table 26: Mexico's Country Specific Quota (CSQ) categories made available to TPP countries

In addition to these TRQ, Mexico will grant tariff concessions on sugar to Australian under the TPP-11, only when domestic demand requires it, in the form of a "Country Specific Allocation on Sugar". This allocation is only for Australia: all other TPP countries are subject to the MFN tariff rate of 0.36 – 0.395 USD/kg on sugar content.

Australia will have access to 7% of any unilateral MFN TRQ Mexico may open. Imports under this CSA will be duty free, otherwise imports are subject to the rate of customs applied under the WTO Agreement. The scope includes goods under Heading 1701 and line items 1702.90.01, 1806.10.01 and 2106.90.05

Key Outcomes

As this is Australia's first FTA with or including Mexico, the TPP will deliver notable market access improvements to Australian exporters of agricultural goods to Mexico.

The removal of tariffs and provision of new TRQ access will be of benefit to all goods that rank in Victoria's top 10 exports to Mexico, and agricultural goods in particular:

[18] In 2008 Mexico eliminated its then-remaining tariffs and TRQs on US agricultural imports under the NAFTA. Chile and Peru also have unlimited duty free access as a result of their bilateral agreements with Mexico.

Grant Thornton
An instinct for growth™

Victoria's Top 10 exports to Mexico FY 2015				
Rank	SITC Description	Value ($M)	Base Rate	TPP Access Benefit
1	Meat (excl beef), f.c.f.	20.46	0%-234%	Pig/pork: 20% tariff eliminated on EIF Lamb: 10% tariff tariff eliminated year 8 Goat: 20% tariff eliminated on EIF Offal (bovine, swine, sheep, goat): 10-20% tariff eliminated on EIF except arracherra inside & outside skirt tariff (20%) eliminated year 15. Chicken: tariffs predominantly 234% eliminated on EIF except fresh chicken not cut in pieces and fresh offal (tariff eliminated year 10) Turkey: tariffs predominantly 234% eliminated on EIF except fresh chicken not cut in pieces and fresh offal (tariff eliminated year 5)
2	Plastic plates, sheets & film	15.24	0%-10%	Base rate 0% except Styrene Polymers at 10% (becomes duty free at Year 5)
3	Paper & paperboard	6.98	5%	Items predominantly 5% base rate and eliminated on EIF 4 items by Year 10 (newsprint; other bond or ledger)
4	Non-electrical machinery & parts	3.32	0%-15%	Most items duty free on EIF; remainder phasing to zero by year 10
5	Starches, inulin & wheat gluten	2.96	0%-15%	Most items duty free on EIF; all by Year 10 (wheat starch, inulin, wheat gluten, casein all duty free on EIF)
6	Butter	2.95	20%	Butter base rate 20% and dairy spreads 20% + 0.36 USD/kg on sugar content; Subject to TRQ (CSQ-MX6) with duty free access for 1,500mt in year 1 increasing to 2,000mt in year 11 (aggregate for 8 TPP parties)
7	Medicaments (incl	2.77	0-15%	Most goods duty free on EIF and balance phasing to zero by Year 10
8	Milk, cream, whey & yoghurt	2.66	10%-63%	•Milk & cream not concentrated: all covered under CSQ-MX1: base rate 10% eliminated for aggregate volumes 250,000l in year 1 increasing to 375,000l year all and thereafter. •Milk & cream concentrated: powdered milk (base rate 63%), evaporated milk (20-45%) and condensed milk (15-20%+ 0.36USD/kg on sugar content) tariffs eliminated for aggregate volumes. Other concentrated milk and cream not covered by TRQ (base rate 10-20% + 0.36USD/kg on sugar content) will be duty free by year 15 •Yoghurt and other buttermilk/fermented or acidified milk: 20% base rate eliminated by year 10 •Whey for food preparations: covered under CSQ-MX5: base rate 20% eliminated for aggregate volumes of 1000mt in year 1 increasing to 2000mt in year 11 and thereafter. Other whey products 10%+0.36USD/kg base rate eliminated by year 15 •Ice-cream with 20%+0.36USD/kg base rate eliminated on EIF
9	Electronic integrated circuits	2.54	0%	Nil impact
10	Transmission shafts & parts	2.35	0%-15%	Base rate mostly 0%; all remaining tariffs eliminated on EIF except elastic couplings and 'other clutches and shaft couplings' with 15% base rate elimianted by year 10
	Sub Total Top 10	62.2		
	Total Victorian exports to Mexico	87.9		

Table 27: Victoria's top 10 exports to Mexico FY2015

While not ranked in Victoria's top 10 exports to Mexico, it is worth noting the impact on the following goods which are of importance to Victoria's economy:

- **Beef**: fresh/chilled tariff of 20% and beef frozen tariff of 25% eliminated by year 10.
- **Beer and champagne** tariff of 20% eliminated on EIF;
- **Wine** tariff of 20% eliminated by year 10 for products with a value of $5 USD or less per litre, or by year 3 if of greater value per litre.
- **Automotive components:** although most goods are already duty free, the few items with 5% base rate will all be duty-free on EIF.

  - Tariff differentials
    In the case of heavy vehicles, Mexico will provide a zero tariff on EIF to all TPP Parties, except Japan. Japan will benefit from a tariff preference but the goods will not phase to zero tariff.
    While the product-specific rules treat originating content as content from anywhere within the TPP area, Mexico has applied a special "tariff differential rule" to heavy vehicles to capture the differential treatment it wishes to apply, in this case, to Japanese content.

    While an unlikely scenario, in the case of an Australian origin heavy vehicle, if it includes content from Japan, that content would need to meet the "tariff differential rule" rather than the standard "rule of origin".

- **Dairy**
  According to the Australian Dairy Industry Inc's submission to TPP negotiations, a key access barrier to the Mexico market is high dairy tariffs. Mexico is a major importer of dairy product, primarily from the USA, which enjoys duty free entry of all products under NAFTA. "With Mexico, an important objective will be the opening up of the Mexican dairy market to TPP partners to the same degree as exists for the USA under the USA-Mexico elements of NAFTA. The target here should be the transition to zero tariffs with no quotas on imported dairy products and ingredients, with this transition occurring in the shortest practical time frame."

  Australia did not obtain the access to Mexico desired by Australian Dairy Industry Inc. Rather, all milk, yoghurt, butter and cheese products are subject to TPP-TRQ (modest aggregated volumes for 8 TPP countries), with over-quota volumes continuing to range up to 125%. Some dairy-based preparations, such as ice cream, are subject to tariff elimination on EIF.

Non-Tariff Barriers

Processed packaged foods – technical standards

Mexico has a poor track record for notifying the WTO or FTA partners of amendments to its nutritional labelling requirements, thereby disruption trade for those producers who are not given adequate time to comply with new regulations.

Administrative procedures and Customs

Mexico has a poor image when it comes to customs administrative procedures with exporters citing insufficient prior notification of procedural changes, inconsistent interpretation or regulatory requirements at different border posts, allegations of under-invoicing of agricultural products and uneven enforcement of Mexican standards and labeling rules.

TCF

Regulations require the creation of reference prices and import licensing for footwear and apparel and textile goods. Exporters have noted a lack of transparency in how reference prices are determined, and uneven enforcement by Mexico's customs and tax authorities.

Grant Thornton
An instinct for growth™

4.6 Chile

Chile's goods tariff schedule has a very low tariff profile with 99% of goods attracting a flat rate of 6%.

KEY POINTS

- The TPP-11 will have no impact on trade with Chile as Australia already enjoys duty free access for all goods (as of 1 January 2015) under ACIFTA.
- Chile is Victoria's 48th largest export destination.

Upon EIF, 95% of goods will enter duty-free with the remaining tariffs eliminated by year 8, (or after seven years), without exception.

Chile's TPP Tariff Schedule	
Goods with tariff reduction but not elimination	8 items
Number of excluded goods	Nil
Highest tariff prior to TPP Agreement	9.3%
Highest tariff on EIF	6% + specific rate*
Number of years to full implementation	7
Australia disadvantaged against other TPP Parties?	No

*Chile's Price Band System for wheat, wheat flour, sugar and edible vegetable oils

Table 28: Chile's TPP Tariff Schedule

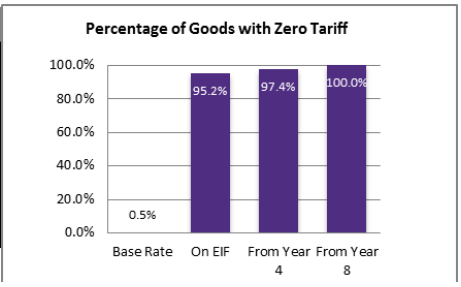


Figure 7: Chile's % of Goods with Zero Tariff

Chile does not impose a TRQ system, TPP-specific safeguard measures or other TPP-specific import controls.

Key Outcomes

All goods in Victoria's top 10 export list will be duty-free under the TPP-11 coming into force (as they already are under our bilateral FTA), however given the very modest value of those exports, the agreement will have minimal impact.

Victoria's Top 10 exports to Chile FY 2015				
Rank	**SITC Description**	**Value ($M)**	**Base Rate**	**TPP Access Benefit**
1	721 Agric machinery (excl tractors) & parts	8.40	6%	All tariffs eliminated on EIF
2	597 Prepared additives for mineral oils	7.93	6%	
3	641 Paper & paperboard	3.02	6%	
4	784 Vehicle parts & accessories	2.02	6%	
5	699 Manufactures of base metal, nes	2.01	6%	
6	022 Milk, cream, whey & yoghurt	1.87	6%	
7	611 Leather	1.74	6%	
8	893 Plastic articles, nes	1.44	6%	
9	542 Medicaments (incl veterinary)	1.25	6%	
10	874 Measuring & analysing instruments	0.77	6%	
	Sub Total Top 10	**30.45**		
	Total all Victorian exports to Chile	**39.26**		

Table 29: Victoria's Top 10 exports to Chile FY2015

Grant Thornton
An instinct for growth™

4.7 Peru

Tariffs on Peru's agricultural goods range up to 17%.

KEY POINTS

- Peru is Victoria's 53rd largest export destination.
- Tariff outcome: from 53% of goods duty-free base rate to 81% on EIF.
- Remaining tariffs of both agricultural and non-agricultural goods of export significance to Victoria eliminated on EIF.
- [A comparative analysis with the Peru-Australia FTA was not included in the terms of the engagement for this paper.]

The TPP tariff elimination commitments will eliminate almost 100% of tariffs within 15 years of EIF. The only exceptions with regard to tariff elimination are 47 tariff line items that are subject to the Peruvian Price Band System and an additional *non-ad valorem* price adjustment tariff.

Peru's TPP Tariff Schedule	
Goods with tariff reduction but not elimination	SPFP* on 47 items
Number of excluded goods	Nil
Highest tariff prior to TPP Agreement	17%
Highest tariff on EIF	17%
Number of years to full implementation	15
Australia disadvantaged against other TPP Parties?	No

*SPFP: the specific duty derived from the application of the Peruvian Price Band System

Table 30: Peru's TPP Tariff Schedule

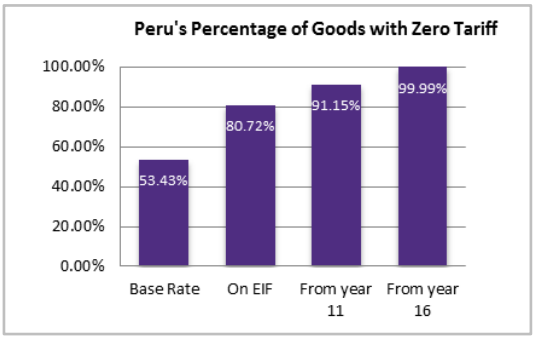


Figure 8: Peru's % of Goods with Zero Tariff

Peru's TPP tariff schedule includes only 7 staging categories: five tariff elimination categories (0-15 years); and two tariff reduction staging categories that maintain the "SPFP" specific duty derived from the application of the Peruvian Price Band System.

Peru's schedule does not include any Safeguard Measures or Tariff Rate Quotas.

Other Controls

Under the SPFP (Price Band System of Peru), a product is subject to a specific custom duty in addition to its *ad-valorem* customs duty if a CIF reference price is lower than a "floor" price. A tariff reduction can also apply if the CIF (reference) price is higher than a "ceiling" price.

Products subject to SPFP under the TPP Agreement are treated one of two ways in Peru's Tariff Schedule: either the *ad valorem* duty is eliminated on EIF and the SPFP duty remains in place; or the *ad valorem* duty is eliminated in 6 annual stages and the SPFP stays in place.

Items subject to SPFP provisions include:

- Dairy (milk and cream, butter and cheese)
- Cereals (Maize, Rice, Grain Sorghum and Corn
- Starch
- Sugar and Sugar products

Grant Thornton
An instinct for growth™

Key Outcomes

As this is Australia's first FTA with or including Peru, the TPP will deliver new market access improvements to Australian exporters of agricultural goods to Peru. That said, the total of Victoria's top 10 exports goods to Peru was only $22 million in 2015.

Victoria's Top 10 exports to Peru FY 2015				
Rank	**SITC Description**	**Value ($M)**	**Base Rate**	**TPP Access Benefit**
1	597 Prepared additives for mineral oils	10.9	0% or 9%	Free at EIF
2	641 Paper & paperboard	4.88	0% or 9%	Free at EIF with a few exceptions with 9% tariff eliminated by Year 6
3	023 Butter	2.12	0%+ SPFP - 9%	Butter and other oils derived from milk will continue to attract SPFP duty only; 9% tariff on dairy spreads will be eliminated on EIF.
4	663 Mineral manufactures, nes	0.66	9%	Free at EIF except for some abrasive and friction materials with 9% tariff eliminated in 6 or 11 years.
5	874 Measuring & analysing instruments	0.60	0%	Nil
6	541 Pharm products (excl medicaments)	0.36	0% or 9%	Free at EIF
7	291 Crude animal matter, nes	0.34	0% or 9%	Free at EIF
8	813 Lighting fixtures & fittings	0.30	0% or 9%	Free at EIF
9	726 Printing machinery & parts	0.25	0%	Nil impact
10	988 Confidential items of trade	0.16	0% or 9%	Free at EIF
	Sub Total Top 10	**20.56**		
	Total all Victorian exports to Peru	**21.79**		

Table 31: Victoria's top 10 exports to Peru FY2015

The removal of tariffs will be of benefit to Victorian exporters of butter, the third highest ranking export to Peru and the only agricultural product in the top 10 Victorian exports: Butter and other oils derived from milk will continue to attract SPFP duty only; the 9% tariff on dairy spreads will be eliminated on EIF.

Non-Tariff Barriers

Peru has eliminated its price band system on trade with the US (through its bilateral FTA); under the TPP-11 Australia will remain subject to this system.

Used goods

Peru restricts imports of certain used goods, including used clothing and shoes, used tires, cars over 5 years old and heavy trucks (over 3 tons) over 8 years old. A 45% excise tax applies to used cars and trucks (compare to 20% for a new car). However, if these used cars and trucks undergo refurbishment in an industrial center in the south of the country after importation, no excise tax applies.

Spirits

Imported spirits are assessed at an effective tax rate that is higher than the tax assessed on domestically-produced Pisco products.

4.8 Brunei Darussalam

Brunei Darussalam (hereafter referred to as "Brunei") has a rather straightforward tariff elimination schedule for goods in line with the country's tariff profile: generally low tariffs with anomalous tariff peaks of 30% on fireworks and $250 per dekalitre on compound alcoholic preparations.

KEY POINTS

- The TPP-11 will have no impact on trade with Brunei as Australia already enjoys better preferential access under AANZFTA.
- Brunei is Victoria's 61st largest export destination.

The TPP-11 tariff schedule uses 12 tariff elimination categories and all tariffs are eliminated in 10 years without exception.

Brunei's TPP Tariff Schedule	
Number of excluded goods	Nil
Highest tariff prior to TPP Agreement	30% (Fireworks) $250/dal (Compound alcoholic preparations)
Highest tariff on EIF	30% (Fireworks) $250/dal (Compound alcoholic preparations)
Number of years to full implementation	10
Australia disadvantages against other TPP Parties	No

Table 32: Brunei's TPP Tariff Schedule

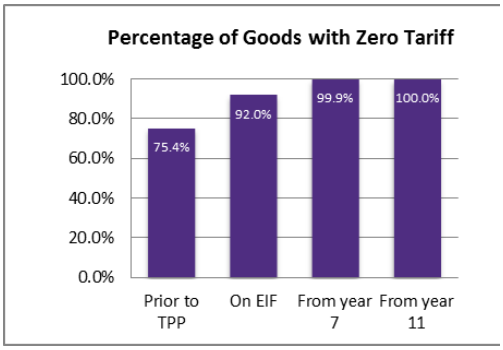


Figure 9: Brunei's % of Goods with Zero Tariff

Brunei's Tariff Schedule does not include tariff rate quotas, safeguard measures or other controls.

Key Outcomes

Base rates on goods which fall in Victoria's top 10 export goods are all currently 0%, with the exception of "electrical machinery and parts, nes", which is ranked the number 10 export, and compound alcoholic preparations which fall under "edible products and preparations, nes". Under the TPP-11, the remaining tariffs on electrical items will be eliminated by year 7, and on alcoholic preparations by year 11.

Victoria's Top 10 exports to Brunei FY 2015				
Rank	**SITC Description**	**Value ($M)**	**Base Rate**	**TPP Access Benefit**
1	Meat (excl beef), f.c.f.	3.65	0%	Nil impact
2	Cheese & curd	2.29	0%	Nil impact
3	Milk, cream, whey & yoghurt	1.86	0%	Nil impact
4	Butter	1.31	0%	Nil impact
5	Chocolate & preparations of cocoa	0.67	0%	Nil impact
6	Fruit & nuts	0.64	0%	Nil impact
7	Edible products & preparations, nes	0.61	0%*	Nil impact* except alcoholic preparations (Base Rate of $250.00/dal remains in place year 1-10, eliminated year 11.)
8	Computers	0.56	0%	Nil impact
9	Vegetables, f.c.f.	0.51	0%	Nil impact
10	Electrical machinery & parts, nes	0.26	0% -20%	Items either free at EIF or by year 7
	Sub Total Top 10	**12.35**		
	Total all Victorian exports to Brunei	**16.12**		

Table 33: Victoria's top 10 exports to Brunei FY2015

There is likely to be negligible to no impact of the tariff reduction commitments on Victoria (or Australia), particularly in light of the fact that total Victorian exports to Brunei in 2015 was $16.1 million.

With regard to Victoria's number one export, meat excluding beef, it is worth noting the technical barriers to trade in that sector.

Meat and Poultry Products – Halal Standards

Most food sold in Brunei is certified as halal, and the Ministry of Religious Affairs administers Brunei's halal standards, which are among the most stringent in the world. Under the Halal Meat Act, halal meat (including beef, mutton, lamb, and chicken) can be imported only by a person holding a halal import permit and an export permit from the exporting country. The importers and local suppliers of halal meat must be Muslim. The Bruneian government maintains a list of the foreign and local slaughtering centres that have been inspected and declared fit for providing halal meat. Brunei's stringent system of abattoir approval involves on-site inspections carried out by Bruneian government officials for every establishment seeking to export meat or poultry to Brunei.

Comparative Analysis: TPP vs AANZFTA (Brunei Tariff Schedule)

Under AANZFTA all Australian goods will enter Brunei duty free by 2020, except for a number of goods that were excluded from tariff reduction commitments. These excluded goods however, largely relate to items which now have a 0% base rate.

Of the goods with remaining import duties under AANZFTA commitments (261 line items), AANZFTA provides better access preferences than the TPP-11, except in the case of 11 line items:

- 7 alcohol base items were excluded from tariff reduction commitments under AANZFTA but will have tariff eliminated by year 11 under TPP; and
- 4 remaining line items of no trade significance with tariff elimination in 2020 under AANZFTA will be eliminated on EIF under TPP.

Grant Thornton
An instinct for growth™

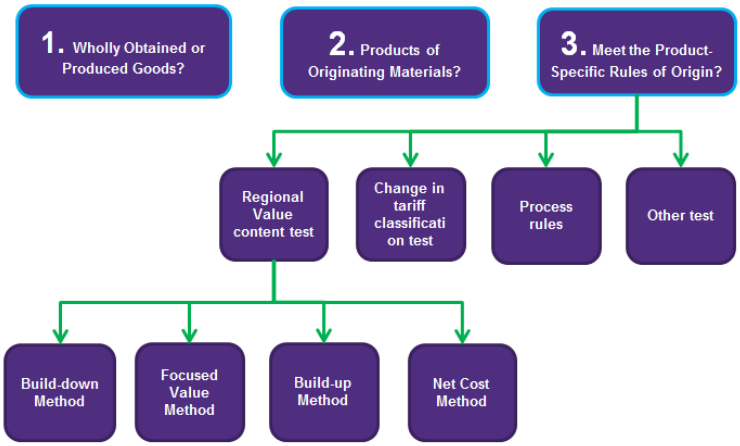
5 Other Areas of Note in Relation to Trade in Goods

5.1 Approach to Rules of Origin and Exceptions

As with Australia's other FTAs, three broad categories of goods may be found to be originating:

- Wholly Obtained or Produced Goods: that is wholly obtained or produced entirely in the territory of one of more of the TPP Parties
- Products of Originating Materials: that is produced entirely in in the TPP territory by one of more Parties, exclusively from originating materials
- Products which meet the Product-Specific Rules of Origin: that is products which contain non-originating materials but satisfy the requirements of Annex 3-D.

The Product-Specific Rules of Origin (Annex 3-D) include regional value content tests, change in tariff classification tests, process rules and other requirements.



Regional Value Content calculations are somewhat complicated as four formulae are employed variously depending on the good in question, with the introduction for the first time in an Australian FTA, of the "Focused Value Method":

- **Focused Value Method**: based on the value of only specified non-originating materials. (i.e. non-originating materials that are not specified in the applicable rule are not taken into account for the purposes of determining the total value of non-originating materials.)
  Generally the ROO specify an RVC of 50%, 55% or 60% under this method.
- **Build-down Method**: based on the value of non-originating materials
  Generally the ROO specify an RVC of 40%, 45%, 50% or 55% under this method.
- **Build-up Method**: based on the value of originating materials
  Generally the ROO specify an RVC of 30%, 35%, 40% or 45% under this method.
- **Net Cost Method**: for Automotive goods only
  Generally the ROO specify an RVC of 30%, 35%, 40% or 45% under this method.

Accumulation and Cumulation (Article 3.10)

As with all Australia's FTAs, the originating material of any TPP Party will be considered Australian originating material in assessing the originating status of goods.

The TPP-11 however, goes one step further. The value of any production processes or inputs in a chain of producers in Australia, or any other TPP Party, (and the tariff classification changes effected by that whole chain) can be taken into account in determining origin.

This extra flexibility or indeed ability to search the production supply chain for value added by TPP Parties is consistent with AUSFTA and MAFTA, but as this provision is not included in AANZFTA, AClFTA, or JAEPA, this provides potential to designate goods as originating under TPP-11 that would otherwise be ineligible for tariff preferences into Japan, Brunei, Chile, or Vietnam.

Special ROO provisions for automobiles and parts (Appendix 1 to Annex 3-D)
In the case of automobiles and parts, the TPP-11 also provides extra flexibility to qualify specified materials as originating by allowing the act of undertaking certain processing (forging, machining, laminating, die casting, stamping etc) to automatically render these materials as originating, up to a threshold percentage value of the good.

Textiles and Apparel (Chapter 4)
The Textiles and Apparel Chapter sets rules out De Minimis (the circumstances under which specified non-originating material will be considered originating if it comprises less than threshold amount). The Chapter also provides essentially textile and apparel safeguard measures, called "Emergency Actions". These allow a Party to increase duty rates up to MFN applied rate if importation volumes into their territory are at such increased quantities to cause, or threaten to cause, serious damage to a domestic industry.

The Chapter also provides Textiles and Apparel Product-Specific Rules of Origin (Annex 4-A), which apart from change in tariff classification rules, also include production process requirements.

Appendix 1 to Annex 4-A, the "Short Supply List of Product" is also to be read in conjunction with the Textiles and Apparel Product-Specific Rules of Origin and serve to put further specifications/limitations around requirements specified materials must meet, including any end use requirements. Appendix 1 however is temporary, expiring 5 years after EIF of the Agreement.

The sum effect of the Textiles and Apparel Chapter are complex and restricting rules around market access and as a result, complicated certificate of origin and associated administration/verification mechanisms.

Differential Tables
In the case of those Parties whose tariff schedules apply different tariff reduction commitments depending on which TPP country the goods originate in, "Tariff Differentials" tables are provided as an Appendix to their Annex 2-D Tariff Elimination schedule.

The Tariff Differentials tables list specified goods to which the Party applies different preferential tariff treatment to other Parties, and provides "Tariff Differential Rules of Origin". These alternate Rules of Origin cover the situation where a good is produced in a Party from materials produced in other Parties, and the final good has differing tariff treatment depending on which Party is concerned. These tighter rules of origin account for differing degrees of market access which may be conferred to other Parties.

Comparative Analysis

As noted above, the TPP-11 is unique in employing four approaches to calculating a Regional Value Content (RVC) percentage. The following table demonstrates the key features of approaches to Rules of Origin, and how these are handled differently in the TPP-11 versus a number of other Agreements:

	TPP-11	AUSFTA	JAEPA	MAFTA	AANZFTA	ACIFTA
RVC % Calculation	1. Build-down 2. Build –up 3. Net Cost 4. Focused Value	1. Build-down 2. Build –up 3. Net Cost	1. Build-down	1. Build-down 2. Build –up	1. Build-down 2. Direct Cost	1. Build-down
Accumulation[19]	✓	✓	×	✓	×	×
Sector specific Provisions	Textile, Automobile	Textile	-	-	-	-
Certificate of Origin (Authority)	(If Parties require)		✓	✓ (Malaysia)	✓	
Declaration of Origin (Self-Issued)	✓	✓	✓	✓ (AU)		✓

Table 34: Rules of Origin summary analysis

5.2 Certificates of Origin

Minimum data requirements for COO are set out in Annex 3-B. COO may apply to a single shipment or multiple shipments of identical goods for a specified period not exceeding 12 months. COO are to be self-issued by the importer, exporter or producer, or if Parties wish to require COO to be issued by a competent authority or approved exporter, this arrangement must be notified at EIF.

Certificates of Origin not required for shipments with value up to US$1000 "or the equivalent amount in the importing Party's currency". This would exceed Australia's current treatment of duty free threshold of AUD$1000.

Another interesting development is that while in the past the consequences of falsely claiming originating status at importation rested solely with the importer, the TPP provides that if the exporter or producer provides a false certificate of origin or false information that a good is originating, the "same legal consequences" as would apply to an importer are applied. In Australia such infractions would incur both penalties and fines.

5.3 Non-Tariff Barriers

The Technical Barriers to Trade (TBT) Chapter of the TPP-11 seeks to foster the elimination of unnecessary technical barriers to trade, enhancing transparency and promoting greater regulatory cooperation and practice. TBT relate to technical regulations, standards and conformity assessment procedures of central government bodies. A Committee on Technical Barriers to Trade is established and an ongoing work agenda.

To reduce costs for TPP businesses TPP Parties have agreed to rules that will facilitate the acceptance of the results of conformity assessment procedures from the conformity assessment bodies in the other TPP Parties, making it easier for companies to access TPP markets. Under the TPP, Parties are required to allow for the public to comment on

[19] 1. The terms "Cumulation" and "Accumulation" have not been used consistently across Australia's FTAs. In this document they are defined as follows.
2. All agreements recognise "Cumulation" whereby the originating content of both (or all) Parties to the Agreement will be considered the originating content of the Party making the originating status assessment. All FTAs on the other hand, do not recognise the principle of "Accumulation", that is, the value of any production processes of a chain of producers in the FTA Area can be taken into account in determining origin.

proposed technical regulations, standards, and conformity assessment procedures to inform their regulatory processes and to ensure traders understand the rules.

Of significance the Chapter includes a number of Annexes on industry-specific TBT 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.

Apart from TBT Chapter, non-tariff measures are to be addressed through Chapter 2: Goods.

As agreed with the Department, this paper will highlight non-tariff barriers Australian exporters will face in three of the TPP countries, being Canada, Mexico and Peru. An analysis of the relevant non-tariff barriers for each of these countries can be found in section four.

5.4 Other

Each party shall grant duty-free admission of containers and pallets regardless of origin, in use or to be used in the shipment of merchandise or goods in international traffic. This will benefit Australian businesses engaged in providing transport logistics services in the TPP area.

6 Trade in Services

6.1 Key principles and approach to Non-Conforming Measures

The TPP-11 Trade in Services Chapter establishes a number of key obligations or rules for the supply of services between TPP Parties, including:

- **National Treatment** – requiring a TPP Party to treat foreign service suppliers no less favourably than like domestic service suppliers
- **Most Favoured Nation (MFN) Treatment** - requiring TPP Parties to service providers from one TPP Party no less favourably than other TPP Parties or a non-Party.
- **Market Access** – TPP Parties must not impose restrictions on their own or foreign suppliers in service sectors, including limitations on the number of providers who can supply services in a country or the legal form of enterprise (such as a partnership or joint venture) that can provide services.
- **Local Presence -** TPP Parties are prohibited from requiring a provider from another TPP country to establish a local office or to live in their country as a condition of supplying services.

The Chapter also provides mechanisms for TPP Parties to work towards greater mutual recognition of professional services qualifications.

These key obligations apply to federal and regional governments, except in relation to activities and sectors for which TPP Parties have listed exceptions - the so called "Non-Conforming Measures".

The **Non-Conforming Measures** are provided as four sets of Party-specific annexes to the Agreement:

- Annex I – identifies existing laws, regulations and policies that may provide local suppliers with an advantage over foreign suppliers, inconsistent with the key obligations under the Cross-Border Trade in Services and Investment Chapters. In the listed sectors, TPP Parties have committed to lock in existing market conditions. Listed sectors are also subject to 'the ratchet mechanism', meaning any future market reforms will be captured as a TPP-11 commitment.
- Annex II – applicable to cross-border trade in services and investment; this annex specifies particular activities and sectors where the government would like to retain flexibility to implement government policies, including to maintain existing policies or to introduce new policies which may discriminate between local and foreign suppliers.
- Annex III - TPP Parties have identified existing measures that are inconsistent with certain obligations in the TPP Financial Services Chapter or areas where they would like to retain the flexibility to adopt inconsistent measures (the equivalent of Annex I and Annex II for banking, insurance and other financial services).
- Annex IV - permits TPP Parties to list their specific exceptions to the new non-discriminatory procurement (of goods and services) and trade-distorting subsidies provisions of the State-Owned Enterprises and Designated Monopolies Chapter. In the listing of these exceptions, information is provided – where possible - on the relevant SOE or designated monopoly, the nature of its activities that do not or will not conform to provisions of the Chapter, and any relevant government measures.

Note: Annex IV was not included in the scope of this paper.

6.2 Access to Australian Market

Australia has provided TPP countries' service providers with access to the Australian market that is broadly consistent with our prior FTAs.

Annex I reaffirms "all existing non-conforming measures at the regional level of government" are exempt from the key obligations of non-discriminatory treatment. However, once removed or liberalized, government cannot re-impose such restrictions. Further the measures are exempt for only those obligations that have been listed.

Annex II also affirms Australia's rights to adopt or maintain any measure at the regional level of government that is not inconsistent with Australia's obligations under the GATS, as modified by the listed appendix, which outlines additional commitments that States and Territories have agreed to make.

6.3 Access to Other TPP Partner Countries

The TPP will contribute to the expansion and diversification of Australian services exports to Asia-Pacific countries by liberalising barriers in key markets and providing more transparent and predictable operating condition in TPP countries.

The TPP will also capture future market reforms in services sectors, meaning that any future liberalisation will flow through to Australian service providers.

Many of the TPP outcomes are a formal process for locking in existing market conditions. This means some of the outcomes are not so much about new competitive advantage obtained under the TPP-11 as providing certainty regarding access and operating conditions.

6.4 Professional, technical and other business services

	Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Legal Services	Provision of legal advice on 'fly-in, fly-out' basis	Brunei, Mexico, Malaysia and Peru	The TPP-11 locks in existing market conditions. **Malaysia** A foreign lawyer advising on non-Malaysian law may enter Malaysia for up to 60 days in a calendar year, subject to immigration approval. A foreign lawyer who has been authorized or registered to practice law in Malaysia is not subject to the 60-day limit. **Mexico** Lawyers licensed to practice in Australia will be permitted to form partnerships with lawyers licensed in Mexico, however the Mexican firm must have more Mexican partners than Australian partners. Australian lawyers may practice and provide legal consultations on Mexican Law, whenever they comply with the requirements for the exercise of the profession of a lawyer in Mexico.
	Licenses may be issued to foreign law firms to operate an international partnership with a Malaysian law firm or as a Qualified Foreign Law Firm (QFLF) without partnering with a local firm.	Malaysia	The TPP-11 locks in existing market conditions. Licenses may be issued to foreign law firms to operate an international partnership with a Malaysian law firm or as a qualified foreign law firm (QFLF) without partnering with a local firm. Foreign lawyers working in international partnerships or QFLFs must reside in Malaysia for not less than 182 days in any calendar year.
	Clarification that Australian lawyers and legal firms are permitted to work on contracts in Vietnam.	Vietnam	The TPP-11 locks in existing market conditions. Foreign lawyers are not permitted to advise/represent clients on Vietnamese laws unless they have graduated from a Vietnamese law college. Foreign lawyers may provide legal services in Vietnam, through the following forms: • Branches of foreign lawyers organisation • Wholly foreign limited liability law firm • Joint venture limited liability law firm • Partnerships between foreign lawyer organisations and Vietnam's law partnership
Construction, Engineering, Architecture	Architecture, engineering and quantity surveying service provider restrictions removed including requirement to be a Malaysian citizen to provide these services in Malaysia.	Malaysia	The TPP-11 locks in existing market conditions. Malaysia committed to ensure that any qualified person resident in Malaysia and registered with the relevant professional board may supply engineering services, and that engineering firms may establish with only a majority of the directors being registered professionals.[20]
	Guaranteed access for engineers including integrating engineering services, urban planners and architects	Brunei, Chile, Mexico and Peru	

[20] USTR: National Trade Estimate 2016

Accounting, Auditing	Existing access in accounting, auditing and book-keeping services maintained	All TPP countries	The TPP-11 locks in existing market conditions. **Malaysia** All accountants seeking to provide auditing and taxation services in Malaysia must register with the Malaysian Institute of Accountants before they may apply for a license from the Ministry of Finance. Under the TPP, citizenship or permanent residency requirements will be removed. **Japan** Public Accountants and Tax Accountants must be a qualified under the laws and regulations of Japan. An enterprise which intends to supply certified public accountants services is required to establish an audit corporation. **Vietnam** • Foreign service suppliers are not permitted to provide auditing services unless they have a local presence in Vietnam. • Measures in relation to Local Presence in provision of accounting, book-keeping and taxation services to be maintained.
	Guaranteed access for taxation service providers		

Interesting excerpts from USTR National Trade Estimate Report of Trade Barriers, 2016, which highlight areas not yet addressed via TPP-11:

Malaysia - Distribution Services
Malaysia allows 100% foreign ownership of department and specialty stores. However, foreign nowned larger retailers ("hypermarkets") and locally-incorporated direct-selling companies must still have 30% *bumiputera* equity. Department stores, supermarkets, and hypermarkets are required to reserve at least 30% of shelf space in their premises for goods and products manufactured by *bumiputera* owned SMEs. Malaysia is currently reviewing the guidelines for retailers. The Malaysian government also issues "recommendations" for local content targets, which are, in effect, mandatory. However, under TPP, retailers from other TPP Parties will not be required to meet the 30% shelf-space requirement.

Japan - Legal Services
Japan imposes cumbersome and time-consuming procedures for the registration of foreign lawyers to provide international legal services in Japan, and prohibits foreign lawyers from establishing branch offices in Japan (except for one type of firm which is first required to corporatize locally). The United States continues to urge Japan to further liberalize the legal services market. For example, the United States urges Japan to eliminate the requirement that two years of post-admission practice of home country law take place outside Japan; ensure that legal or bar association rules do not impede Japanese lawyers becoming members of international legal partnerships; and significantly simplify and accelerate the registration process for new foreign legal consultants.

Grant Thornton
An instinct for growth™

6.5 Education Services

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Commitments guaranteeing access to key existing markets and markets with growth potential for Australian universities and vocational institutions to deliver education services, including online education services	TPP area	**Japan:** Higher Education Providers must be supplied by formal education institutions, established by "school juridical persons" (established under the law of Japan) **Mexico:** Higher Education Services and Other Education Services (language education, special education and commercial training) market access limitations removed, and while not a market access limitation, prior authorisation is required from the Ministry of Public Education or the State authority.
Australian universities and vocational education providers will be able to pursue new opportunities to establish or expand a campus or institution	Brunei Darussalam, Japan, Malaysia, Mexico, Peru and Vietnam	The TPP-11 locks in existing conditions. **Malaysia:** 100 percent foreign equity participation is allowed in private universities, vocational schools, skills training centres, international schools, vocational schools for special needs
Malaysia has agreed that international schools can be 100 per cent foreign owned	Malaysia	(See previous comment)
Australian universities and vocational education providers will be able to offer a wider range of courses to Vietnamese students, including new and emerging technical disciplines	Vietnam	As per Side Letter to TPP-11, which states the two countries will seek to run a pilot program under which Australian universities provide online education courses. Pending success of the pilot program a services arrangement will be negotiated.
Vietnam has locked in the current percentage of Vietnamese students permitted to be enrolled in international schools and guaranteed that any future reforms which increase that percentage will be captured as a TPP commitment	Vietnam	Up to 10% of primary and middle school students of international schools may be Vietnamese; up to 20% in high schools.

In addition to Vietnam's commitment to enable a broader range of disciplines to be provided by Australian education provider, a separate side letter to the agreement paves the way for Australian and Vietnam to work towards an arrangement to guarantee higher education and adult education services can be delivered wholly or partly online, as follows.

Side Letter to the TPP-11 on Australian provision of Online Education to Vietnam
Australia will help Vietnam develop tools, prior to TPP-11 EIF, to enable Vietnam to:

a understand distance and blended learning delivery models;
b assess applications from Australian providers seeking to deliver higher education courses involving an online component; and
c evaluate the recognition of qualifications obtained through distance/blended online courses.

A pilot program will follow within one year of the TPP EIF, pending agreement from Vietnam, under which Australian universities would deliver wholly or substantially online courses in Vietnam. This could involve:

a establishing criteria to select Australian universities through an open Expression of Interest process;
b requesting proposals from Australian universities on a model for the delivery of a distance/blended course in Vietnam;

c establishing a selection committee to choose successful applications (noting a commercial presence in Vietnam by participating Australian universities would not be required);
d Courses would conform to the Vietnam Qualifications Framework (VQF) and lead to recognised qualifications; and
e Courses may cover all disciplines except national security, defence, political science, religion, Vietnamese culture and other fields of study necessary to protect Vietnamese public morals.

If the pilot program is successful, an arrangement to guarantee that Australian providers will be able to deliver higher education services (CPC923) and adult education (including foreign language training; CPC924) in Vietnam, wholly or partially online, will be negotiated.

6.6 Mining, Oil & Gas, METS and Oilfield Goods & Services

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Locked in recent reforms to the energy sector, enabling foreign companies, for the first time, to bid to participate in the exploration, production, processing and refinement of oil and gas	Mexico	• Private contractors will be subject to a minimum percentage of national content in undertaking financing, installation, maintenance, management, operation and expansion of infrastructure for electricity transmission and distribution. • Only Mexicans or Mexican enterprises may obtain permits for exploration and exploitation of areas with geothermal resources. • Only parties domiciled in Mexico can obtain permits for distribution and supply of natural gas. • Mexico has direct ownership of all hydrocarbons in the subsoil of the national territory. Only the Nation shall conduct the exploration and production of hydrocarbons, through entitlements and contracts. • Permit-holders for importing and exporting hydrocarbons, petroleum products and petrochemicals are only issued to Mexican residents
Opening up and providing businesses with greater transparency regarding investment in the mining sector	Vietnam	The Mining sector in Vietnam was previously, from a legal perspective, closed. Foreign investment in exploitation of minerals shall not be accepted unless the Vietnamese competent authorities believe it will be a net benefit to Vietnam.
First time commitments on investment in the mining sector, including coal	Brunei	
Locking in investment regimes, for the first time, for oil, gas and power development as well as future reforms	Brunei and Vietnam	**Vietnam Oil and Gas** • A contract with PetroVietnam is required for oil and gas activities in Vietnam, but priority may be given to Vietnamese organisations • The contract tenure, rights & obligations are subject to the Prime Minister's approval • PetroVietnam has the preemptive right to buy part or all of an oil and gas contract to be transferred. • Foreign investors may only supply flight operation services for oil and gas activities through joint venture contracts **Vietnam – Power Generation** • All measures reserved in respect to investment in hydroelectricity and nuclear power. • Foreign investments are not allowed to invest into the services incidental to energy distribution. • Foreign investment to own or operate power transmission facilities in Vietnam is not permitted. • Foreign investment in services incidental to energy distribution is not permitted. • Right to adopt or maintain any measure relating to investment in hydroelectricity and nuclear power reserved.

Australian suppliers of mining-related consulting, research and development, engineering, environmental, mining and technical testing and analysis services will achieve guaranteed access through new commitments	Chile (additional ACIFTA), Mexico and Peru	
Australia's privately-owned mining, oil and gas companies will be able to compete on a more level playing field with the large state-owned enterprises (SOEs) that dominate these sectors in some TPP countries through TPP commitments on SOEs.	TPP Area	
Australian investors can apply for an exemption from the 49 per cent foreign equity limit on foreign ownership of uranium mines, without first seeking a Canadian partner	Canada	An exemption is only permitted where Canadian participants in the ownership of the mining property are not available. Canada will not require that it be demonstrated that a Canadian partner cannot be found.
Prohibitions on the introduction of new export taxes and commitments for the elimination of existing export taxes	Malaysia and Vietnam	(Export tax schedules listed in Annex 2C to Goods Chapter). Malaysia provides a list, thereby committing to no new taxes, however it does not provide an elimination schedule. Vietnam does.
First time commitments guaranteeing access for Australian METS and oilfield goods and services providers to deliver cutting-edge goods, services and technologies to these markets	Brunei, Mexico and Vietnam	**Vietnam** Market Access restrictions removed on services incidental to mining. **Brunei** Engineering & integrated engineering services and related scientific and technical consulting services may only be provided if the foreign national/enterprise is resident in Brunei at least 90 days/year and registered with competent Authority, or, through a local enterprise; or, in JV or partnership with at least one qualified Bruneian national.

With regard to Brunei and market access in the oil and gas industry, the following excerpt from USTR National Trade Estimate report 2016 is interesting to note:

"Brunei's Local Business Development Framework seeks to increase the use of local goods and services, provide local employment, and develop Brunei businesses by placing requirements on all operators in the oil and gas industry in Brunei to meet targets in hiring and contracting. The Framework sets targets based on the sophistication of technology involved and the value of the contract. Under the TPP, while some of the less technology-intensive activities will be reserved to Bruneian enterprises, all other activities serving the oil and gas industry will be open to participation."

6.7 Transport and Logistics Services

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Locked in investment regime for freight transport (with a foreign equity limitation of 49%)	Malaysia	• Foreigners are not allowed to own more than 49% of equity shareholding in any entity supplying freight transportation services covering freight of containerised freight • Freight road transportation service providers must be registered and established in Malaysia
Locked in current investment regime for road freight transport services (including the foreign equity limitation of up to 51 per cent)	Vietnam	• Foreign investment to provide road passenger services only permitted through a business cooperation contract, a joint venture or the purchase of shares in an enterprise, not exceeding 49% • Subject to the needs of the market, the foreign equity limitation may be raised up to 51% • 100% of joint-venture drivers shall be Vietnamese citizens
Locked in investment regime in aviation (including the current 30 per cent foreign equity limitation)	Vietnam	• Foreign capital contribution or equity is restricted to no more than 30% of charted capital or shares of a Vietnamese airline A side letter to the TPP-11 provides that Vietnam will initiate and complete a process to provide certainty to investors in possession of 30 % charter capital or shares in a Vietnamese airline as at the date of TPP signature, that they will not be required to divest their share, to maintain compliant with the aggregate 30% foreign equity limitation. • At least 2/3 of the total members of the executive board of a foreign invested airline established in Vietnam must be Vietnamese
Guaranteed market access for Australian suppliers of ground-handling services	Japan, Chile, Mexico	The Chile and Mexico Annex II lists to TPP-11 each provide a positive list appendix[21] of sub-sectors for which Market Access limitations are removed, and both note new market access for ground handling services. In the case of Japan, no non-conforming measures are noted, and as such the sector is open[22]. It is also worth noting Japan secures in Annex II its right to adopt and maintain measures with respect to investments in or operation of airports. While this imposes some market access limitation in terms of commercial presence, Japan is making first time commitments on other modes of supply including cross-border and fly-in fly-out provision of consulting services.
Australia has secured commitments on commercial flight training	Brunei Darussalam, Chile, Japan, Mexico, New Zealand, Peru and Vietnam	

[21] The Non-Conforming Measures as listed in Annex I and II are 'negative lists', meaning the conditions for cross-border trade and investment are regarded as open unless specifically listed. The Appendices to country Annexes, where provided, are "positive lists", meaning the conditions of open market access only apply to the listed sub-sectors. These country-specific appendices only relate to Cross Border Trade in Services Market Access obligations, and are only included for few Parties.
[22] The Annexes are "Negative Lists" and the fact that an exclusion for access to airport services is not included in Japan's lists infers these services are open for cross-border trade.

6.8 Health Services

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Commitments will give Australian providers of private health and allied health services with greater certainty regarding access and operating conditions	Malaysia, Mexico and Vietnam	**Malaysia** • Private healthcare facilities and services can only be provided by service suppliers that are registered and established in Malaysia with authorisation • Foreigners are not allowed to establish blood bank, maternity home, psychiatric hospital, pathology laboratory or practice as general dental/medical/nurse (including midwifery) practitioners • Foreigners are not allowed to provide Specialised Dental Services, except in oral and maxillo-facial reconstructive surgery • Foreign pharmacists are not allowed to prepare, dispense, assemble or sell medicinal products • Foreigners are not allowed to provide allied health services **Mexico** Market access limitations removed on: - private hospital services - private services of clinical laboratories auxiliary to medical diagnosis - other private services auxiliary to medical diagnosis - dental prosthesis laboratory services. **Vietnam** Market access limitations removed on: - services provided by midwives, nurses, physiotherapists and para-medical personnel only and Vietnam reserves the right to adopt or maintain any measure with respect to: • Residential health facilities services other than hospital services • Other human health services • Social services

6.9 Ecommerce and Telecommunication Services

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Comments
Australian providers 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.	Vietnam	**Non-facilities based services:** • Foreign investment is only permitted through a joint venture or purchase of shares in a Vietnamese enterprise with foreign equity not exceeding 65%, or 70% in the case of virtual private networks. • This is a temporary measure with limitations removed after 5 years of TPP EIF. **Facilities based services:** • Basic Services - foreign investment only through JV or purchase of up to 49% of shares in licensed Vietnamese enterprise • Value added Services - foreign investment only through JV or purchase of up to 51% of shares in licensed Vietnamese enterprise. This will be increased to equity up to 65% within 5 years of TPP EIF. • Foreign investment up to 100% permitted in submarine cable transmission capacity landing at a licensed submarine cable landing station in Vietnam, and may sell such capacity to any licensed telecommunications operator in Vietnam including internet providers. **Satellite-based services:** Foreign suppliers are not allowed to provide satellite-based services unless the services are offered through commercial arrangements with Vietnamese licenced international satellite service suppliers (with some exceptions) Opportunities for foreign firms to form joint-ventures in the facilities-based sector are further restricted by a policy requiring facilities-based operators to be majority State-owned firms, limiting the pool of such partners. The share of the market accounted for by the top three telecommunications companies has grown to nearly 95%. In addition, the three largest telecommunications firms, which Vietnam had pledged to equitize, remain non-incorporated governmental assets. The Vietnamese government allows access to the Internet only through a limited number of Internet service providers, all of which are State-controlled companies or companies with substantial State control. The Vietnamese government restricts or blocks access to certain websites that it deems politically or culturally inappropriate. **Broadcasting** Vietnam requires that foreign pay TV providers use a local agent to translate into Vietnamese all movies and programming on science, education, sports, entertainment, and music before they are screened. Foreign-content providers must secure the services of a local editing company for post-production work (including translation, content review, and payment of a placement fee) in order for advertisements to be approved for placement in a Vietnamese broadcast. **Advertising Services** Restrictions with respect to online advertising requires Vietnamese advertisers to contract with a Vietnam-based advertising services provider in order to place advertisements on foreign websites, and requires any foreign websites to notify the Ministry of Culture, Sports and Tourism in writing of the name and main business lines of the provider that it has retained in Vietnam at least 15 days before publishing an advertisement.

Australian providers will also be able to apply to wholly own telecommunications ventures in Malaysia.	Malaysia	**Telecommunications** Malaysia allows 100 percent foreign equity participation in Applications Service Providers (suppliers which do not own underlying transmission facilities). However, in the case of telecommunications services for Network Facilities Providers and Network Service Provider licenses Australian investors are guaranteed a floor or 70% and up to 100% of equity depending on Ministerial discretion. Malaysia made limited GATS commitments on most basic telecommunications services and partially adopted the WTO Reference Paper on regulatory principles. The following classes/persons are ineligible to apply for an individual license in the supply of telecommunication services in Malaysia: • Foreign company • An individual or a sole proprietorship • A partnership The following are ineligible to register as a class licensee: • A foreign individual who is not a permanent resident • A foreign company Foreigners are not permitted to apply for Content Application Service Provider (CASP) services, meaning satellite, subscription broadcasting, terrestrial TV or radio broadcasting. **Advertising** Foreign content in broadcast commercials in Malaysia is limited to 20%. **Audio-Visual and Broadcasting** The Malaysian government maintains broadcast content quotas on both radio and TV programming. Eighty percent of TV programming must originate from local production companies owned by ethnic Malays and 60% of radio programming must be of local origin. Foreign investment in terrestrial broadcast networks is prohibited and is limited to a 20% equity share in cable and satellite operations. As a condition for obtaining a license to operate, video rental establishments are required to have 30% local content in their inventories.

Other market access barriers yet to be addressed are noted in the following excerpts from the USTR 2016 Trade Estimates Report[23]:

Canada - Telecommunications
Canada maintains a 46.7% limit on foreign ownership of certain suppliers of facilities-based telecommunications services (i.e. those with more than 10 percent market share), except for submarine cable operations. This is one of the most restrictive regimes among developed countries. Canada also requires that at least 80% of the members of the board of directors of facilities-based telecommunications service suppliers must be Canadian citizens. As a consequence of these restrictions on foreign ownership, the role of foreign firms in the Canadian market as wholly foreign-owned operators has been limited to that of resellers, dependent on Canadian facilities-based operators for critical services and component parts.

Mexico -Telecommunications
Some U.S. companies have expressed concern that, contrary to the spirit of the reform, difficulties persist in the efficient deployment of the telecommunications infrastructure necessary to provide comprehensive and quality services. Permits to install infrastructure such as cell sites must be obtained at a municipal level and the criteria to obtain these permits vary greatly among local governments. U.S. companies have reported a lack of

[23] USTR: 2016 National Trade Estimates Report.

transparency in the decision making process. The Mexican Ministry of Communications and Transportation (SCT) and the Mexican Federal Institute of Communications (IFT) are currently developing a voluntary national framework for the issuing of these permits, which will include incentives for municipalities that adopt it. A draft of these guidelines is slated for public consultation in August 2016.

6.10 Financial Services

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Guaranteed market access in all TPP countries for investment advice and portfolio management services to collective investment schemes, as well as insurance of risks relating to maritime shipping and international commercial aviation and freight	TPP Area	
In the TPP, countries have committed to allowing the supply of electronic payment services for payment card transactions into their countries on a cross-border basis	TPP Area	
Malaysia has agreed to replace its foreign equity caps with a screening regime. In addition, Australian insurance providers will be able to offer product liability and directors' and officers' liability insurance to Malaysians on a cross-border basis	Malaysia	Under Malaysia's Financial Services Act, the issuance of new licenses is guided by prudential criteria and a non-transparent "best interests of Malaysia" test. In determining the best interests of Malaysia, the central bank of Malaysia, Bank Negara, considers the contribution of the investment to promoting new high value-added economic activities, addressing demand for financial services where there are gaps, enhancing trade and investment linkages, and providing high-skilled employment opportunities. Bank Negara also sets controls on both foreign and local financial services. For example, interest rates on consumer savings accounts and fixed deposits are mandated. Fees on transactions are determined by the Association of Banks, but banks are not permitted to change these fees without Bank Negara approval. Partnerships between foreign insurers and foreign banks are not permitted, regardless of whether they are locally incorporated. Foreign banks are also not allowed to open Ringgit Correspondent Bank Accounts with local banks as Bank Negara considers this practice to make local banks conduits for "branching" by foreign banks. As a result, local banks are hesitant to partner with foreign banks to provide joint and seamless resources to U.S. multinationals. As part of the 2009 liberalization package for financial services, foreign equity limits were increased from 49% to 70% for domestic investment banks, insurance companies, Islamic banks, and Islamic insurance operators. Foreign equity above 70% is permitted on a case-by-case basis for insurance companies if the investment is determined to facilitate the consolidation and rationalization of the insurance industry. Currently, mutual fund providers are restricted from entering Malaysia and marketing or selling their products. Reinsurance companies are required to conduct more than 50%of their reinsurance business in Malaysia and must have 5% cession and local retention. Bank Negara currently limits foreign banks to four branches in Malaysia, subject to restrictions. For example, foreign banks cannot set up new branches within 1.5 km of an existing local bank. In addition, Bank Negara considers ATMs as equivalent to separate branches and it also has conditioned foreign banks' ability to offer some services on commitments to undertake certain back office activities in Malaysia.

Vietnam has increased its foreign equity cap for 'strategic' investors in joint stock commercial banks from 15 to 20 per cent	Vietnam	The TPP-11 locks in existing conditions. Vietnamese banking regulations make a distinction between domestic "joint stock" banks (commercial banks with any amount of private ownership) and "joint venture" banks (banks set up by joint venture agreement, typically between domestic and foreign partners). In January 2014, the ownership limit for a single foreign investor was raised from 15 to 20%, with a maximum ownership for all foreign investors to be capped at 30%. in domestic "joint stock" banks. The Vietnamese government can approve increases in foreign ownership above 30%, but no such approvals have been granted to date. Foreign equity in "joint venture" banks is permitted up to 49%, but no new joint venture banking licenses have been issued in the past few years. Foreign bank branches continue to face geographic network restrictions that are not imposed on joint stock banks or joint venture banks, such as being limited to one office per province. Foreign securities companies are permitted to establish 100% foreign-owned subsidiaries in Vietnam, but are limited to 49% ownership of local securities companies. The same ownership rule applies to fund management firms.
Singapore has committed to allowing Australian companies to provide brokerage services, on a cross-border basis, for insurance of maritime, aviation and transport-related risks	Singapore	

7 Investment Chapter

7.1 General provisions

The TPP-11 provides the basic investment protections found in Australia's other investment-related agreements including:

- National treatment
- Most favoured nation treatment
- "Minimum standard of treatment" for investments in accordance with customary international law principles
- Prohibition of expropriation that is not for public purpose, without due process, or without compensation; and
- Prohibition on "performance requirements" such as local content or technology localization requirements.

With regard to access to Australia, the TPP-11 raises the screening threshold at which TPP countries' investments in non-sensitive sectors are considered by the Foreign Investment Review Board (FIRB). In line with the Australia's approach in the North Asia FTAs, the threshold will increase from $252 million to $1,094 million.

- Investment in agricultural land and agribusiness will continue to be reviewed by FIRB at $15 million and in agribusiness at $53 million.[24]

- Proposed investments by government investors will also continue to be reviewed by FIRB, irrespective of size.[25]

7.2 Investor State Dispute Settlement (ISDS)

An ongoing concern with FTAs has been the use of ISDS on the basis that it gives companies the power to bring to bring lawsuits against governments if they enact laws that negatively impact their businesses.

The ISDS mechanism enables an investor from a TPP Party to initiate arbitration proceedings when:

- there has been a breach in terms of the investment obligations as outlined in the TPP-11 or an investment agreement, **and** importantly,
- only if the claimant has incurred a loss or damage as a result of the breach.

Further, an ISDS tribunal cannot order a government to change or amend its laws.

The ISDS also includes safeguards which preserve the right of the Governments to regulate in the public interest, including in the areas of health and the environment.

Finally it is worth noting that most of Australia's FTAs have included ISDS mechanisms including AANZFTA, AClFTA and AUSFTA; JAEPA however, did not include this mechanism.

[24] Annex II – Australia 5
[25] Annex I – Australia 4

7.3 Access to TPP Partner Countries

Specific sector or sub-sector investment related non-conforming measures are included in the tables of the previous section of this report noting access for cross-border services. Other general non-conforming measures worthy of note follow.

Canada

Canada's threshold for investment review will be increased to C$1.5 billion, with bids by foreign state owned enterprises subject to C$369 million threshold. (This commitment is only available to nationals of an original signatory to the TPP-11.) Foreign acquisition proposals under government review must demonstrate a 'net benefit' to Canada to be approved. The investment approval can also be contingent on meeting conditions such as minimum levels of employment and R&D, and this can be a barrier to some investments.

Japan

Screening "if investment is likely to cause an adverse effect to Japan's economy" applies to any investment in:

- forestry & fishery
- heat supply industry
- oil sector unless related to manufacturing organic chemicals
- telecommunications and internet based services
- biological preparations manufacturing
- all forms of transportation (air, freight forwarding, road passenger, railway, water)
- other (eg. leather manufacturing, security guard services, water supply)
- Aerospace Manufacturing

Mexico

Mexico's oil and gas sector was opened to private sector participation and greater private investment in power generation in 2014. Private companies can enter into competitive contracts for the exploration and extraction of hydrocarbons. The reform allows private companies to participate in downstream operations such as refining, petrochemicals, transport, retail and supply.

Certain other sectors or activities (e.g., forestry) are closed to foreign participation. Mexico also prohibits foreign ownership of residential real estate within 50kms of the nation's coasts and 100kms of its land borders (although foreigners may acquire use of residential property in these zones through trusts administered by Mexican banks). An interagency National Foreign Investment Commission reviews foreign investment in Mexico's restricted sectors, as well as investments in unrestricted sectors in which foreign equity exceeds 49%and which have a value greater than $165 million (adjusted annually). Under the TPP, foreign investors will be subject to a higher general threshold value that is the equivalent in Mexican pesos of $1 billion, adjusted annually based on the nominal growth rate of the Mexican Gross Domestic Product.

Investment in restricted activities may be contingent on employment training outcomes, technological contribution and other measures.

- No more than 10% of persons participating in a Mexican cooperative production enterprise (an enterprise whose members join their personal work with the purpose of producing goods or services) may be foreign nationals. Foreign nationals may not engage in general administrative functions or perform managerial activities.
- Only Mexican nationals can apply for a license to qualify as a micro-industry enterprise, and such enterprises many not have foreign persons as partners.

- Foreigners may not own land for agriculture, livestock or forestry purposes, however they may purchase up to 49% of shares in such a company. Ownership in companies is limited to up to 49% that:
  - sell or manufacture explosives and firearms
  - supplies fuel and lubricants for aircraft, vessels and railway equipment
  - printing or publication of daily newspapers
  - coastal fishing, freshwater fishing and fishing in the Exclusive Economic Zone, excluding aquaculture
  - provides education including higher and combined private educational services
  - provides legal services
  - concessionaire or permissionaire of airfields for public service

Peru
Peruvian law prohibits majority foreign ownership in the broadcast media sector[26]. Peruvian law also restricts foreign persons from owning land or investing in natural resources located within 50kms of its border, although the government may grant special authorization to operate within those areas. Under current law, foreign employees may generally not comprise more than 20% of the total number of employees of a local company (whether owned by foreign or Peruvian persons) or more than 30% of the total company payroll.

Vietnam
Vietnam's National Assembly passed a new Investment Law on November 26, 2014, that came into effect July 1, 2015. The most significant change in the new law was that the list of prohibited sectors for foreign investment has changed from a positive list to a negative list, which means that foreign investors can now invest in all sectors except six prohibited by law. An additional 267 sectors are subject to pre-approval by the National Assembly or the Prime Minister before a foreign investment can be made. The new Real Estate Law allows foreigners with a valid visa, foreign companies, and international organizations to obtain a certificate of land use rights for 50 years, but does not allow foreigners to own real estate. Foreign entities can also mortgage both the structures on the land and the value of the land use rights.

- Foreign investment to establish a commercial presence in the form of a branch is not permitted except for: legal, computer & related, management consulting & related, construction & related and franchising services.
- Investment in retail outlets must pass a Economic Needs Test (ENT), which includes consideration of the number of existing service suppliers in a particular geographic area, the stability of market and geographic scale. The ENT is a temporary measure and will be removed 5 years after the TPP EIF.
- Foreign organisations/persons may only acquire and use land-use rights in Vietnam in accordance with the law on land.
- Foreign investment in SOEs that import tobacco, oil products, publications, recorded media, aircraft & parts is not permitted.

Malaysia
Foreign investment in sectors such as retail, telecommunications, financial services, professional services, oil and gas, and mining is subject to restrictions, including limitations or, in some cases, prohibition, on foreign equity, and requirements that foreign firms enter into joint ventures with local partners. Pursuant to the National Land Code, foreigners must obtain prior approval from the relevant state authorities for any acquisition of land for agricultural, residential, or commercial purposes. These state authorities may impose conditions on ownership, including maximum thresholds on foreign equity in companies

[26] USTR National Trade Estimate Report 2016.

seeking to acquire land. Malaysia also maintains performance requirements that must be met to receive a customs waiver for manufacturing operations in Foreign Trade Zones.

- Only Malaysian nationals or permanent residents can register a sole proprietorship or partnership in Malaysia, except for Limited Partnership (LLP)
- Foreigners are not allowed to establish or join cooperatives societies

8 Movement of Natural Persons

8.1 Key principles

The Temporary Entry for Business Persons Chapter facilitates the entry and temporary stay of nationals and permanent residents to facilitate the pursuit of business or investment opportunities.

The Chapter sets out commitments by TPP parties in relation to categories of business persons eligible to apply for temporary entry, conditions of entry and length of stay. It is envisioned that the increased movement of business persons will support stronger and more diverse trade and investment relationships between TPP parties.

The categorisation of business persons and use of terminology vary from party to party. However there are six broad categories of business persons under which length of stay and conditions are set out – as outlined below.

Grant Thornton
An instinct for growth™

8.2 Key Outcomes for each TPP Country

A summary of the key outcomes on temporary entry for business persons is provided below. (A more detailed version is provided in Appendix 3.)

	a. Business Visitors	b. Intra-Corporate Transferees (ICT)	Includes Spouses & Dependents for same period?	c. Investors	Includes Spouses & Dependents for same period?	d. Professionals (Contractual Service Suppliers, Technicians)	Includes Spouses & Dependents for same period?	e. Installers and Servicers	f. Independent Executives (Persons Responsible for Setting Up a Commercial Enterprise)
1. Australia	Up to 3 months (6 months for service sellers)	**Executives:** up to 4 years (extendable) **Specialists:** up to 2 years (extendable)	Yes	(see a.)	No	up to 12 months (extendable)	Yes	up to 3 months	up to 2 years
2. Brunei	Up to 3 months (extendable)	3 years (extendable)	Yes	up to 3 months (extendable)	No	up to 12 months	Yes	up to 3 months (extendable)	N/A
3. Canada	Up to 6 months (extendable)	Up to 3 years (extendable)	Yes	Up to 1 year (extendable)	Yes	up to 1 year (extendable)	Yes	(See a.)	(see c.)
4. Chile	Up to 90 days (extendable)	up to 1 year (extendable)	Yes	Up to 1 year (extendable)	Yes	up to 1 year (extendable)	Yes	(See a.)	N/A
5. Japan	Up to 90 days (extendable)	up to five years (extendable)	Yes	Up to 5 years (extendable)	Yes	Up to 5 years (extendable)	Yes	N/A	N/A
6. Malaysia	up to 90 days	up to 2 years (extendable)	Yes	(see a.)	No	up to 12 months	No	(See a.)	N/A
7. Mexico	Up to 180 days	up to 12 months (extendable)	Yes	up to 12 months (extendable)	Yes	up to 12 months (extendable)	Yes	(See a.)	N/A
8. NZ	Up up 3 months in any calendar year	Up to 3 years	No	(see a.)	No	Up to 12 months + subject to economic needs test	No	Not exceeding 3 months in any 12-month period	N/A
9. Peru	up to 183 days	Up to 1 year (extendable)	No	Up to 1 year (extendable)	Yes spouses; no dependents	Up to 1 year (extendable)	Yes	up to 90 days (extendable)	(See c. Investors)
10. Singapore	up to 30 days	N/A	No	up to 30 days	No	N/A	Yes	N/A	N/A
11. Vietnam	up to 6 months	up to 3 years (extendable)	Yes	up to 3 years (extendable)	No	Up to 6 months (extendable)	Yes	(see d.)	Up to 1 year

LEGEND

Towards lower end of scale
Towards higher end of scale

Table 35: Summary of key outcomes on temporary entry for business persons

Grant Thornton
An instinct for growth™

8.3 Comparative Analysis

The movement of business persons outcomes under the TPP-11 are generally better than that achieved under prior Agreements.

The TPP-11 outcomes with Brunei and Vietnam are compared in the table below with AANZFTA outcomes, the TPP-11 Chile outcomes with AClFTA, Japan with JAEPA and TPP-11 Malaysia with MAFTA. In all cases the TPP-11 delivers the same or better outcomes; in the case of Malaysia the outcomes on balance are better under the TPP-11 with some minor caveats in limited situations (see red text).

	2. Brunei		4. Chile		5. Japan		6. Malaysia		11. Vietnam	
	TPPA	AANZFTA	TPPA	ACIFTA	TPPA	JAEPA	TPPA	MAFTA	TPPA	AANZFTA
a. Business Visitors	Up to 3 months + extension of up to 12 months	NA	Up to 90 days + extensions	(same)	Up to 90 days + extensions	(same)	up to 90 days	(same)	up to 6 months	up to 90 days
b. Intra-Corporate Transferees (ICT)	3 years + extensions up to 2 additional years	(same)	up to 1 year + extensions	(See a.)	up to five years + extensions	up to 1 or 3 years + extensions	**Senior Managers:** up to 2 years + extensions up to 10 years **Specialists or Experts**: up to 2 years + extensions up to 5 years, however no limit on number of specialists and no additional sector-specific	(same) Up to 10 years, however limited to 3* specialists per organisation and exceptions to duration limit**	up to 3 years + extensions	(same)
Includes Spouses & Dependents for same period?	Yes	No	Yes	(same)	Yes	(same)	Yes	No	Yes	No
c. Investors	up to 3 months + extension	NA	Up to 1 year + extensions	(See a.)	Up to 5 years + extensions	up to 1 or 3 years + extensions	(See a.)	(same)	up to 3 years + extensions	(same)
Includes Spouses & Dependents for same period?	No	(same)	Yes	(same)	Yes	(same)	No	(same)		(same)
d. Contractual Service Suppliers (CSS), Technicians, Professionals	up to 12 months (up to 2 years for energy sector professionals)	NA	up to 1 year + extensions	(See a.)	Up to 5 years + extensions	up to 1 or 3 years + extensions	CSS: up to 12 months, however no limitation on number of specialists and removal of some sector-specific limitations.	Up to 10 years, however limited to 3* specialists per organisation and exceptions to duration limit**	CSS: up to 6 months and much wider coverage of sectors	up to 90 days, limited to computer & related and engineering services
Includes Spouses & Dependents for same period?	Yes	NA	Yes	(same)	Yes	(same)	No	(same)	Yes	No
e. Installers and Servicers	up to 3 months + extension of up to 12 months	NA	(See a.)	(See a.)	N/A		up to six months	Up to six months	NA	NA
f. Independent Executives (Persons Responsible for Setting Up a Commercial Enterprise)	N/A	NA	N/A	(See a.)	N/A		N/A	N/A	Up to 1 year (includes spouses)	up to 90 days

LEGEND
TPPA delivers improvement
TPPA outcomes the same as comparative agreement
*More allowed subject to conditions including market testing
** Certain sector specialists are subject to reduced market access terms

Table 36: Comparison of outcomes for movement of business persons

Grant Thornton
An instinct for growth™

9 Government Procurement Access

9.1 Key principles

Once again, the TPP Parties commit to core disciplines of national treatment and non-discrimination. They also agree to publish relevant information in a timely manner to allow tenderers to access documentation and submit bids, and to assess bids on a non-discriminatory basis. Each Party has provided a positive list of entities and activities that are covered by the Chapter.

The TPP-11 marks the first government procurements commitments to Australia ever made by 6 of the TPP Parties. As AANZFTA and MAFTA do not include chapters on Government Procurement, the TPP provides first-time access to the Brunei, Vietnam and Malaysia Government Procurement markets. Further, the TPP-11 also provides first-time access to Canada, Peru[27] and Mexico, with whom we do not have other agreements in place.

9.2 Australia

The TPP-11 Government Procurement Chapter will apply when procurements equal or exceed the following thresholds:

Central Government

- Goods and services 130,000 SDR[28]
- Construction services 5,000,000 SDR

Sub-central government

- Goods and services 355,000 SDR
- Construction services 5,000,000 SDR

For the entities listed in Victoria, the Chapter does not apply to procurement of motor vehicles, nor any procurement by covered entities on behalf of non-covered entities. Also, Victoria's offer is only extended to Canada, Chile, Japan, Mexico and Peru, and is extendable to other TPP Parties upon negotiation of mutually acceptable concessions.

9.3 Access to Other TPP Parties

Thresholds

There is no uniformity of thresholds (or the monetary values) above which procurement is opened under the agreement, with the parties applying a broad array of thresholds.

Coverage of Central Government Entities

Most of the TPP Parties will open procurement of goods and services by central government entities at the GPA threshold of 130,000 Special Drawing Rights (SDRs). Three Parties will do so only after applying higher transitional thresholds: Brunei's threshold will reduce from 250,000 SDRs over 4 years; Malaysia's 1.5 million SDRs goods threshold over 7 years and its 2 million SDRs services threshold over 9 years; and Vietnam's threshold of 2 million SDRs will take 25 years to reduce. Mexico will apply its NAFTA threshold of $80,000 USD and

[27] Noting this section of this paper was prepared prior to PAFTA being signed.
[28] According to www.xe.com, which publishes the current rate of SDR (IMF Special Drawing Rights), as of 18 January 2016 1SDR = 2.01633 AUD.

Japan, Chile and Peru will apply thresholds up to 100,000 SDRs. All parties cover a wide variety of ministries and agencies.

Coverage of Sub-central Government Entities

- Australia, Canada, Chile, Japan and Peru cover sub-central government entities under the TPP, mostly on the basis that reciprocal treatment is received. One of the two thresholds used in the GPA are used: 355,000 SDRs for Australia and Canada and 200,000 SDRs for Chile, Japan and Peru.
- Malaysia, Mexico, New Zealand and Vietnam have excluded sub-central government entities from any commitments.
- Brunei and Singapore do not have any sub-central entities.

Coverage of Other Entities

For other entities, the parties apply nine different thresholds for goods and services, with the highest set at 400,000 SDRs, except Malaysia and Vietnam, which are allowed to apply much higher thresholds.

- The threshold for Vietnam's 38 covered entities (Vietnam New Agency, three national academies and 34 hospitals), will reduce from 3 million SDRs over 5 years to 2 million SDRs.
- Malaysia will start with a 2 million SDRs threshold and lower it to 150,000 SDRs after 7 years for goods and nine years for services. It will apply those thresholds to four entities: Malaysian Investment Development Authority, Malaysia External Trade Development Corporation, SME Corporation Malaysia and Malaysia Productivity Corporation.

Goods Coverage

The parties cover the procurement of all goods except those they explicitly exclude, and except defence procurement, where they limit their coverage to a positive list of goods. Of particular note, Vietnam will be able to set-aside from the obligations of the Chapter procurement of pharmaceutical products: 100% of the value of the contract in the first 3 years of the Agreement, 65% in the next 7 years, 60% in years 11-15 and 50% from year 16 and thereafter.

Services Coverage

The TPP-11 does not apply a uniform approach to coverage of services with 7 Parties using a negative list approach (all services are covered except those listed), and 5 using a positive list approach (only listed services are open), being Canada, Japan, Malaysia, Singapore and Vietnam.

Construction Services

Specific thresholds are provided for construction services by central, sub-central and other entities. The central government threshold is generally 5 million SDRs, with Malaysia, Mexico and Vietnam being the exceptions. Malaysia will reduce its threshold of 63 million SDRs over 20 years to 14 million SDRs, and Vietnam's 65,200,000 SDRs threshold will reduce to 8.8 million SDRs after 15 years.

All Parties, except Singapore, cover the procurement of all construction services, except those that they list. In addition, the TPP applies to build-operate-transfer contracts and public works concessions, except for three parties (Malaysia, Mexico and Vietnam), which take exclusions for them.

Transitional and Other Special Measures

Malaysia, Mexico and Vietnam will be permitted to maintain a wide array of offsets, set-

asides, price preferences and other special measures, including Malaysia's Bumiputera preferences. Some apply during a limited period; others are permanent. In addition, Brunei, Malaysia and Vietnam will be permitted additional time to implement several obligations, including establishing an impartial domestic review authority.

9.4 Comparative Analysis

As noted above, the TPP-11 marks the first government procurements commitments to Australia ever made by Brunei, Vietnam, Malaysia, Canada and Mexico. Of the other Parties, a comparative analysis was conducted in the case of:

- Chile under TPP-11 and ACIFTA
- Japan under TPP-11 and JAEPA

Comparative analyses of New Zealand, Peru and Singapore's TPP-11 offering against prior bilateral agreements with those countries was not conducted, in accord with the parameters of this brief.

Chile

Once the TPP-11 comes into force the Government Procurement thresholds under ACIFTA will no longer apply.

Generally speaking the TPP-11 will take precedence and indeed in terms of coverage includes 3 additional Central Government agencies not covered under ACIFTA.

Japan

The TPP-11 and JAEPA provide similar access including the same thresholds; the TPP-11 is superior however in terms of the following access:

- Central-government: two additional agencies are listed
- Sub-central: 8 additional 'designated cities' are listed
- Services access: positive list provided with wider access (16 additional sub sectors), including:
  - Management consulting services
  - Services related to management consulting
  - Primary education services
  - Secondary education services
  - Higher education services
  - Adult education services

10 Other aspects of note of the TPP text

10.1 Electronic Commerce

The TPP countries commit to ensuring the free flow of data across borders for service suppliers and investors, as well as mobile suppliers, where it is part of business activity. This free flow will be subject to public-interest regulation, for example to prevent spam, protect privacy, and fight cyber-crime.

The Electronic Commerce chapter will also prevent the spread of 'forced localization' of technologies and servers and help to more effectively guarantee the security and privacy of internet users.

10.2 Telecommunications

The Telecommunications chapter provides a framework of trade rules to help ensure the competitive supply of telecommunications services across the TPP region, benefiting telecommunications operators who seek to operate in TPP markets, as well as individual companies depending on telecommunications to access new customers. This competitive approach extends pro-competitive principles to mobile services, which is a burgeoning point of access to Internet and other services.

The TPP Parties commit to ensure major telecommunications providers in their countries provide interconnection, leased circuit services, co-location and access to polies and other facilities under reasonable terms and conditions.

10.3 State Owned Enterprises (SOEs) and Designated Monopolies

The SOE chapter is designed to ensure SOEs compete on commercial terms rather than relying on discriminatory regulation, subsidies, or favouritism. It promotes the following:

- Commercial considerations should drive commercial purchases and sales and should not discriminate against other Parties
- Foreign SOEs operating in a TPP country may not claim immunity and must be subject to impartial regulation
- Any non-commercial assistance provided to SOEs should not cause adverse effects to the interests of other TPP Parties
- Transparency regarding information on SOEs

A set of country-specific Annexes provide country-specific exceptions to the Chapter obligations (with the exception of Japan) as well as transition periods for those countries requiring additional time to meet the obligations.

For example Brunei's Annex IV Schedule permits all SOEs engaged in the petroleum industry to only purchase those services listed in Brunei's Annex I NCM from Bruneian enterprises. Brunei has made first time commitments on a large array of core and specialised oil and gas services – SOEs cannot discriminate in their purchases of these services. Brunei is preserving flexibility to accord preferential rates in the sale of natural gas or manufactured petrochemical products and their derivatives to both domestic and foreign entities operating in Brunei for the purposes of (a) power generation; (b) promoting foreign investment; or (c) promoting the development of economic activity. Brunei's entry on non-commercial assistance (NCA) is only with respect to the provision by the entities listed of the following specific services on a cross-border basis from Brunei into other markets: (a) marketing of

crude oil, liquefied natural gas, methanol and other petroleum products; (b) drilling mud supply services; (c) plug and abandonment services; (d) wireline services; and (e) asset integrity repair and maintenance services in the oil and gas industry, including power generation services. Brunei does not have flexibility to provide NCA to subsidiaries that it establishes in foreign markets to supply these or any other services.

Grant Thornton
An instinct for growth™

Section 2: Sector Focus Studies

11 Food and Fibre Sector

Definition: agriculture, fisheries, forestry, animal feed, textile, clothing, footwear and food and beverage manufacturing sector.

11.1 Overview

The TPP agreement grants new and enhanced market access in Canada and Mexico, countries with which Australia does not currently have a free trade agreement (FTA). It also expands market access into Japan, Vietnam, Malaysia, Chile and Brunei, being those countries that already has an FTA with Australia.

Tariff reductions are a core element of the TPP. In the TPP agreement, countries have committed to provide substantial market access for Australia by either phasing out most tariffs (many immediately), enacting meaningful tariff reductions, or allowing a specific quantity of imports at a lower duty (generally zero) through specified tariff rate quota (TRQ) volumes.

Tariff Elimination

Under the TPP agreement, tariff reduction or tariff elimination commitments apply to almost all agricultural goods. On entry into force 85% of agricultural tariff lines will enter Canada duty free and 75% will enter Mexico duty free. The TPP will also provide improved tariff preferences with those countries with which Australia already has FTAs:

- Canada will eliminate its tariffs on starch, inulin, wheat gluten, fruit, milk, cream, whey and yoghurt.
- Japan will provide improved tariff preferences for beef, pork, dairy products, grains and flours, dog/cat food, certain horticulture products, raw hides and leather, textiles and clothing.
  While the original Japan Schedule of tariff commitments under JAEPA included 891[29] line items that were excluded from tariff reduction commitments, there are no excluded goods under TPP-11; these goods are subject to tariff reduction, tariff elimination or TRQ access preferences.

[29] Japan's schedule of tariff commitments as originally negotiated under JAEPA includes 891 items that were excluded from tariff commitments, and these excluded goods were broken into three categories as follows:

Category	Description	Number
R	Excluded from tariff commitments but subject to renegotiation in year 5	137
S	Excluded from tariff commitments but subject to renegotiation in year 5 or in a year agreed to	67
X	Excluded from tariff commitments	687

- Malaysia will provide improved tariff preferences for live swine, tobacco, rice and alcoholic beverages.

TRQs

For some products, preferential market access will be provided through the creation of TRQs, which provide access for a specified quantity of imports at a preferential tariff rate, generally zero.

- Japan will provide access through TRQs for rice, wheat and wheat products, barley and barley products, malt, whey, milk powder, butter, evaporated milk, condensed milk, processed cheese, vegetables (preparations of leguminous vegetables), sugar-containing products, sugar and starch.
- Canada will provide access through TRQs for dairy products (milk and cream, milk powder, evaporated milk, condensed milk, butter, cheese and other dairy based preparations).
- Malaysia will provide access through TRQs for fluid milk.

Safeguards

To help farmers adjust to potential import surges, TPP provides for the limited use of safeguards, with Japan imposing safeguards for beef, pork, whey, oranges, and race horses.

11.2 Implications (opportunities/threats)

The TPP will have very little impact in terms of enhanced import competition in the Australian market. Australia already provides preferential access to all TPP Parties except Canada and Mexico, and the level of imports from these countries is extremely modest[30].

Australia has won modest market access improvements in TPP countries; new access to Canada and Mexico and enhanced access to Japan, Malaysia and Vietnam in particular. However, in tandem with better access for beef, lamb, dairy, sugar, processed foods and horticulture, the level of competition within those markets will be simultaneously enhanced.

On the positive side, a key benefit of the TPP will be enhanced access to global supply chains. TPP countries wishing to leverage the tariff preferences for prepared or processed foods and beverages will need to source their raw materials from countries like Australia, (or other TPP Parties) rather than countries not party to the TPP.

[30] In terms of agricultural goods Canada does represent enormous competitive pressure for domestic piggeries; however Australia's (MFN or base rate) tariff on pork is already 0%.

Opportunities	Threats
1. Mexico is a major dairy importer and as such the TPP improved access is an opportunity. 2. Canada and Japan have also provided improved dairy access 3. CSQ for sugar to Mexico, "if demand requires it 4. Japan has provided improved access for sugar and sugar containing preparations, with these goods largely excluded from tariff commitments in our prior FTAs. 5. Horticultural exports will benefit from market access improvements to Japan, Vietnam and Canada 6. Beef exports will benefit from access improvements with Japan and Mexico 7. Elimination of modest tariffs on lamb with Mexico and frozen mutton with Canada. (The pork and poultry improvements will have little impact as Australia exports very little in either sector.)	1. Australia's access preferences for Mexico do not match the preferences its key supplier, the US, enjoys under NAFTA. 2. The US will have a competitive edge over Australia in terms of access to Canada given its close proximity The competitive benefit Australia had in terms of access to Japan under JAEPA will be eroded by other TPP parties including NZ gaining preferential access. 4. Non-tariff barriers (and technical barriers to trade) are more significant than tariffs in the case of most agricultural goods sectors including horticulture markets. For example stone fruit or any fruit with seeds (berries) are prohibited imports into Japan for quarantine reasons.

Table 37: Implications for the food and fibre sector

11.3 Summary of TPP Access Benefits

11.3.1. Beef

In 2015, Victoria exported $248.7 million of beef to the TPP region, accounting for 16.6 % of the $1.5 billion shipped worldwide.

Japan

Live cattle: JAEPA provided an immediate but modest tariff reduction (or in other words, did not include a tariff elimination commitment), whereas under the TPP the tariff will be eliminated by year 16. As a result, exporters will need to initially use the JAEPA preferences until the TPP reductions catch up and then use the TPP preferences from year 4.

Beef: both JAEPA and TPP provide tariff reduction commitments, however the TPP tariff reduction is far superior to JAEPA in the longer term. Under the TPP the 38.5% tariff will reduce to 27.5% on EIF, 14.5% by year 13 and 9% by year 16 at which time the TPP beef commitments will be fully implemented.

JAEPA is marginally more favourable for frozen beef only in 2019 and 2020 (year 1 and 2 of TPP); exporters will need to switch to TPP preferences from year 3.

Bovine offal: offal defined as "cheek and head meat" with a base rate of 50%, will attract lower tariffs under JAEPA-TRQ until year 6 of the TPP, when TPP tariff reduction scheduling delivers a lower tariff (that continues to reduce to, and holds at, 9% from year 16). The TPP eliminates other bovine offal tariffs (12.8%-21.3%) within 15 years of EIF.

Processed bovine meat is subject to TRQ access under JAEPA; while under the TPP the 8.5% tariff will be eliminated within 15 years of EIF.

Canada

Beef access is provided through WTO-TRQ arrangements with duty free access for capped in-quota volumes; over quota volumes is subject to a 5-year tariff elimination schedule. The over quota tariff base rate is 26.5%.

Mexico

Beef: fresh/chilled tariff of 20% and beef frozen tariff of 25% eliminated by year 11.
Beef offal: tariffs eliminated on EIF.

11.3.2. Other Meat

In 2015, Victoria exported $242 million of 'other meat' (meat excluding beef, fresh chilled or frozen) to the TPP region, accounting for nearly 18% of the $1.37 billion shipped worldwide. Victoria also exported $23.23 million of prepared meat (salted, dried, prepared or preserved) to the TPP region, accounting for 82% of the $28.34 million shipped worldwide.

Japan

Live swine are treated more favourably under the TPP with tariff on swine under 50kg (base rate of 8.5%) eliminated on EIF, and live swine over 50kg tariffs eliminated by Year 16. These are excluded goods under JAEPA.

Swine meat benefits from TRQ access under JAEPA. Under the TPP Japan's current 4.3% tariff on fresh, chilled, and frozen pork cuts will receive an immediate 50% cut, with the residual duty eliminated by year 10. Japan's "gate price" system for these products will remain, but Japan will reduce the specific duty on pork cuts from its previous maximum charge of 482 yen/kg to 50 yen/kg by year 10. During the transition period, fresh, chilled, and frozen pork cuts will be subject to a safeguard that will allow for temporary duty increases when imports rise above a specified trigger level. Japan's tariffs and gate price system on processed pork products will be phased out over 11 years.

Swine offal: Under TPP, the frozen internal organs 8.5% tariff will be eliminated by Year 8, other items with tariff 482 yen/kg subject to tariff reduction and safeguard measures; and the balance of tariff lines of 4.3% or 8.5% eliminated by Year 10-11. (Under JAEPA, swine offal is an excluded good except for TRQ access for frozen internal organs.)

Pork salted/preserved: tariff of 8.5% or 1,035 yen/kg will be eliminated by Year 11 under TPP (excluded goods under JAEPA). Preparations of meat will also benefit under TPP; while they benefit from JAEPA-TRQ, under the TPP all items will be duty free by Year 6 to Year 16. Hams, shoulders and cuts are also subject to JAEPA-TRQ and tariff elimination by Year 11 under the TPP (subject to safeguard measures).

Poultry: benefits from TRQ access under JAEPA; under TPP tariffs of 8.5% or 11.9% will be eliminated by Year 6 and Year 11, providing tariff free access on all volumes.

Malaysia

Live swine: the TPP will eliminate tariffs on WTO-TRQ volumes, thereby making the MAFTA-TRQ redundant, and open access for live swine.

Swine meat: a TPP-wide TRQ provides duty-free access for 200MT of frozen swine meat and 2MT of fresh swine meat (growing at 1% pa over 15 years) and the over-quota volume tariff of 50% will be eliminated by year 16. Australian exporters will also be able to access MAFTA-TRQ for 6.27MT of fresh swine (in 2019 and growing at 5% p.a.) and 7.4 MT of frozen swine (in 2019 and growing at 8% p.a.) and benefit from an over-quota tariff of 25%. As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 9 of TPP, when the reducing over-quota tariff falls below the 25% level (which continues to reduce until duty free in Year 16).

Live Poultry: the TPP-11 provides duty free access for TPP-wide TRQ for 2,000,000 units of live poultry (growing at 1% p.a.) and over-quota tariff of 20% reducing in 16 annual stages to 10%. Australia also benefits from MAFTA-TRQ with duty free access to in-quota volumes of 372,063 units (in 2019 and growing at 1% p.a.) and over-quota volumes subject to 10%. As a result, Australian exporters of live chickens will benefit from duty free access to MAFTA-TRQ, a portion of the TPP-wide TRQ and as Australia already is subject to 10% over-quota tariff, a 16 year advantage on other TPP countries' over-quota access.

Poultry Meat: a TPP wide TRQ provides duty free access for 2MT of fresh/chilled poultry meat, 400MT of frozen poultry meat and 20,000MT of edible cuts of offal (growing at 1% p.a. over 15 years). The over quota tariff will be reduced from 40% and capped at 20% after year 15 onwards for fresh/chilled and frozen poultry meat, while the over-quota tariff will be capped at 20% from after year 10 for edible cuts of offal.

Australian exporters will also be able to access the MAFTA-TRQ for 3.42MT (in 2019 and growing at 5% Year 6 onwards) of fresh/chilled poultry meat, 20.9MT (in 2019 and growing at 3% Year 6 onwards) of frozen poultry meat and 346.87MT (in 2019 and growing at 3% Year 6 onwards) of edible cuts of offal and benefit from an over-quota tariff of 20%.

As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 10 of TPP for edible cuts of offal and year 15 for poultry meat , when the reducing over-quota tariff falls to 20% level (same level as under MAFTA).

Eggs: a TPP-wide TRQ provides duty free access for 70,000 eggs (duck and hen eggs for hatching) and 200,000 (other duck and hen eggs) (growing at 1% p.a. over 15 years).The over quota tariff will be reduced from 50% to 25% in 10 annual stages and capped at 25% after year 10 onwards.

Australian exporters will also be able to access the MAFTA-TRQ for 106,683 eggs (for each of duck and hen eggs for hatching) and 4,246,611 eggs (other hens eggs) and 5,308,132 (other ducks eggs) (growing at 1% p.a.) and benefit from an over-quota tariff of 10%.

As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes as the out of quota tariff rate (10%) is lower than that included in the TPP.

Vietnam

Chicken meat and offal are excluded goods under AANZFTA, except frozen livers with 20% tariff eliminated by 2020; under TPP all goods will have tariffs of 20-40% eliminated by Year 13. This makes TPP preferences better on all chicken goods except livers.

Turkey meat & offal: meat items are excluded goods under AANZFTA whereas under the TPP tariffs of 20-40% will be eliminated by Year 12; fresh offal requires the use of both agreements to get the best outcomes; frozen livers is worse under TPP but other frozen offal is better.

Other poultry meat & offal: most items are already duty free under AANZFTA, and are worse off under TPP (with tariff elimination by Year 11); other items being geese or guinea fowls and offal other than livers will require exporters to initially use AANZFTA

preferences until TPP rate dips below 5% after 2027, and then switch to using TPP preferences.

Canada

Poultry: specified aggregated volumes of certain poultry and related products are now accessible through TRQ under the TPP: this includes Broiler hatching eggs and chicks, Chicken, Turkey and Eggs. While the in-quota volumes enter duty free, the over-quota volumes revert to the MFN rate in most cases, and these are universally high, in the range of 155% to 253%.

Mutton: while the lamb base rate is 0%, tariffs of 2%-2.5% on frozen mutton will be eliminated on EIF.

Mexico

Pork base rate of 20% will be eliminated on EIF.

Lamb base rate of 10% tariff will be eliminated by year 8

Goat base rate of 20% tariff will be eliminated on EIF

Offal (bovine, swine, sheep, goat) base rate of 10% to 20% tariff eliminated on EIF, except arrachera inside & outside skirt tariff (20%) which will be eliminated by year 15.

Poultry: the 234% tariffs on chicken and turkey will be eliminated on most line items on EIF; the exception is fresh poultry not cut in pieces and fresh offal, in which case the tariff will be eliminated in year 5 on turkey and year 10 on chicken.

11.3.3. Seafood Products

In 2015, Victoria exported $139.5 million of seafood products to the TPP region, accounting for over 78% of the $177.4 million shipped worldwide.

Japan

Fish, including fish fillets: under the TPP tariff schedule the 3.5%-10% tariffs will be eliminated by Year 16. While a better outcome than JAEPA in most cases, a number of items reach duty free status more quickly under JAEPA.

Crustaceans, will be duty free under TPP by Year 11; however a number of items receive better preferences under JAEPA.

Vietnam

Fish, Crustaceans and Molluscs attract similar treatment under AANZFTA and TPP duty free under either) however some items (notably fish fillets) were only subject to tariff reduction under AANZFTA and will be duty free on EIF under the TPP.

Canada

Seafood tariffs will be eliminated on EIF under the TPP.

Mexico

Seafood tariffs will be elimated within 15 years of EIF and the majority on EIF under the TPP.

11.3.4. Dairy Products

In 2015, Victoria exported $833.3 million of dairy products to the TPP region, accounting for over 40% of the $2.1 billion shipped worldwide.

Japan

Milk and cream: while excluded goods under JAEPA, under TPP un-concentrated milk/cream will be subject to tariff reduction commitments. Concentrated milk/cream benefits from TPP-TRQ in addition to WTO-TRQ. Whipped cream with 25.5% tariff benefits from reduction of 50% of base rate on EIF and tariff elimination by Year 6

Whey: new access through TPP (excluded goods under JAEPA). WTO-TRQ out of quota volumes tariff of 25-35% will be eliminated by Year 6 – Year 21 depending on milk protein percentage, and Australia will benefit from new CSQ volumes. Furthermore, whey for feeding purposes will be duty free on EIF; subject to Safeguard measures.

Products consisting of natural milk constituents: WTO in-quota volumes subject to tariff reduction.

Butter and other fats and oils derived from milk; dairy spreads: Australia now has new access to Japanese markets through TRQ under TPP.

Buttermilk, yogurt & other fermented/acidified milk & cream:

- Yoghurt for WTO-TRQ: under JAEPA excluded goods; under TPP in-quota volumes subject to tariff reduction commitments (tariff to be reduced by 90% of base rate in 6 annual stages from EIF; hold at Year 6 level)
- Other Yoghurt (not for WTO quota) under JAEPA TRQ; under TPP duty free by Year 11.
- Powdered milk: under JAEPA excluded goods; under TPP TRQ in addition to WTO-TRQ volumes on some items, others subject to tariff reduction for WTO-TRQ in-quota volumes.

Cheese and curd: JAEPA provided a mix of excluded goods and JAEPA-TRQ access. Under TPP, in addition to WTO-TRQ, most tariffs up to 40% will be eliminated by Year 16.

- Bulk uncured cheese (22.4%) while excluded goods under JAEPA, will be duty free by Year 16 under the TPP.
- Uncured cheese used as materials for processed cheese (29.8%): JAEPA-TRQ and TPP –TRQ are now available; further under the TPP the over-quota volume tariff for low fat cream cheese will be eliminated by Year 16 and full fat cream cheese subject to tariff reduction.
- Grated/powdered cheese: under JAEPA duty free access volumes were capped under TRQ, and under TPP all volumes will be duty free by Year 16.
  This category includes fresh cheese (including Mozzarella, used for making shredded cheese.)
- Processed cheese: JAEPA-TRQ plus TPP-CSQ now available
- Blue veined cheese: JAEPA-TRQ, and under TPP, WTO-TRQ out of quota volumes subject to tariff reduction.
- Other cheese: JAEPA-TRQ, and under TPP WTO-TRQ out of quota volumes duty free Year 16.

Ice Cream and other edible ice (21 - 29.8%): Under JAEPA TRQ access for ice cream is provided and other edible ice products are excluded goods. Under the TPP ice cream will be subject to tariff reduction only, and other products in this category will be duty free Year 11.

Malaysia

Liquid Milk: in addition to WTO-TRQ, a TPP-wide TRQ provides duty free access for 300KL of milk (<1% fat), 2,000KL of milk (>1%<6% fat) and 1,000KL of milk (>6% fat) (growing at 1% p.a. over 15 years, open volumes after year 15). The over-quota tariff will be reduced in 15 annual stages from 50% and will be duty free from year 16 onwards.

Australian exporters will also be able to access the MAFTA-TRQ for 161.2KL of milk (<1% fat) and 24.6KL of milk (>6% fat) (growing at 3% p.a.) and 1,132KL of milk (>1%<6% fat) (growing at 9% p.a.) and benefit from an over-quota tariff of 20%.

As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 10 of TPP for milk when the reducing over-quota tariff falls below the 20% level (which continues to reduce until duty free in Year 16).

Canada

Specified aggregated volumes of dairy products will receive preferential access through TRQ. While the in-quota volumes enter duty free, the over-quota volumes revert to the MFN rate, and these are universally high, ranging up to 313.5%. In the case of butter substitutes and whey powder only, over-quota volumes are subject to 6 and 11 year tariff elimination schedules respectively.

The TPP-TRQ cover Milk, Cream, Skim milk powders, Milk powders, Cream powders, Concentrated milk, Yoghurt and buttermilk, Powdered buttermilk, Whey powder, Products consisting of natural milk constituents, Butter, Industrial cheese, Mozzarella and prepared cheese, Cheeses of all types, Ice cream and mixes and Other dairy.

TPP Parties will also benefit from duty free access for "within access commitments" (up to 7.5% tariff) for WTO-TRQ volumes.

Mexico

Mexico is a major importer of dairy product, primarily from the USA, which enjoys duty free entry of all products under NAFTA. Australia did not obtain equivalent access to Mexico; rather milk and cream, milk powder, evaporated milk, condensed milk, products consisting of natural milk constituents, butter, cheese and dairy-based preparations are subject to TPP-TRQ (modest aggregated volumes for 8 TPP countries), with over-quota volumes continuing to range up to 125%.

Some dairy-based preparations, such as ice cream, are subject to tariff elimination on EIF. Yoghurt and other buttermilk/acidified milk with 20% base rate will be duty free by year 10 and other products not covered under TRQ duty free by year 15.

Peru

Products subject to SPFP under the TPP Agreement are treated one of two ways in Peru's Tariff Schedule: either the *ad valorem* duty is eliminated on EIF and the SPFP duty remains in place; or the *ad valorem* duty is eliminated in 6 annual stages and the SPFP stays in place. Dairy products (milk and cream, butter and cheese) are subject to

SPFP provisions. Butter and other oils derived from milk will continue to attract SPFP duty only; the 9% tariff on dairy spreads will be eliminated on EIF.

11.3.5 Starches, Inulin & Wheat Gluten

In 2015, Victoria exported $67.5 million of starch, inulin and wheat gluten to the TPP region, accounting for 36.6% of the $185.6 million shipped worldwide.

Japan

While starches and inulin are excluded goods under JAEPA, (except wheat gluten which will be duty free 2024), under the TPP these items all benefit from TRQs providing preferential access for capped in-quota volumes. Japan provides a TPP-wide TRQ for aggregated volumes of 7,500 mt of starch per annum. The in-quota tariff will be the base rate of 119 yen/kg, reduced by 50% in 11 annual stages. Over quota volumes remain subject to the MFN rate.

Esterified starch received a 14,000 mt quota under JAEPA, whereas this item will be duty free in 5 years under the TPP.

Canada

- **Starches & inulin**: wheat starch and barley starch within access commitment tariff of 0.95c/kg and 0.83c/kg respectively eliminated. Over access commitment eliminated by year 11. Other starches/inulin 6.5% to 10.5 % tariff eliminated on EIF.
- **Wheat gluten:** within access commitment tariff of 7.5% tariff eliminated on EIF, over access commitment eliminated by year 11.
- **Albumin:** 6.5% tariff eliminated on EIF.
- **Milk protein substances**: over access commitment tariff of 270% eliminated on EIF.
- **Dextrins and other modified starch:** tariff 6.5%-8% eliminated on EIF.

Mexico

With base rates up to 15%, most items will be duty free on EIF; and the balance of items duty free by year 10.

11.3.6 Oil seeds

In 2015, Victoria exported $32.4 million of oil seeds to the TPP region, accounting for nearly 12% of the $267.20 million shipped worldwide.

Vietnam

Poppy Seeds: the 10% tariff will be eliminated by Year 11

11.3.7 Cereals & Flours

In 2015, Victoria exported $263.58 million of cereals and flours to the TPP region, accounting for over 30% of the $873.8 million shipped worldwide.

Canada

Under the TPP-11 all Canadian tariffs on cereals and grains will be eliminated on EIF.

Japan

The TPP-11 offers significantly better trade arrangements compared to JAEPA for grains and flours, as most goods were previously excluded under JAEPA. The TPP-11 provides TPP-wide TRQ for aggregated volumes of **wheat flour & pellets, barley, barley flour & pellets**; in-quota volumes are duty free and the MFN rate applies to over-quota volumes. In addition:

- **Rice:** the TPP provides a country-specific quota (CSQ) with duty free volumes of 6,000 MT in year 1 increasing to 8,400MT by year 13 and thereafter. Over-quota volumes will be subject to the MFN rate (341-375 yen/kg).
- **Wheat and meslin grain:** new TPP-CSQ access for in-quota volumes of 38,000 MT in year 1 increasing to 50,000MT by year 9 and thereafter. With a base rate of 55 yen/kg, the in-quota tariff will be reduced to 16.1% or 16.2% (depending on wheat class) in year 1 and continue to reduce to 9.4% or 8.5% (respectively) by year 9. The over-quota tariff will be the MFN rate.
- **Un-roasted malt:** in addition to JAEPA-TRQ, the TPP provides two benefits:
  - tariff elimination on WTO-TRQ in-quota volumes by Year 11; and
  - new CSQ with duty-free in quota volume access as follows.
  [72,000 MT in year 1 and thereafter, however, this includes JAEPA TRQ amounts. Under JAEPA: 24,080 MT in 2016 to 70,520 MT in 2022. From 2023, this CSQ shall not apply and only JAEPA quota quantity shall apply: 78,260 MT in 2023 and 86,000 MT in 2024 and thereafter.]
- **Roasted malt:** while excluded goods under JAEPA, the TPP provides new TPP-CSQ with duty-free access for 3000 mt per annum (over-quota volumes subject to MFN rate).
- **Maize**: WTO-TRQ in quota volumes duty free on EIF

Malaysia

Rice: Under the TPP-11, the current 40% tariff on rice will be eliminated over 11 annual stages.

Mexico

Wheat: Under the TPP-11, the current 67% tariff on wheat will be eliminated by year 11.

Barley: Under the TPP-11, the current 115% tariff on barley will be eliminated by year 6.

Vietnam

Rice: Under the TPP-11, the current 40% tariff on rice will be eliminated on EIF.

11.3.8 Fruits & Nuts and Fruit Juices

In 2015, Victoria exported $95.83 million of fruits and nuts to the TPP region, accounting for 12.7% of the $755.4 million shipped worldwide. Victoria also exported $12.9 million of fruit juices to the TPP region, accounting for nearly 69% of the $18.82 million shipped worldwide.

Japan:

- **Bananas/Plantains:** JAEPA delivers tariff elimination by 2024 if imported during 1 April to 30 Sep; TPP delivers tariff elimination by Year 11 all year round.
- **Pineapples:** JAEPA excluded goods; TPP duty free Year 11
- **Oranges**: Japan maintains an "out of season" tariff of 16% on oranges for 1 Jun to 30 Nov period; and an "in season" tariff of 32% for 1 Dec to 31 May.
  JAEPA delivered tariff elimination by 2024 on imports during 1 Jun to 30 Sep with no tariff commitments at other times of year.
  TPP extends the tariff reduction commitment for the 16% "out of season" tariff from 1 Jun to 30 Nov, with tariff eliminated by 2024. The higher "in season" 32% tariff will be eliminated by year 8 but is subject to safeguard measures.

TPP	JAEPA
1 June-30 Nov: (16% base) 0% by year 6 (2024). 1 Dec -31 Mar (32% base) 0% by Yr 8 + safeguard. 1 Apr – 31 May (32% base) 0% by year 6	1 June-30 Sep: (16% base) 0% by 2024. 1 Oct -30 Nov (16% base) x 1 Dec – 31 May (32% base) x

- **Grapes:** JAEPA delivers tariff elimination by 2021 for out of season grapes and 2024 for in season grapes; TPP on EIF
- **Preparations of Pineapple:** WTO-TRQ over-quota volumes benefits from tariff reduction (33 yen/kg base rate) and non-quota volumes will be duty free by Year 11 (excluded goods under JAEPA).
- **Orange juice and Apple juice:** in addition to access under JAEPA-TRQ, all items will be duty free by Year 11 under the TPP-11.
- G**round-nuts (peanuts)**: The in-quota tariff of 10% will be eliminated on EIF and the tariff on over-quota volumes of 617 yen/kg will be eliminated by Year 8.
- **Walnuts:** 10% tariff will be eliminated on EIF[31].

Canada

Most fruits have a base rate of 0%; however remaining tariffs of 8% - 14.5% will be eliminated on EIF under the TPP. This relates predominantly to fruit for processing (pears, quinces, cherries, peaches, prune plums and strawberries.)

11.3.9 Fresh & Processed Vegetables

In 2015, Victoria exported $53.4 million of fresh and processed vegetables to the TPP region, accounting for 18.7% of the $285.2 million shipped worldwide.

Japan

JAEPA excluded goods which relate to WTO-TRQ in-quota volumes of leguminous vegetables with tariff of 10% will benefit from tariff elimination commitments under TPP[32]. In addition:

- **Seaweeds and other algae:** under JAEPA those items which are excluded goods with tariffs up to 40% will be subject to tariff reduction under TPP; however items with 10.5% tariff (hijiki and wakame) are duty free under JAEPA and therefore get a worse deal under TPP with tariff reduction only.
- **Tomato puree and paste:** excluded under JAEPA, under TPP WTO-TRQ in quota volume eliminated by Year 6.
- **Peas:** the tariff on unshelled peas will be eliminated by Year 11 and shelled peas obtain new TRQ access (both shelled and unshelled are excluded goods under JAEPA).

11.3.10 Sugar and Confectionary

In 2015, Victoria exported:

- $15.5 million of **sugar, molasses and honey** to the TPP region, accounting for nearly 45% of the $34.6 million shipped worldwide.

[31] This benefits shelled Walnuts only, as Walnuts in shell are prohibited (codling moth) from Australia
[32] Noting Japanese quarantine restrictions only permits imports from Tasmania for broad beans, common beans and snow peas.

- $21.2 million of **sugar confectionary** to the TPP region, accounting for over 86% of the $24.5 million shipped worldwide.
- $95.2 million of **chocolate and preparations of cocoa** to the TPP region, accounting for 83.4% of the $114.1 million shipped worldwide.

Canada

Under the TPP-11 Tariffs on refined sugar (currently CA$30.86/tonne) will be eliminated by year 6.

Japan

The TPP-TRQ represents first time duty-free access for Australia for many **sugar** and **sugar-containing preparations**; under JAEPA these items were predominantly excluded[33] from tariff reduction commitments.

- **Sugar (beet and cane):** new TRQ access under TPP
- **Other Sugars:** new TRQ access under TPP and balance of items duty free by Year 11 with some exceptions staying at MFN rate.
- **Molasses:** duty free by Year 11 under TPP.
- **Coffee/ tea extracts containing sugar:** new TPP-TRQ access, and WTO-TRQ for products containing milk in-quota volumes subject to tariff reduction and the remainder duty free Year 11.
- **Chewing gum, candy, caramel:** chewing gum and caramel duty free Year 11 under TPP and candies captured by TRQ.
- **White chocolate and other candy:** subject to JAEPA-TRQ and benefit from additional TPP-TRQ**.**
- **Cocoa and cocoa preparations:** new access via TPP-TRQ for most items, with balance of items duty free by Year 11.
- **Fructose and Glucose:** the only items which Japan excluded from tariff commitments with Australia under the TPP.

Mexico

Mexico will grant tariff concessions on sugar to Australian under the TPP-11, only when domestic demand requires it, in the form of a "Country Specific Allocation on Sugar". This allocation is only for Australia: all other TPP countries are subject to the MFN tariff rate of 0.36 – 0.395 USD/kg on sugar content.

Vietnam

Elimination of in-quota tariffs on Vietnam's WTO sugar quota on EIF

11.3.11 Processed Foods & Beverages

In 2015, Victoria exported $222.2 million of edible products and preparations (nes) to the TPP region, accounting for 35.2% of the $630.5 million shipped worldwide. In addition, Victoria exported $43.64 million of alcoholic beverages to the TPP region, accounting for nearly 20% of the $218.8 million shipped worldwide.

Japan

Preparations of cereals, flour, starch or milk; pastrycooks' products: while predominantly excluded goods under JAEPA, under the TPP-11, WTO-TRQ in-quota

[33] Under JAEPA, cane and beet sugar, with the exception of high polarity sugar are excluded goods. High polarity sugar is subject to a reduced tariff with no tariff elimination commitment. Tariffs on "other sugars", (lactose, maltose etc) were eliminated under JAEPA.

volume tariffs will be eliminated in 6 years or subject to tariff reduction; and new TPP-TRQ access provided. This includes two country-specific TRQ (TPP-CSQ) and ten TPP-wide TRQ:

- **Soups/broths**: remaining 12% tariffs will be eliminated on EIF.
- **Vegetable protein:** WTO-TRQ in quota tariffs of 12.5% & 25% reduced; other vegetable protein duty free by Year 11.
- **Base for food supplements:** WTO-TRQ in quota tariffs of 12% to 25% reduced and new TPP-TRQ and TPP-CSQ.
- **Sugar syrup:** new TPP TRQ access.

Malaysia

Under MAFTA beer, wine, vermouth, fermented beverages and un-denatured ethyl alcohol are excluded goods. The TPP is more favourable, providing tariff elimination by Year 16.

Vietnam

- **Preparations of meat, of fish or of seafood**: generally better outcomes under TPP in the longer term, however with exceptions.
  In many cases AANZFTA only offers tariff reduction, whereas under TPP the tariffs will be eliminated by Year 4 to Year 10.

  This means in year 1&2 of TPP implementation the AANZFTA will provide Australian exporters with better tariff treatment across this category (chapter 16). After year 2, and depending on the specific item of goods in headings 1601 through 1605 however, exporters should swing over to TPP preferences in year 3, 4, 7, 8, 9, or 11.

- **Alcoholic beverages:** under TPP tariffs will be eliminated by Year 12 and under AANZFTA these goods are subject to tariff reduction only. However, due to the intersection of the AANZFTA reduction schedule and the annual reductions under TPP, it will be necessary for exporters to predominantly use TPP preferences but swing back and forth between AANZFTA preferences for periods of time to leverage the greatest benefits.

  For example, exporters of wine will need to use:
  - TPP in years 1-3, then
  - AANZFTA in years 4-7, and then
  - TPP from year 8 or 9 (given both agreements offer the same preferences in year 8)

Canada

While most wine line items have a duty-free base rate, under the TPP-11, remaining tariffs of 1.87c/litre to 28.16c/litre on sparkling wine, cider and spirits will be eliminated on EIF.

Mexico

Beer and champagne tariff of 20% eliminated on EIF;
Wine tariff of 20% eliminated by year 10 for products with a value of $5 USD or less per litre or by year 3 if of greater value.

Brunei Darussalam

All edible products and preparations are at base rate of 0% except alcoholic preparations, which has a base rate of $250.00/dal remaining in place from year 1 to 10 and eliminated in year 11.

11.3.12 Animal Feed

In 2015, Victoria exported $106.5 million of animal feed to the TPP region, accounting for 41.4% of the $257.1 million shipped worldwide.

Japan:

Dog or cat food put up for retail sale will be duty free by Year 6.

11.3.13 Textiles, Clothing and Footwear

In 2015, Victoria exported

- $9.34 million of hides and leather to the TPP region, accounting for nearly 1.7% of the $550.7 million shipped worldwide.
- $65.35 million of yarn and fabrics to the TPP region, accounting for nearly 59% of the $110.8 million shipped worldwide.
- $28.39 million of floor coverings to the TPP region, accounting for nearly 85.7% of the $33.1 million shipped worldwide.
- $38.63 million of clothing and footwear to the TPP region, accounting for nearly 59% of the $65.6 million shipped worldwide.

Japan

- **Raw hides:** under JAEPA WTO-TRQ in quota volumes excluded; under TPP duty free by Year 11.
- **Furskin**: excluded goods under JAEPA, duty free by Year 16 under TPP
- **Carpets**: duty free under JAEPA in 2021, and on EIF under TPP
- **Footwear**: excluded goods under JAEPA benefit from tariff reduction by Year 16 under TPP; around half the dutiable items are excluded goods. Other items subject to pooled quotas: in quota volumes excluded under JAEPA and tariff elimination by Year 11 under TPP.

11.3.14 Forestry Products

In 2015, Victoria exported $37.4 million of forestry products to the TPP region, accounting for 16% of the $232.6 million shipped worldwide.

Japan

Wood and wood articles are generally excluded under JAEPA and duty free by Year 11 under TPP

12 Medical Technologies and Pharmaceuticals

Definition: "pharmaceuticals, biotechnology and medical technologies including devices, ICT enabled healthcare products, diagnostics and other organisations involved in advancing health and wellness outcomes through the application of new technologies and thinking."

12.1 Overview

All Australian Medical Technologies and Pharmaceuticals goods already enter Japan, Malaysia, Chile and Brunei Darussalam duty-free.

In the case of Canada, Mexico and Peru, Australia obtains preferential market access for the first time and in the case of Vietnam, where the TPP provides a better outcome than the former access preferences to Vietnam under AANZFTA, these are shown below. In all cases however there are very few dutiable goods and these are predominantly eliminated on EIF.

12.2 Implications (opportunities/threats)

In 2015, Victoria exported $239.9 million of medical technologies and pharmaceuticals products to the TPP region, accounting for 24.6% of the $975 million shipped worldwide.

With regard to exports of goods in this sector however, the effect of TPP will be limited, since the majority of TPP countries already offer duty free access.

With regard to access for associated services for the medical technologies and pharmaceuticals sector, please refer to the professional services section below. In particular however, Australian providers of private health and allied services will gain greater certainty regarding operating conditions in Malaysia, Mexico and Vietnam.

In addition, the TPP commits all TPP Parties to provide non-discriminatory access for government procurement by health departments/ministries and bid for pharmaceutical and medical equipment government procurement contracts.

12.3 Summary of TPP Goods Access Benefits

12.3.1 Pharmaceuticals & Medicaments

In 2015, Victoria exported $56.2 million of pharmacy products, excluding medicaments to the TPP region, accounting for 21.5% of the $261.1 million shipped worldwide. Victoria also exported $99.5 million of medicaments (including veterinary) to the TPP region, accounting for 22.2% of the $447.8 million shipped worldwide.

Canada

Pharmaceuticals: the majority of items have a 0% base rate, however remaining dutiable items with base rates up to 6.5% are eliminated on EIF.

Vietnam

Pharmaceuticals: remaining dutiable items with tariffs up to 27% will be eliminated on EIF.

Mexico

Medicaments (incl veterinary): the majority of items have a 0% base rate, however remaining dutiable items with base rates up to 30% (for items such as elastic bandages) will now be eliminated on EIF (or by year 10 in a few cases).

Peru

Pharmaceuticals (excl medicaments): the majority of items have a 0% base rate, however those items with tariffs up to 9% will be eliminated on EIF.

12.3.2 Medical Electrodiagnostic Apparatus

In 2015, Victoria exported $4.44 million of medical electrodiagnostic apparatuses to the TPP region, accounting for nearly 30% of the $14.8 million shipped worldwide.

Mexico

Most items in this category are already duty free; tariffs of 5% on the two remaining dutiable items are now eliminated on EIF.

12.3.3 Medical instruments (including veterinary)

In 2015, Victoria exported $26.52 million of medical instruments, including veterinary to the TPP region, accounting for nearly 41.1% of the $64.5 million shipped worldwide.

Mexico

Most items in this category are already duty free (approx. three-quarters of line items); tariffs of 5% to 15% on remaining dutiable items either eliminated on EIF, or eliminated by year 5 or year 10.

12.3.4 Measuring and analysing instruments

In 2015, Victoria exported $53.2 million of measuring and analysing instruments to the TPP region, accounting for nearly 24.5% of the $186.8 million shipped worldwide.

Canada

Most items in this category already duty free; tariffs of 2% to 8.5% on remaining dutiable items will be eliminated on EIF.

Mexico

Most items in this category are already duty free (approx. three-quarters of line items); tariffs of 5% to 15% on remaining dutiable items either eliminated on EIF, eliminated over 5 years or 10 years.

12.4 Summary of TPP Health Services Access Benefits

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Commitments will give Australian providers of private health and allied health services with greater certainty regarding access and operating conditions	Malaysia, Mexico and Vietnam	**Malaysia** • Private healthcare facilities and services can only be provided by service suppliers that are registered and established in Malaysia with authorisation • Foreigners are not allowed to establish blood bank, maternity home, psychiatric hospital, pathology laboratory or practice as general dental/medical/nurse (including midwifery) practitioners • Foreigners are not allowed to provide Specialised Dental Services, except in oral and maxillo-facial reconstructive surgery • Foreign pharmacists are not allowed to prepare, dispense, assemble or sell medicinal products • Foreigners are not allowed to provide allied health services **Mexico** Market access limitations removed on: - private hospital services - private services of clinical laboratories auxiliary to medical diagnosis - other private services auxiliary to medical diagnosis - dental prosthesis laboratory services. **Vietnam** Market access limitations removed on: - services provided by midwives, nurses, physiotherapists and para-medical personnel only and

		Vietnam reserves the right to adopt or maintain any measure with respect to: • Residential health facilities services other than hospital services • Other human health services • Social services

13 New Energy Technology

Definition: renewable energy and the products, technologies and services that reduce energy consumption and enhance the productivity of its use.

13.1 Overview

It is extremely difficult to identify new energy products within the tariff nomenclature as many of the products and component parts are not identified uniquely for their renewable energy application.

A scan of tariff lines which fall under SITC 718 "Power generating machinery and parts" shows these products are subject to a 0% base rate in the Brunei, Chile, Malaysia, Japan, Peru and Vietnam tariff schedules. In the case of the Canada and Mexico tariff schedules, there are some dutiable goods, albeit relatively few.

A scan of tariff lines which are defined under the "APEC list of Environmental Goods"[34], which captures a broader range of tariff lines also shows the same outcome; only a few dutiable goods remaining in the Canada and Mexico tariff schedules.

13.2 Implications (opportunities/threats)

In 2015 Victoria exported $12.03 million of power generating machinery and parts (SITC[35] 718) to the TPP region, accounting for 17.8% of the $67.6 million shipped worldwide.

With regard to exports of goods in this sector however, the effect of TPP will be limited, since the majority of TPP countries already offer duty free access.

With regard to access for associated services for the new energy technology sector, please refer to the professional services section below.

13.3 Summary of TPP Goods Access Benefits

Canada

Most items in this category are already duty free; tariffs of 2% to 9.5% on remaining dutiable items will be eliminated on EIF.

Mexico

Most items in this category are already duty free however tariffs of 5-15% will be eliminated by year 10.

[34] http://www.apec.org/Meeting-Papers/Leaders-Declarations/2012/2012_aelm/2012_aelm_annexC.aspx
[35] Standard International Trade Classification: https://stats.oecd.org/glossary/detail.asp?ID=2466

14 Defence, Construction and Transport Technologies

Definitions:

- **Defence**: air, land and sea defence.
- **Construction**: residential and non-residential building, engineering construction including construction materials and technologies and related professional services.
- **Transport:** trucks and trailers, buses, rail vehicles, recreational vehicles including caravans and boats, specialty vehicles, automotive aftermarket manufacturing and aerospace components.

14.1 Overview

Australian exports of defence, construction and transportation goods already enter Japan, Chile and Brunei Darussalam duty-free.

The TPP delivers improved access to Malaysia for defence technologies, and improved access to Canada, Mexico, Peru and Vietnam in terms of the defence, construction and transportation sectors.

14.2 Implications (opportunities/threats)

In 2015, Victoria exported $516.14 billion of defence, construction and transportation products[36] to the TPP region, accounting for 18.2% of the $2.83 billion shipped worldwide.

The key TPP markets for these goods are New Zealand and Japan and in the case of all three, Australian goods already enter duty free.

The category of goods within this very large definition of defence, construction and transportation with the highest value is "passenger motor vehicles" (PMV), representing $1.43 billion in exports in 2015. With the closure of Ford, GM Holden and Toyota local vehicle assembly 2017, there is little opportunity there. However, the other categories in the top 5, and "aircraft, spacecraft and parts" and 'vehicle parts & accessories" in particular would appear to hold the best opportunity for growth.

Rank	SITC Description	ALL COUNTRIES $M	TPP COUNTRIES $M	TPP %	Key market
1	781 Passenger motor vehicles	1430.43	94.58	6.6%	NZ
2	792 Aircraft, spacecraft & parts	582.47	33.00	5.7%	Sing, CAN
3	784 Vehicle parts & accessories	291.09	163.85	56.3%	NZ, JPN
4	783 Road motor vehicles, nes	54.76	54.11	98.8%	NZ
5	782 Goods vehicles	50.12	19.33	38.6%	NZ

The TPP-11 will remove the last tariff barriers to goods in Canada, Peru, Mexico and Vietnam, but more importantly, ensure Australian content in global supply chains is considered originating content.

[36] SITC: 625 rubber tyres, 713 internal combustion piston engines, 722 tractors, 723 Civil engineering equipment & parts, 748 transmission shafts & parts, 781 PMV, 782 goods vehicles, 783 road motor vehicles nes, 784 vehicles parts & accessories, 785 motorcycles & cycles, 786 trailers, semitrailers & containers, 791 railway vehicles, 792 aircraft, spacecraft & parts, 793 ships & boats, 811 Prefab buildings, 891 arms & ammunition.

With regard to access for associated services, particularly with regard to the construction sector, please refer to the professional services section below.

In addition, the TPP commits all TPP Parties to provide non-discriminatory access for government procurement by defence departments/ministries for government procurement contracts of non-sensitive items. Australian architecture, engineering and other technical construction service suppliers will also be able to bid for government procurement contracts in Brunei, Canada, Mexico, Peru and Vietnam.

14.3 Summary of TPP Goods Access Benefits

Defence Technologies

It is extremely difficult to accurately identify all defence technology categories in the tariff nomenclature as not all items are classified in terms of their application; many items fall under aircraft and aircraft parts, metal components, electronic items and so on. Aircraft and aircraft parts are captured in the "Transport Technologies" section below.

14.3.1 Arms and ammunition

In 2015, Victoria exported $11.7 million of arms and ammunition to the TPP region, accounting for over 18% of the $64.9 million shipped worldwide.

This includes tanks and other armoured fighting vehicles, military weapons and other firearms, parts and accessories, bombs, torpedoes, missiles and similar.

Peru

All items in this category are subject to a base rate of 9%, and this will be eliminated on EIF.

Mexico

Most items in this category are already duty free, including tanks and firearms, parts and accessories. Bombs, torpedoes and other like explosives are subject to tariffs of 5-15% and these are eliminated by year 10.

Canada

While tanks are duty free all other categories of goods in this sector include dutiable items of 2-7.5% and these will all be eliminated on EIF.

Vietnam

While all arms and ammunition were excluded from tariff reduction commitments under AANZFTA, under the TPP all tariffs will be eliminated by year 11. Remaining dutiable items are certain firearms with tariffs of 30-34%; these will be eliminated by year 11 under the TPP.

Malaysia

While all arms and ammunition were excluded from tariff reduction commitments under MAFTA, under the TPP all tariffs will be eliminated by year 16. Tanks are currently duty free, however all other arms and ammunition are subject to tariffs of 5% or 30%. All items attracting 5% (military weapons and explosive devices) tariff will be eliminated on EIF; all items attracting 30% (revolvers and pistols and some parts and accessories) will be eliminated by year 16.

14.4 Construction Technologies

14.4.1 Civil engineering equipment and parts

In 2015, Victoria exported $19.5 million of civil engineering equipment and parts to the TPP region (principally NZ), accounting for over 34% of the $56.8 million shipped worldwide. These items enter all TPP countries duty free except in the case of Mexico.

Mexico

Most items in this category are already duty free; tariffs up to 15% on remaining dutiable items either eliminated on EIF or by year 10.

14.5 Transport Technologies

14.5.1 Aircraft, spacecraft and parts

In 2015, Victoria exported $33 million of aircraft, spacecraft and parts to the TPP region, accounting for 5.7% of the $582.5 million shipped worldwide.

All items in this category already enter all TPP countries duty free except for Canada and Mexico, with whom we do not have prior FTAs; most items are already duty free, however remaining tariffs of up to 11% in Canada and up to 15% in Mexico will all be eliminated on EIF.

14.5.2 Passenger motor vehicles and Vehicle parts and accessories

Victoria (or Australia for that matter) exports very few **passenger motor vehicles** (PMV) to the TPP region, with the minor exception being companies like Holden Special Vehicles exporting very low volumes.

In terms of TPP benefits therefore, it is more important to consider exports of **vehicle parts and accessories**. In 2015, Victoria exported $163.9 million of vehicle parts and accessories to the TPP region, accounting for 56.3% of the $291.1 million shipped worldwide.

Parts and accessories currently enter all TPP markets duty free, except Mexico, Canada and Vietnam. New Zealand and Japan are the largest export destinations in the TPP area.

Mexico

Most items in this category are already duty free, with some chassis attracting 30% and some other parts 5%; all remaining tariffs will be eliminated on EIF (except drum brake parts, which will be duty free by year 5).

Canada

Automotive parts and accessories tariffs of 6% will all be duty free on EIF, except for certain chassis where tariff elimination will be year 11.

14.5.3 Other vehicles and parts

In 2015, Victoria exported:

- $19.3 million of **goods vehicles** to the TPP region (predominantly NZ), almost 38.6% of the $50.1 million shipped worldwide.
- $54.1 million of **road motor vehicles nes** (tractors and vehicles for 10 people or more such as buses) to the TPP region, almost 99% of the $54.8 million shipped worldwide
- $19.65 million of trailers, **semi-trailers and containers** to the TPP region (predominantly NZ), almost 77.3% of the $25.4 million shipped worldwide
- $53.8 million of **transmission shafts and parts** to the TPP region (predominantly Japan and the US), almost 61.1% of the $88 million shipped worldwide.

Vietnam

New Trucks (10-70%): generally under AANZFTA subject to tariff reduction only and under TPP duty eliminated by year 13.

Used Trucks: also subject to tariff reduction under AANZFTA but only subject to a very small TPP-wide TRQ for used vehicles under the TPP (otherwise base rate up to 70% + $7,000).

New buses: buses specifically designed for airport use (5% tariff) subject to WTO-TRQ were excluded goods under AANZFTA and will have tariffs eliminated by 2031; other new buses (70% tariff) under AANZFTA are subject to tariff reduction (hold at base rate through 2021 and reduce to 50% in 2020), whereas under TPP items will be duty free by year 13.

Most used buses (other than those specifically designed for airport use) with 70% + $10,000 or $15,000 non-*ad valorem* tariff are subject to tariff reduction under AANZFTA (maintain base rate to 2021 and reduce to 50% 2022), whereas under TPP there is a very small TPP-wide quota for duty free used vehicles.

Transmission shafts & parts: line items currently subject to tariff reduction commitments only under AANZFTA (base rate up to 20%) will be subject to tariff elimination by year 8. Other line items receive better treatment under AANZFTA,

Mexico

Transmission shafts & parts: predominantly duty free, a few items with tariffs up to 15% eliminated by year 10.

New trucks & buses with base rate up to 30% tariffs eliminated on EIF

Used trucks & buses with base rate items of 50%, subject to tariff reduction of 47.5% on EIF and held at that level.

Trailers & semi-trailers: base rate predominantly 15% eliminated by year 10.

Canada

Trucks and Buses: most items attract a base rate of 6.1% which will be eliminated by year 11.

Trailers & semi-trailers: tariffs of up to 9.5% eliminated on EIF.

Ships & boats ($4.5 million), railway vehicles ($2.6 million) and motorcycles & cycles ($9.2 million) all represent minor export value to Victoria in 2015.

15 International Education

Definition: export of higher education, vocational education and training, English language training and secondary-school education, to both in-bound international students and students in offshore locations through Transnational Education (TNE) Partnerships and online programs.

15.1 Overview

International education in 2013/14 was Australia's fourth largest export and indeed has been Victoria's largest services export over the last decade. The value of Education as an export for Victoria was $4.705 billion in 2013/14, and remains the state's largest export.

Canada is viewed as a competitor and South East Asia and Latin America as priority markets. Access benefits obtained under the TPP-11 include priority markets and are in accord with the view that growth and stability in the sector relies on growth not only from inbound student programs, but offshore delivery, digital and online delivery and consultancy projects with global partners/governments[37].

15.2 Implications (opportunities/threats)

The TPP-11 provides a greater degree of certainty for service providers by locking in current access commitments to key existing markets, as well as markets with growth potential for Australian universities and vocational institutions. This includes current requirements such as the need for prior legal or government authorisation in Japan and Mexico.

Australian universities and vocational education providers will be also be able to pursue new opportunities to establish or expand a campus or institution in Brunei Darussalam, Japan, Malaysia, Mexico, Peru and Vietnam.

However the most promising development under the TPP-11 is a pilot program with Vietnam under which Australian universities will provide online education courses. If the pilot program is successful, an arrangement to deliver ongoing higher educational services will be negotiated.

Australian education providers will also be able to bid for government procurement contracts in primary, secondary and higher education services in Brunei, Japan, Canada, Malaysia, Mexico and Peru.

15.3 Summary of TPP Access Benefits

Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Commitments guaranteeing access to key existing markets and markets with growth potential for Australian universities and vocational institutions to deliver education services, including online education services	TPP area	**Japan:** Higher Education Providers must be supplied by formal education institutions, established by "school juridical persons" (established under the law of Japan) **Mexico:** Higher Education Services and Other Education Services (language education, special education and commercial training) market access limitations removed, and while not a market access limitation, prior authorisation is required from the Ministry of Public Education or the State authority.

[37] Victoria's Future Industries International Education Discussion Paper

Australian universities and vocational education providers will be able to pursue new opportunities to establish or expand a campus or institution	Brunei Darussalam, Japan, Malaysia, Mexico, Peru and Vietnam	The TPP-11 locks in existing conditions. **Malaysia:** 100 percent foreign equity participation is allowed in private universities, vocational schools, skills training centres, international schools, vocational schools for special needs
Malaysia has agreed that international schools can be 100 per cent foreign owned	Malaysia	(See previous comment)
Australian universities and vocational education providers will be able to offer a wider range of courses to Vietnamese students, including new and emerging technical disciplines	Vietnam	As per Side Letter to TPP-11, which states the two countries will seek to run a pilot program under which Australian universities provide online education courses. Pending success of the pilot program a services arrangement will be negotiated.
Vietnam has locked in the current percentage of Vietnamese students permitted to be enrolled in international schools and guaranteed that any future reforms which increase that percentage will be captured as a TPP commitment	Vietnam	Up to 10% of primary and middle school students of international schools may be Vietnamese; up to 20% in high schools.

Side Letter to the TPP-11 on Australian provision of Online Education to Vietnam
Australia will help Vietnam develop tools, prior to TPP-11 EIF, to enable Vietnam to:

a understand distance and blended learning delivery models;
b assess applications from Australian providers seeking to deliver higher education courses involving an online component; and
c evaluate the recognition of qualifications obtained through distance/blended online courses.

A pilot program will follow within one year of the TPP EIF, pending agreement from Vietnam, under which Australian universities would deliver wholly or substantially online courses in Vietnam. This could involve:

a establishing criteria to select Australian universities through an open Expression of Interest process;
b requesting proposals from Australian universities on a model for the delivery of a distance/blended course in Vietnam;
c establishing a selection committee to choose successful applications (noting a commercial presence in Vietnam by participating Australian universities would not be required);
d Courses would conform to the Vietnam Qualifications Framework (VQF) and lead to recognised qualifications; and
e Courses may cover all disciplines except national security, defence, political science, religion, Vietnamese culture and other fields of study necessary to protect Vietnamese public morals.

If the pilot program is successful, an arrangement to guarantee that Australian providers will be able to deliver higher education services (CPC923) and adult education (including foreign language training; CPC924) in Vietnam, wholly or partially online, will be negotiated.

16 Professional Services

Definition:

Professional, scientific and technical services – architectural, engineering design and technical services, legal and accounting services, management and related consulting services, scientific research services, advertising, market research and statistical services, computer system design and related information technology services and other consulting services.
Financial and insurance services – banking, insurance services, superannuation and funds management, financial planning and wealth management, investment banking and stockbroking.

16.1 Overview

Professional service exports from Victoria totalled $2.8 billion in 2013-14[38], with the major sub-sectors being legal, accounting and management consulting services; architectural and engineering services; computer services; and financial services. While exports are a small percentage of the output of this sector, (which contributes $63 billion or 18% of Victoria's Gross State Product), Asia in particular is regarded as offering strong export growth potential.

16.2 Implications (opportunities/threats)

The key implications of the TPP-11 are as follows:

- **Architectural, Engineering Design and Technical Services**
  - restrictions will be removed for most TPP countries, however temporary registration requirements remain in Malaysia.
- **Legal and Accounting Services**
  - new provisions for legal advice on a 'fly-in, fly-out' basis for various TPP countries. Specific regulatory requirements and restrictions remain in Malaysia, Mexico and Vietnam. Existing access in accounting, auditing and book-keeping services are confirmed in all TPP countries; including current restrictions in Japan, Malaysia and Vietnam.
- **Banking, insurance services, superannuation and funds management**
  - commitment to allow the supply of electronic payment services for payment card transactions on a cross-border basis. There are also changes to Malaysia and Vietnam regulations in regards to foreign equity caps; however they are still subject to strict government regulations which may result in limited opportunities for Australian banks and fund management firms.
- **Financial planning and wealth management**
  - guaranteed market access in all TPP countries for investment advice and portfolio management services to collective investment schemes, as well as insurance of risks relating to maritime shipping and international commercial aviation and freight.
- **Investment banking and stockbroking**
  - Singapore has committed to allowing Australian companies to provide brokerage services, on a cross-border basis, for insurance of maritime, aviation and transport-related risks.

With regard to government procurement, Australian firms have access to bid for:

- Legal services work in Brunei, Canada and Peru;
- Architecture and engineering contracts in Brunei, Canada, Chile, Mexico and Peru;
- Construction projects in Brunei, Canada, Mexico, Peru and Vietnam; and
- Accounting, auditing, book-keeping and taxation services in Brunei, Canada, Malaysia, Mexico, Peru and Vietnam.

[38] Source: Australia's Trade by State and Territory 2013-14, Department of Foreign Affairs and Trade

Grant Thornton
An instinct for growth™

16.3 Summary of TPP Access Benefits

	Outcome noted in DFAT Fact Sheets	Area the outcome applies to	Analysis
Legal Services	Provision of legal advice on 'fly-in, fly-out' basis	Brunei, Mexico, Malaysia, Peru	The TPP-11 locks in existing market conditions. **Malaysia** A foreign lawyer advising on non-Malaysian law may enter Malaysia for up to 60 days in a calendar year, subject to immigration approval. A foreign lawyer who has been authorized or registered to practice law in Malaysia is not subject to the 60-day limit. **Mexico** Lawyers licensed to practice in Australia will be permitted to form partnerships with lawyers licensed in Mexico, however the Mexican firm must have more Mexican partners than Australian partners. Australian lawyers may practice and provide legal consultations on Mexican Law, whenever they comply with the requirements for the exercise of the profession of a lawyer in Mexico.
	Licenses may be issued to foreign law firms to operate an international partnership with a Malaysian law firm or as a Qualified Foreign Law Firm (QFLF) without partnering with a local firm.	Malaysia	The TPP-11 locks in existing market conditions. Licenses may be issued to foreign law firms to operate an international partnership with a Malaysian law firm or as a qualified foreign law firm (QFLF) without partnering with a local firm. Foreign lawyers working in international partnerships or QFLFs must reside in Malaysia for not less than 182 days in any calendar year.
	Clarification that Australian lawyers and legal firms are permitted to work on contracts in Vietnam.	Vietnam	The TPP-11 locks in existing market conditions. Foreign lawyers are not permitted to advise/represent clients on Vietnamese laws unless they have graduated from a Vietnamese law college. Foreign lawyers may provide legal services in Vietnam, through the following forms: • Branches of foreign lawyers organisation • Wholly foreign limited liability law firm • Joint venture limited liability law firm • Partnerships between foreign lawyer organisations and Vietnam's law partnership
Construction, Engineering, Architecture	Architecture, engineering and quantity surveying service provider restrictions removed including requirement to be a Malaysian citizen to provide these services in Malaysia.	Malaysia	The TPP-11 locks in existing market conditions. Malaysia committed to ensure that any qualified person resident in Malaysia and registered with the relevant professional board may supply engineering services, and that engineering firms may establish with only a majority of the directors being registered professionals.[39]
	Guaranteed access for engineers including integrating engineering services, urban planners and architects	Brunei, Chile, Mexico and Peru	

[39] USTR: National Trade Estimate 2016

Accounting, Auditing	Existing access in accounting, auditing and book-keeping services maintained	All TPP countries	The TPP-11 locks in existing market conditions. **Malaysia** All accountants seeking to provide auditing and taxation services in Malaysia must register with the Malaysian Institute of Accountants before they may apply for a license from the Ministry of Finance. Under the TPP, citizenship or permanent residency requirements will be removed. **Japan** Public Accountants and Tax Accountants must be a qualified under the laws and regulations of Japan. An enterprise which intends to supply certified public accountants services is required to establish an audit corporation. **Vietnam** • Foreign service suppliers are not permitted to provide auditing services unless they have a local presence in Vietnam. • Measures in relation to Local Presence in provision of accounting, book-keeping and taxation services to be maintained.
	Guaranteed access for taxation service providers		

Grant Thornton
An instinct for growth™

Appendix

Appendix 1: Canada: TPP-wide TRQ

Appendix	Description	Tariff Classification	Base Rate	No. of items	TRQ volumes (aggregate for TPP area) - duty free (metric tonnes)
5	Milk	0410.10.20 0410.20.20	241% over access commitments	2	8,333 MT year 1 to 56,905 MT year 19 and subsequent years
6	Cream	0401.30.20	292.5% but not less than $2.48/kg over access commitments	1	500MT year 1 to 734MT year 14 and subsequent years
7	Skim milk powders	0402.10.20	201.5% but not less than $2.01/kg over access commitments	1	1,250MT year 1 to 11,014MY year 19 and subsequent years
8	Milk powders	0402.21.12 0402.29.12	243% but not less than $2.82/kg over access commitments	2	1,000MT year 1 to 1,138MT year 14 and subsequent years
9	Cream powders	0402.21.22 0402.29.22	295.5% but not less than $4.29/kg over access commitments	2	100MT year 1 to 114MT year 14 and subsequent years
10	Concentrated milk	0402.91.20 0402.99.20	259% but not less than 78.9¢/kg 255% but not less than 95.1¢/kg over access commitments	2	333MT year 1 to 2,587MT year 19 and subsequent years
11	Yoghurt and buttermilk	0403.10.20 0403.90.92	237.5% but not less than 46.6¢/kg 216.5% but not less than $2.15/kg over access commitments	2	1,000MT year 1 to 7,762MT year 19 and subsequent years
12	Powdered buttermilk	0403.90.12	208% but not less than $2.07/kg over access commitments	1	750MT year 1 to 970MT year 15 and subsequent years
13	Whey powder	0404.10.22	208% but not less than $2.07/kg over access commitments	1	1,000MT year 1 to 6,244MT year 10. Duty free year 11 and subsequent years
14	Products consisting of natural milk constituents	0404.90.20	270% but not less than $3.15/kg over access commitment	1	667MT year 1 to 4,552MT year 19 and subsequent years
15	Butter	0405.10.20, 0405.20.20, 0405.90.20	298.5% but not less than $4.00/kg 274.5% but not less than $2.88/kg 313.5% but not less than $5.12/kg over access commitment	3	750MT year 1 to 5,121MT year 19 and subsequent years
16	Industrial cheese	0406	245.5% but not less than $3.53/kg - $5.50/kg over access commitment	17	1,329MT year 1 to 9,076MT year 19 and subsequent years
17	Mozzarella and prepared cheese	0406	245.5% but not less than $3.53/kg - $5.11/kg over access commitment	4	483MT year 1 to 3,300MT year 19 and subsequent years
18	Cheeses of all types	0406	245.5% but not less than $3.53/kg - $5.50/kg over access commitment	17	604MT year 1 to 4,126MT year 19 and subsequent years
19	Ice cream and mixes	1806, 1901, 2105 & 2202	256% - 277% but not less than $1.15/6 per kg (except 2202.90.43 which is 256% but not less than $36.67/hl) over access commitment	6	1,000MT year 1 to 1,138MT year 14 and subsequent years
20	Other dairy	1517, 1901, 2106 & 2309	212% - 250.5% but not less than $1.64 - $2.91/kg over access commitment	9	1,000MT year 1 to 1,138MT year 14 and subsequent years
21	Broiler hatching eggs and chicks	0105.11.22 0407.00.12	238% but not less than 30.8¢ each 238% but not less than $2.91/dozen over access commitment	2	166,667 dozen year 1 to 1,138,093 dozen year 19 and subsequent years
22	Chicken	0105, 0207, 0209, 0210, 1601, 1602	238% - 253% but not less than $1.25 - $10.54/kg over access commitment	17	3,317MT year 1 to 26,745MT year 19 and subsequent years
23	Turkey	0105, 0207, 0209, 0210, 1601, 1602	154.5% - 169.5% but not less than $1.60 - $6.03/kg over access commitment	19	583MT year 1 to 3,983MT year 19 and subsequent years
24	Eggs	0407, 0408, 2106, 3502	163.5% but not less than 79.9¢/dozen; $1.52 - $6.12/kg over access commitment	8	2,783,333 dozen year 1 to 19,006,158 dozen year 19 and subsequent years

Grant Thornton
An instinct for growth™

Appendix 2: Japan: TPP-wide TRQ

No.	Description	Base Rate	No. of items	TRQ volumes - metric tonnes	In-quota Tariff: Duty Free	Additional to WTO TRQ
TWQ-1	Wheat Products	19.2% to 25%	5	7,500 MT year 1 to 10,000 MT year	✓	✓
TWQ-2	Food preparations made primarily of wheat	25%	4	15,000 MT year 1 to 22,500 MT year 7 onwards	✓	
TWQ-3	Wheat Flour, Pellets, Rolled & Food Preparations	12.5%-25%	16	5,000 MT year 1 to 7,500 MT year 6 onwards	✓	✓
TWQ-4	Uncooked Udon, Somen and Soba	34 yen/kg	1	100 MT year 1 and all subsequent years	✓	
TWQ-5	Food Prep'ns of Barley	19.2%-25%	5	100 MT year 1 to 115 MT year 6	✓	✓
TWQ-6	Barley Flour, Groats &	19.2%-25%	6	300 MT year 1 to 500 MT year 6	✓	✓
TWQ-7	Barley	39 yen/kg	1	25000 MT year 1 to 65,000 MT year 9 onwards	✓*	✓
TWQ-8	Fresh Cheese for Shredded Cheese production	29.80%	1	Aggregate quota quantity set by Japanese government	✓	
TWQ-9	Butter	29.8% + 985 to 1,159 yen/kg	5	39, 341 MT* year 1 to 45,898 MT* year 11 onwards	×	✓
TWQ-10	Skimmed milk powder	21.3% to 29.8% + 396 to 425 yen/kg;	6	20,659 MT* year 1 to 24,102 MT* year 11 onwards	×	✓
TWQ-11	Milk powder and butter milk powder	25.5% to 29.8% + 612 to 1,023 yen/kg	7	1,500 MT* year 1 to 2,250MT* year 11 onwards	×	✓
TWQ-12	Milk powder (used in chocolate prod'n in Japan)	25.5% + 612 to 1,023 yen/kg	(2)	20,000 MT* year 1 to 60,000 MT* year 11 onwards	✓	✓
TWQ-13	Food preparations containing cocoa	21.3%	1	5,500 MT in year 1 and thereafter.	×	✓
TWQ-14				4,000 MT in year 1 to 12,000 MT in year 11 onwards	✓	✓
TWQ-15	Prepared edible fats & oils	21.3%	1	1,500 MT year 1 to 2,300 MT year	×	
TWQ-16	Evaporated milk	25.5% + 509 yen/kg 21.3% + 254 yen/kg	2	1,500 MT year 1 to 4,750 MT year 6 onwards	✓*	✓
TWQ-17	Condensed milk	25.5% + 509 yen/kg 25.5% + 254 yen/kg	2	750 MT in year 1 and thereafter.	✓	✓
TWQ-18	Chewing gum and other sugar confec., w. cocoa	29.8%	2	180 MT in year 1 to 360 MT in year 11 onwards	✓	
TWQ-19	Cocoa preparations, containing added sugar	29.8%	4	2,700 MT in year 1 to 5,000 MT in year 11 onwards	✓	
TWQ-20	Coffee, tea mixes and food preparations and doughs	23.8% to 29.8%	13	8,600 MT in year 1 to 12,000 MT in year 11 onwards	✓	
TWQ-21	Prep'ns of peas, beans and leguminous vegetables	23.8%	3	380 MT year 1 to 800 MT year 6 onwards	✓	
TWQ-22	Candies, white chocolate and confectionary	25%	3	3,000 MT year 1 to 6,000 MT year 11 onwards	✓	
TWQ-23	Chocolate	10%	3	9,100 MT year 1 to 18,000 MT year	✓	
TWQ-24	Food preparations	29.80%	1	1,920 MT year 1 to 3,000 MT year	✓	
TWQ-25	Cane sugar under 98.5 polarimetric	35.30 yen/kg	1	20 MT year 1 to 25 MT year 11 onwards	✓*	
TWQ-26	Cocoa powder w. sugar	29.8%	1	5,000 MT year 1 to 7,500 MT year	×	
TWQ-27	Cocoa powder	28%	1	12,000 MT year 1 to 18,600 MT	×	
TWQ-28	Food preparations	28%	1	2,200 MT year 1 to 2,700 MT year	×	
TWQ-29	Food prep'ns containing more than 50% sucrose	29.8%	1	10,500 MT year 1 to 12,300 MT year 11 onwards	×	
TWQ-30	Food prep'ns-vitamins and sugar is largest ingredient	76.50 yen/kg 29.8%	2	50 MT year 1 to 75 MT year 6 onwards	✓	
TWQ-31	Food preparations containing sugar and dairy	29.8%	1	5,500 MT year 1 to 8,200 MT year 11 onwards	×	
TWQ-32	Sugar	47 yen/kg to 106.2 yen/kg	11	500 MT in year 1 and thereafter.	✓*	
TWQ-33	Starch	119 yen/kg	8	7,500 mt year 1 and thereafter	×	✓

Note 1	Over quota volumes for all TWQ is subject to MFN rate except two tariff classifications included in TWQ-8. Over-quota volumes of: 1. cream cheese containing fat content, by weight, not exceeding 45% is subject to staging category B16 with tariff elimination by year 16, and
Note 2	*Weight in whole milk equivalent metric tonnes using specified conversion factor.
Note 3	✓* = Duty Free with provisions, including import mark-up
Note 3	× = in quota volume tariff rate reducing, typically over 11 years and holding at that rate

Grant Thornton
An instinct for growth™

Appendix 3: Key Outcomes for each TPP Country: Temporary Entry for Business Persons

	1. Australia	2. Brunei	3. Canada	4. Chile	5. Japan	6. Malaysia	7. Mexico	8. New Zealand	9. Peru	10. Singapore	11. Vietnam
a. Business Visitors	**Business Persons (incl. for investment purposes)** up to 3 months **Service Sellers** 6-12 months	Up to 3 months + extension of up to 12 months	Up to 6 months + extensions	Up to 90 days + extensions	Up to 90 days + extensions	**Business visitors (service/goods sellers)** up to 90 days	Up to 180 days	Not exceeding aggregate 3 months in any calendar year	up to 183 days	up to 30 days	up to 6 months
b. Intra-Corporate Transferees (ICT)	**Executives & Senior Managers:** up to 4 years (extendable) **Specialists:** up to 2 years (extendable)	3 years + extensions up to 2 additional years	Up to 3 years + extensions	up to 1 year + extensions (conditions apply)	up to five years + extensions	up to 2 years + extensions every two years up to 5 years (specialists or experts) or 10 years (senior managers)	up to 12 months, with extensions of same period for up to 3 times	Up to 3 years	Up to 1 year + renewable consecutively (on conditions and see quotas)	N/A	up to 3 years + extensions
Includes Spouses & Dependents for same period?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes- subject to Peru's laws and regulations	N/A	Yes
c. Investors	(see a. Business Visitors)	up to 3 months + extension of up to 12 months	Up to 1 year + extensions	Up to 1 year + extensions	Up to 5 years + extensions	(see a. Business Visitors)	up to 12 months, with extensions of same period for up to 3 times	(see a. Business Visitors)	Up to 1 year + renewable consecutively **to the extent that the	up to 30 days	up to 3 years + extensions
Includes Spouses & Dependents for same period?	No	No	Yes	Yes	Yes	No	Yes	No	Yes spouses; no dependents	No	No
d. Professionals (Contractual Service Suppliers, Technicians)	**Contractual Service Suppliers (incl. Independent Professionals & Specialists)** up to 12 months + further stay	**Specialised professionals in energy sector** up to 2 years or for duration of contract, whichever is shorter. **Other Professionals** up to 12 months (initial 3 months + incremental 3 months extensions) or for duration of contract, whichever is shorter.	**Professionals and Technicians** (see list of specialty occupations) up to 1 year + extensions	**Independent Professionals and Technicians & Contractual Service Suppliers** up to 1 year + extensions	**Qualified Professionals (Legal, accounting or taxation service supplier), Independent Professionals** (see specialised areas), **Contractual Service Suppliers** (see specialised areas) Up to 5 years + extensions	**Contractual Service Suppliers & Independent Professionals** up to 12 months or for duration of contract, whichever is shorter	**Professionals and Technician-Professionals & Contractual Service Suppliers** up to 12 months, with extensions of same period for up to 3 times (see conditions and limitations - specialised fields of profession)	**Independent Professionals** Up to 12 months + subject to economic needs test	**Professionals & Technicians** (Specialised fields apply respectively) Up to 1 year + renewable consecutively (on conditions) **Contractual Service Suppliers** up to 90 days, renewable for one year	N/A	**Contractual Service Suppliers** Up to 6 months or for duration of the contract, whichever is shorter + extensions
Includes Spouses & Dependents for same period?	Yes	Yes	Yes	Yes	Yes	**No**	Yes	**No**	Yes	Yes	Yes
e. Installers and Servicers	up to 3 months	up to 3 months + extension of up to 12 months	(See a. **Business Visitors**)	(See a. **Business Visitors**)	N/A	(See a. **Business Visitors**)	(See a. **Business Visitors**)	Not exceeding 3 months in any 12-month period	(See d. **Contractual Service Suppliers**)	N/A	(see d. Professionals - Contractual Service Suppliers, Technicians)
f. Independent Executives (Persons Responsible for Setting Up a Commercial Enterprise)	**Person Responsible (and Spouses & Dependents)** up to 2 years	N/A	(see c. Investors)	N/A	N/A	N/A	N/A	N/A	(See c. Investors)	N/A	**Person Resonsible (and Spouses & Dependents)** Up to 1 year

LEGEND

Towards lower end of scale
Towards higher end of scale

Grant Thornton
An instinct for growth™

Appendix 4: Japan comparative analysis: TPP-11 vs JAEPA

× = TPP outcomes are worse than JAEPA ✓ = TPP outcomes are better than JAEPA ✓* = TPP outcomes are better than JAEPA (with exceptions) Both = Use of Both Agreements necessary	
Racehorses Under JAEPA: TRQ for 30 racehorses per annum and over-quota volumes subject to base rate of 3,400,000 yen each reducing to 1,700,000 yen by 2021. Under TPP: no TRQ but tariffs eliminated by Year 16. It will be necessary to keep using JAEPA-TRQ until 2021, when TPP tariff reduction reaches 1,700,000yen on open volumes and continues to reduce until eliminated by Year 16. TPP access is however subject to Safeguard measures.	Both
Live cattle Under JAEPA: tariff reduction (cattle under 300kg:38,250 yen/each reduced to 30,600 yen/each on EIF; larger cattle 63,750 yen/each reduced to 51,000 yen/each on EIF). Under TPP: tariff eliminated by Year 16. Once again exporters will need to initially use the JAEPA preferences until the TPP reductions catch up and then use the TPP preferences from Year 4.	Both
Live swine Under JAEPA: excluded goods[40]. Under TPP: live swine weighing less than 50kg tariff of 8.5% eliminated on EIF, other live swine tariffs eliminated by Year 16.	✓
Bovine Meat Both agreements provide tariff reduction only, however TPP tariff reduction is far superior to JAEPA. • TPP provides a reduction on fresh and frozen beef from 38.5% tariff to 27.5% on EIF (reducing to 20% by year 10 and 9% by year 16) • JAEPA is marginally more favourable for frozen beef only in 2019 and 2020 (27.3% and 26.6% respectively); thereafter TPP is better. JAEPA is higher on fresh beef with 2019 rate of 29.3%.	Both
Swine Meat Under JAEPA: TRQ access Under TPP: subject to JPR4 & JPR5 tariff reduction (from 361 and 482 yen/kg to 37.5 and 50 yen/kg by year 10); subject to Safeguard measures.	Both
Bovine Offal Under JAEPA cheek meat/head meat (tariff 50%) benefits from TRQ access Under TPP: subject to JPR3 tariff reduction and safeguard measures. As a result JAEPA TRQ will be advantageous until Year 4 when the TPP tariff becomes lower (and continues to further reduce to 9% from Year 14 onwards. The TPP eliminates other bovine offal tariffs (12.8%-21.3%) by Year 11, Year 13 and Year 16.	Both
Swine Offal Under JAEPA: excluded goods except TRQ for frozen internal organs Under TPP: the frozen internal organs 8.5% tariff eliminated Year 8, other items with tariff 482 yen/kg subject to JPR5 tariff reduction and safeguard measures; and the balance of tariff lines of 4.3% or 8.5% eliminated by year 10-11.	Both
Chicken Meat & Offal Under JAEPA TRQ access; under TPP tariffs of 8.5% or 11.9% eliminated Year 6 & Year 11.	Both
Swine Meat salted, in brine, dried or smoked Under JAEPA excluded from tariff reduction commitments; under TPP tariffs of 8.5% or 1,035 yen/kg eliminated by Year 11.	✓

[40] Excluded goods refers to goods excluded from tariff reduction or elimination commitment.

Beef Meat salted, in brine, dried or smoked Under JAEPA TRQ access; under TPP 8.5% tariff eliminated by Year 16	Both
Edible flours and meals of meat or meat offal Swine flours under JAEPA excluded goods and under TPP tariff eliminated by Year 11, subject to safeguards. Bovine flour under JAEPA TRQ access and under TPP tariff eliminated by Year 16.	Both
Fish, fresh or chilled, excluding fish fillets Of 27 dutiable items under JAEPA,17 are excluded goods; under TPP the 3.5%-10% tariff will be eliminated by Year 6-16 However TPP provides worse outcomes in some cases (8) with tariff elimination 5-14 years behind JAEPA.	✓*
Fish, frozen, excluding fish fillets Of 29 dutiable items under JAEPA, 21 are excluded goods; under TPP these items will be duty free by Year 16. 6 items are worse under TPP, with tariff elimination up to 14 years behind JAEPA. Mackerel and Swordfish are subject to tariff reduction only under JAEPA but will be duty free under TPP by Year 6 and Year 11 respectively.	✓*
Fish fillets and other fish meat, chilled Of 6 dutiable items under JAEPA, 5 were excluded from tariff reductions and will be duty free by Year 11 under TPP. 1 item is worse under TPP: Bluefin Tuna will be duty free 5 years later.	✓*
Fish fillets and other fish meat, frozen Of 15 dutiable items under JAEPA, 13 are excluded goods, but will be duty free by Year 11 under TPP. Swordfish result is also better under TPP (duty free Year 6 rather than tariff reduction only) however, Bluefin Tuna result is worse; and will be duty free 5 years later.	✓*
Fish, dried, salted or in brine Of 13 dutiable items under JAEPA, 12 are excluded goods and will be duty free under TPP by Year 11. 1 item is worse off however, salmon roe is duty free 9 years later under TPP.	✓*
Crustaceans (3.5-15%) Of 34 dutiable items under JAEPA, 20 are excluded goods and will be duty free under TPP by Year 11 3 items only receive tariff reduction under JAEPA but are duty free Year 6-Year 11 under TPP. The remaining 11 items are worse off under TPP with duty free status 14 years later.	✓*
Milk and cream Almost all items are excluded goods under JAEPA. Under TPP: Un-concentrated milk/cream in-quota volumes subject to JPR6 tariff reduction. Other items with 21.3% tariff eliminated by Year 11 or subject to JPR7, JPR8. Concentrated milk/cream under benefits from TPP-TRQ in addition to WTO-TRQ. Whipped cream under JAEPA reduces 25.5% tariff to 20.4% by 2019 whereas TPP delivers reduction of 50% of base rate on EIF and tariff elimination by Year 6	✓
Buttermilk, yogurt, & other fermented/acidified milk & cream Yoghurt for WTO-TRQ: under JAEPA excluded goods; under TPP in-quota volumes subject to JPR10. Other Yoghurt (not for WTO quota) under JAEPA TRQ; under TPP duty free by Year 11. Powdered milk: under JAEPA excluded goods; under TPP TRQ in addition to WTO-TRQ volumes on some items, others subject to JPR11 for WTO-TRQ in-quota volumes.	Both
Whey Under JAEPA all excluded goods; under TPP new TRQ access: WTO-TRQ out of quota volumes tariff of 25-35% will be eliminated by Year 6 – Year 21 depending on milk protein percentage, and CSQ volumes.	✓

Whey for feeding purposes will be duty free on EIF. Subject to Safeguard measures. Products consisting of natural milk constituents: WTO in-quota volumes subject to tariff reduction.	
Butter and other fats and oils derived from milk; dairy spreads Under JAEPA all excluded goods: under TPP -TRQ access.	✓
Cheese and curd JAEPA provided a mix of excluded goods and JAEPA-TRQ access. Under TPP, in addition to WTO-TRQ, most tariffs up to 40% will be eliminated by Year 16. Bulk uncured cheese (22.4%) excluded under JAEPA, duty free Year 16 under TPP. Uncured cheese used as materials for processed cheese (29.8%): JAEPA-TRQ and TPP –TRQ available, and under TPP over-quota volume tariff for low fat cream cheese eliminated by Year 16 and full fat cream cheese subject to tariff reduction. Grated/powdered cheese: JAEPA-TRQ, and under TPP all volumes duty free by Year 16. Processed cheese: JAEPA-TRQ plus TPP-CSQ Blue veined cheese: JAEPA-TRQ, and under TPP WTO-TRQ out of quota volumes subject to tariff reduction. Other cheese: JAEPA-TRQ, and under TPP WTO-TRQ out of quota volumes duty free Year 16.	Both
Ice Cream and other edible ice (21 - 29.8%): Under JAEPA TRQ access for ice cream, other products excluded goods. Under the TPP ice cream will be subject to tariff reduction only and other products duty free Year 11.	Both
Natural honey: JAEPA-TRQ however duty free Year 8 under TPP.	Both
Edible vegetables and certain roots and tubers (4.3 - 12.8%). Better outcomes under TPP except: onions, sweet corn, green soya beans, spinach, broccoli and some mixed vegetables. 19 JAEPA excluded goods benefit from tariff elimination commitments under TPP, with most vegetables duty free on EIF or by Year 6.	✓*
Fruit and nuts Chestnuts: 9.6% tariff eliminated 2024 JAEPA and 2029 TPP. Bananas/Plantains: JAEPA delivers tariff elimination by 2024 if imported during 1 April to 30 Sep; TPP delivers tariff elimination by Year 11 all year round. Pineapples: JAEPA excluded goods; TPP duty free Year 11 Oranges: JAEPA delivered tariff elimination by 2024 if imported during 1 June to 30 Nov; TPP delivers tariff elimination by Year 9 all year round (with safeguard) Grapes: JAEPA delivers tariff elimination by 2021; TPP on EIF Other fruit: if the TPP EIF is 2019, the TPP outcomes will be worse for seasonal bananas, figs, grapefruit, apples and cherries for the first 5 years.	✓*
Grains and Flours Wheat and meslin grain**:** excluded goods under JAEPA; under TPP, CSQ access. Barley**:** excluded goods under JAEPA; under TPP, TRQ access Maize: Excluded goods under JAEPA; under TPP, WTO-TRQ in quota volumes duty free on EIF Rice**: e**xcluded goods under JAEPA; under TPP, CSQ access Wheat and Other flours**: e**xcluded goods under JAEPA; under TPP new TRQ access Other flour: better outcomes under TPP with TPP- TRQ access Cereal groats, meal and pellets**:** predominantly excluded goods under JAEPA; under TPP new TRQ access Cereal grains otherwise worked: predominantly excluded goods under JAEPA; under TPP new TRQ access	✓
Malt, not roasted In addition to JAEPA TRQ, TPP provides tariff elimination on WTO-TRQ in quota volumes by Year 11 and CSQ for over quota volumes. **Malt, roasted** Excluded goods under JAEPA, TPP provides CSQ for out of quota volumes.	✓

Starches, inulin All excluded goods under JAEPA except wheat gluten (duty free 2024). Under TPP: Wheat Starch: TWQ-3 for WTO-TRQ out of quota volumes Maize Starch: WTO-TRQ in quota volumes subject to JPR13 and out of quota volumes TWQ-33 Potato, Cassava, Sago & Other Starch: WTO-TRQ out of quota volumes TWQ-33 Inulin: WTO-TRQ out of quota volumes TWQ-33	✓
Ground-nuts TPP: in quota tariff 10% eliminated on EIF and out of quota volumes 617 yen/kg eliminated Year 8. JAEPA: in quota tariff 10% eliminated by Year 9 and out of quota volumes excluded goods.	✓
Seaweeds and other algae Under JAEPA those items which are excluded goods with tariffs up to 40% will be subject to tariff reduction under TPP; however items with 10.5% tariff (hijiki and wakame) are duty free under JAEPA and therefore get a worse deal under TPP with tariff reduction only.	✓*
Animal or vegetable fats and oils Under TPP items are duty free on EIF or by Year 11; under JAEPA numerous excluded goods and numerous goods with tariff reduction only. Otherwise, generally better outcomes under TPP except: safflower oil, sesame oil and certain mixtures of vegetable fats and oil.	✓*
Meat/Seafood preparations Preparations of meat: under JAEPA TRQ, however under TPP all duty free by Year 6 to Year 16. Hams, shoulders and cuts: all JAEPA-TRQ access improved under TPP with tariff eliminated by Year 11 (subject to safeguard measures) Preserved bovine meats: under JAEPA-TRQ access, improved under TPP with duty free access by Year 11-Year 16. Preserved fish/seafood: sardines duty free under JAEPA but not duty free under TPP till Year 11. Seafood preparations containing rice excluded from JAEPA but duty free under TPP by Year 12	✓*
Sugar Sugar (beet and cane): excluded goods under JAEPA; new TRQ access under TPP Other Sugars: predominantly excluded goods under JAEPA; new TRQ access under TPP and balance of items duty free by Year 11 with some exceptions staying at MFN rate. Molasses**:** predominantly excluded goods under JAEPA; duty free by Year 11 under TPP.	✓
Sugar Confectionary Chewing gum, candy, caramel: excluded goods under JAEPA, chewing gum and caramel duty free Year 11 under TPP and candies captured by TRQ. White chocolate and other candy: subject to JAEPA-TRQ and benefit from additional TPP-TRQ**.** Cocoa and cocoa preparations: under JAEPA many excluded goods or goods with tariff reduction but not elimination and one JAEPA-TRQ for chocolate material used in chocolate manufacture. Under TPP no excluded goods and 7 new TPP-TRQ, with balance of items duty free by Year 11.	Both
Preparations of cereals, flour, starch or milk; pastrycooks' products. Under JAEPA of 142 dutiable items, 124 are excluded from tariff reduction commitments. Under TPP WTO-TRQ in-quota volume tariffs eliminated in 6 years or subject to tariff reduction; new TPP-TRQ access on WTO-TRQ out of quota volumes: 2 country-specific CSQ and 10 TPP-wide TRQ; other tariffs eliminated by Year 11, with the exception of preparations of rice flour and spaghetti/macaroni subject to tariff reduction only.	✓
Preparations of vegetables, fruit, nuts or other parts of plants. Generally equivalent or better outcomes under TPP. Notable differences: Tomato puree and paste excluded under JAEPA, under TPP WTO-TRQ in quota volume eliminated by Year 6. Peas unshelled excluded goods under JAEPA and duty free by Year 11 under TPP; peas shelled excluded under JAEPA and TPP provides TRQ access Pineapple excluded goods under JAEPA; under TPP out of quota volumes benefits from tariff	Both

reduction and other items duty free by Year 11 Orange juice and Apple juice access under JAEPA-TRQ; under TPP all duty free by Year 11.	
Coffee/Tea extracts Under JAEPA predominantly excluded goods; under TPP new TPP-TRQ access, and WTO-TRQ for products containing milk in-quota volumes subject to tariff reduction and the remainder duty free Year 11.	✓
Soups/broths: remaining tariffs up to 12% eliminated by 2019 under JAEPA, immediate under TPP.	✓
Food preparations, nes Under JAEPA predominantly excluded goods (33 of 40 dutiable items). Under TPP: Vegetable protein WTO-TRQ in quota tariffs of 12.5% & 25% reduced; other vegetable protein duty free by Year 11 Base for food supplement WTO-TRQ in quota tariffs of 12% to 25% reduced and new TPP-TRQ and TPP-CSQ. Sugar syrup new TPP TRQ access.	✓
Beverages, spirits and vinegar Generally better preferences under TPP except a few cases where tariff elimination under JAEPA is two years ahead: such as sparkling wine and port.	✓*
Dog or cat food, put up for retail sale Duty free under JAEPA 2024 and under TPP in Year 6.	✓
Tobacco and manufactured tobacco substitutes. Predominantly excluded goods under JAEPA and duty free by Year 11 under TPP	✓
Salt Duty free under JAEPA but not duty free under TPP till Year 11.	×
Plastics and articles thereof. Duty free by 2021 under JAEPA, duty free on EIF under TPP	✓
Raw hides and skins and leather Raw hides under JAEPA WTO-TRQ in quota volumes excluded; under TPP duty free by Year 11. Skins/Leather: generally JAEPA delivers duty free in 2024 and TPP in Year 11 Furskin excluded goods under JAEPA, duty free by Year 16 under TPP	✓*
Wood and wood articles generally excluded under JAEPA and duty free Year 11 under TPP	✓
Textiles, Clothing and Footwear Carpets: duty free under JAEPA 2021 and on EIF under TPP Footwear: excluded goods under JAEPA benefit from tariff reduction by Year 16 under TPP; around half the dutiable items are excluded goods. Other items subject to pooled quotas: in quota volumes excluded under JAEPA and tariff elimination by Year 11 under TPP.	✓*
Jewellery duty free 2024 under JAEPA on EIF under TPP	✓
Metal items Copper and articles thereof duty free under JAEPA; by Year 11 under TPP. Australia also has advantage with nickel goods: JAEPA duty free by 2021; Year 11 under TPP. Lead articles duty free by 2021 under JAEPA, by Year 11 under TPP Zinc articles duty free by 2024 under JAEPA, by Year 11 under TPP	×

Grant Thornton
An instinct for growth™

Appendix 5: Comparative Analysis: TPP vs MAFTA

× = TPP outcomes are worse than MAFTA ✓ = TPP outcomes are better than MAFTA ✓* = TPP outcomes are better than MAFTA (with exceptions) Both = Use of Both Agreements necessary	
Live Swine The TPP will eliminate tariffs on WTO-TRQ volumes, thereby making the MAFTA-TRQ redundant, and open access for live swine.	✓
Live Poultry In addition to WTP-TRQ, the TPP-11 provides duty free access for TPP-wide TRQ for 2,000,000 units (growing at 1% p.a.) and over-quota tariff of 20% reducing in 16 annual stages to 10%. However, Australia also benefits from MAFTA-TRQ with duty free access to in-quota volumes of 372,063 units (in 2019 and growing at 1% p.a.) and over-quota volumes subject to 10%. As a result, Australian exporters of live chickens will benefit from duty free access to MAFTA-TRQ, a portion of the TPP-wide TRQ and as Australia already is subject to 10% over-quota tariff, a 16 year advantage on other TPP countries' over-quota access.	Both
Swine Meat In addition to WTO-TRQ, a TPP-wide TRQ provides duty-free access for 200MT of frozen swine meat and 2MT of fresh swine meat (growing at 1% pa over 15 years) and the over-quota volume tariff of 50% will be eliminated by year 16. Australian exporters will also be able to access MAFTA-TRQ for 6.27MT of fresh swine (in 2019 and growing at 5% p.a.) and 7.14MT of frozen swine (in 2019 and growing at 8% p.a.) and benefit from an over-quota tariff of 25%. As a result, in addition to utilising 3 TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 9 of TPP, when the reducing over-quota tariff falls below the 25% level (which continues to reduce until duty free in Year 16).	Both
Poultry Meat & Offal In addition to WTO-TRQ, a TPP wide TRQ provides duty free access for 2MT of fresh/chilled poultry meat, 400MT of frozen poultry meat and 20,000MT of edible cuts of offal (growing at 1% p.a. over 15 years). The over quota tariff will be reduced from 40% and capped at 20% after year 15 onwards for fresh/chilled and frozen poultry meat, while the over-quota tariff will be capped at 20% from after year 10 for edible cuts of offal. Australian exporters will also be able to access the MAFTA-TRQ for 3.42MT (in 2019 and growing at 5% per annum) of fresh/chilled poultry meat, 20.9MT (in 2019 and growing at 3% per annum) of frozen poultry meat and 346.87MT (in 2019 and growing at 3% per annum) of edible cuts of offal and benefit from an over-quota tariff of 20%. As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 10 of TPP for edible cuts of offal and year 15 for poultry meat , when the reducing over-quota tariff falls to 20% level (same level as under MAFTA)	Both
Tobacco Under the TPP, the tariffs on tobacco products will be duty free by year 16. These items are excluded from a tariff reduction commitment under the MAFTA.	✓
Milk In addition to WTO-TRQ, a TPP-wide TRQ provides duty free access for 300KL of milk (<1% fat), 2,000KL of milk (>1%<6% fat) and 1,000KL of milk (>6% fat) (growing at 1% p.a. over 15	Both

years, open volumes after year 15). The over-quota tariff will be reduced in 15 annual stages from 50% and will be duty free from year 16 onwards. Australian exporters will also be able to access the MAFTA-TRQ for 161.2KL of milk (<1% fat) and 24.6KL of milk (>6% fat) (growing at 3% p.a.) and 1,132KL of milk (>1%<6% fat) (growing at 9% p.a.) and benefit from an over-quota tariff of 20%. As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes until year 10 of TPP for milk when the reducing over-quota tariff falls below the 20% level (which continues to reduce until duty free in Year 16).	
Eggs In addition to WTO-TRQ, a TPP-wide TRQ provides duty free access for 70,000 eggs (duck and hen eggs for hatching) and 200,000 (other duck and hen eggs) (growing at 1% p.a. over 15 years). The over quota tariff will be reduced from 50% to 25% in 10 annual stages and capped at 25% after year 10 onwards. Australian exporters will also be able to access the MAFTA-TRQ for 106,683 eggs (for each of duck and hen eggs for hatching) and 4,246,611 eggs (other hens eggs) and 5,308,132 (other ducks eggs) (growing at 1% p.a.) and benefit from an over-quota tariff of 10%. As a result, in addition to utilising three TRQ (WTO, TPP and MAFTA) in-quota duty free volumes, Australian exporters will need to use MAFTA preferences for over-quota volumes as the out of quota tariff rate (10%) is lower than that included in the TPP.	Both
Rice Under the TPP-11 the 40% tariff on Rice will be eliminated over 11 annual stages, reaching duty free in year 11. Under MAFTA the MFN rate will be held through 2022, and reduce from 2023 (30% for all rice other than "For animal Feeding" which is 15%) to 0% in 2026. The TPP-11 preferences are therefore better.	✓
Alcoholic Beverages: Under MAFTA beer, wine, vermouth, fermented beverages and un-denatured ethyl alcohol are excluded goods. The TPP is more favourable, providing tariff elimination by Year 16.	✓
Flat-rolled iron or non-alloy steel Under the TPP-11 the 25% tariffs on flat-rolled products of iron or non-alloy steel will be eliminated by year 8 or 11. Under MAFTA the few items still attracting a 5% tariff in 2019 will be eliminated in 2020. Therefore Australian exporters are better off under the MAFTA for all of these products.	×
Weapons Under the TPP, tariffs on weapons are either eliminated on EIF or reduced in 16 annual stages (tariff free from year 16 onwards). Under the MAFTA, these goods are excluded from a tariff reduction commitment.	✓

Grant Thornton
An instinct for growth™

Appendix 6: Comparative Analysis: TPP vs AANZFTA Vietnam Schedule

× = TPP outcomes are worse than AANZFTA ✓ = TPP outcomes are better than AANZFTA ✓* = TPP outcomes are better than AANZFTA (with exceptions) Both = Use of Both Agreements necessary	
Beef, f.c.f. duty free under AANZFTA but year 3 under TPP. **Meat of swine, sheep, goats, other meat and edible offal** TPP tariff elimination is 6-8 years behind AANZFTA for tariff elimination on swine, 4 years behind for sheep/goat, 5-11 years behind on offal	×
Poultry meat and offal, fresh, chilled or frozen. Chicken meat & offal: excluded goods under AANZFTA, except frozen livers with 20% tariff eliminated 2020; under TPP all goods will have tariffs of 20-40% eliminated by year 13. This makes TPP preferences better on all chicken goods except livers. Turkey meat & offal: meat items are excluded goods under AANZFTA and TPP provides a better outcome (tariffs of 20-40% will be eliminated by Year 12); fresh offal requires the use of both agreements to get the best outcomes; frozen liver is worse under TPP but other frozen offal is better. Other poultry meat & offal: most items are already duty free under AANZFTA, and are worse off under TPP (with tariff elimination by Year 11); other items being geese or guinea fowls and offal other than livers will require exporters to initially use AANZFTA preferences until TPP rate dips below 5% after 2027, and then switch to using TPP preferences.	Both
Fish, Crustaceans and Molluscs AANZFTA and TPP will be broadly equivalent (duty free under either) however some items (notably fish fillets) were only subject to tariff reduction under AANZFTA and will be duty free on EIF under the TPP.	✓
Dairy **Milk and cream, Buttermilk, yogurt, and other fermented/acidified milk & cream** All items duty free under AANZFTA and eliminated under TPP in year 3-5. **Butter and dairy spreads, cheese and curd** The TPP elimination schedule is generally 1-2 years behind AANZFTA.	×
Birds' eggs: The outcome is worse under TPP with duty free entry four years after AANZFTA	×
Vegetables and Fruit: all items are duty free under AANZFTA whereas under TPP elimination schedule will take up to 8 years to catch up.	×
Cereals Most cereals are duty free under both agreements however some rice items will benefit from tariff elimination on EIF under TPP (AANZFTA by 2020)	✓
Poppy Seeds: TPP delivers better outcome (excluded item under AANZFTA but eliminated by Year 11 under TPP). [The TPP is 4 years behind in tariff elimination of other oil seeds and flours.]	✓
Preparations of meat, of fish or of seafood Generally better outcomes under TPP in the longer term, however with exceptions. In many cases AANZFTA only offers tariff reduction, whereas under TPP the tariffs will be eliminated by Year 4 to Year 10. This means in year 1&2 of TPP implementation the AANZFTA will provide Australian exporters with better tariff treatment across this category (chapter 16). After year 2, and depending on the specific item of goods in headings 1601 through 1605 however, exporters should swing over to TPP preferences in year 3, 4, 7, 8, 9, or 11.	Both
Beverages Tariff treatment on non-alcoholic beverages is worse under TPP; duty free under AANZFTA and TPP tariff elimination by Year 8. Alcoholic beverages are subject to a more confusing set of circumstance. Under TPP tariffs will be eliminated by Year 12 and under AANZFTA these goods are subject to tariff reduction only. However, due to the intersection of the AANZFTA reduction schedule and the annual reductions under TPP, it will be necessary for exporters to predominantly use TPP preferences	Both

but swing back and forth between AANZFTA preferences for periods of time to leverage the greatest benefits. For example, exporters of wine will need to use: • TPP in years 1-3, then • AANZFTA in years 4-7, and then • TPP from year 8 or 9 (given both agreements offer the same preferences in year 8)	
Tobacco Unmanufactured tobacco & tobacco refuse: TPP-wide TRQ (for aggregated volume of 500 MT in year 1 to 975 MT in year 20 and unlimited access from year 21) should be utilised until AANZFTA preferences deliver duty free unlimited access in 2020. Cigars & cigarettes & all other tobacco products: better outcomes with tariff elimination by Year 16 under TPP.	Both
Salt: In addition to WTO-TRQ access, over-quota volumes attract tariffs of 5-7% under AANZFTA and these will be eliminated by 2020; under TPP tariff elimination is Year 11.	×
Petroleum oils and oils obtained from bituminous minerals, other than crude: All items excluded goods under AANZFTA; all tariffs eliminated by Year 11 under TPP	✓
Pharmaceuticals: Remaining dutiable items all duty free on EIF under TPP; under AANZFTA duties eliminated by 2020 or subject to reduction staging only.	✓
Plastics and articles thereof Polymers of vinyl chloride or of other halogenated olefins, in primary forms better under TPP with most products duty free on EIF (AANZFTA tariff reduction only) All other plastics items are worse off under TPP with goods duty free under AANZFTA and TPP lagging by 4 years.	✓
Retreaded or used pneumatic tyres of rubber: Excluded goods under AANZFTA; duty free by Year 11 under TPP	✓
Paper: Newsprint, uncoated paper and paperboard, tissues: better outcomes under TPP which offers tariff elimination on EIF or by 2022, whereas under AANZFTA there are tariff reductions but the tariff holds at 5% from 2022 onwards. [Uncoated kraft paper and paperboard are treated more favourably under AANZFTA]	✓
Iron and steel: Exporters will need to check specific items carefully in Chapter 72: range of products better or worse under TPP and a range of products that will be better under each of the agreements for the same item but over different periods.	Both
Miscellaneous articles of base metals: the TPP offers more advantageous tariff treatment for padlocks and associated goods.	✓
Motor Vehicles for transport of 10 people or more (eg buses) New buses: buses specifically designed for airport use (5% tariff) subject to WTO-TRQ were excluded goods under AANZFTA and will have tariffs eliminated by 2031 under TPP; other new buses (70% tariff) under AANZFTA are subject to tariff reduction (hold at base rate through 2021 and reduce to 50% in 2020), whereas under TPP items will be duty free by year 13. Most used buses (other than those specifically designed for airport use) with 70% + $10,000 or $15,000 non *ad valorem* tariff are subject to tariff reduction under AANZFTA (maintain base rate to 2021 and reduce to 50% 2022), whereas under TPP there is a very small TPP-wide quota for duty free used vehicles.	Both
Passenger motor vehicles, including station wagons and racing cars As Australia is about to cease vehicle production (and has no current vehicle exports to Vietnam) the only export of very modest interest are modified vehicles such as ambulances and prison vans (10% tariff): ambulances are excluded goods under AANZFTA but will be duty free by Year 12 under TPP; prison vans are better under AANZFTA will tariff reduction in 2020 versus Year 8 under TPP.	Both
Motor vehicles for the transport of goods New Trucks: generally under AANZFTA subject to tariff reduction only and under TPP duty eliminated Year 13. Used Trucks: also subject to tariff reduction under AANZFTA but only subject to a very small TPP-wide TRQ for used vehicles under the TPP.	Both
Parts and accessories of the motor vehicles of headings 87.01 to 87.05: AANZFTA is the better agreement for all items in this category with goods already duty free. Under TPP, elimination will occur between years Year 6-Year 11.	×

Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons, and parts of such vehicles: TPP is the better agreement with tariff elimination on EIF. Under AANZFTA, this is an excluded good with no duty relief.	✓
Fishing vessels; factory ships and other vessels for processing or preserving fishery products: TPP is the better agreement for most items in this category with elimination occurring in Year 3. Under AANZFTA, these items are unbound with no tariff relief. There are two exceptions to this for vessels sized of a gross tonnage exceeding 250 but not exceeding 4000 which are currently free under AANZFTA, Under TPP, these become free in Year 3.	✓
Military weapons: TPP is the better agreement for items in this category as they become duty free on EIF. Under AANZFTA these items are Unbound with no tariff relief.	✓

Grant Thornton
An instinct for growth™