

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Australia

**Post:** Canberra

### Increased Market Access Under the TPP-11 Agreement

**Report Categories:**

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Agriculture in the News

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**Report Highlights:**

Australia is expected to improve its global competitiveness as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Agreement is likely to reduce tariffs and provide significant market access in key markets. Australian beef, pork, fruits, wine, and grains are likely to benefit from the preferential treatment and new trade facilitation arrangements provided under CPTPP.

## Overview

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also known as TPP-11, was signed on March 8, 2018. Members of the agreement include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Overall, the CPTPP will eliminate more than 98 percent of tariffs in the TPP-11 markets, according to the Australian government (see following link: <http://dfat.gov.au/trade/agreements/not-yet-in-force/tpp-11/outcomes-documents/Pages/tpp-11-outcomes-at-a-glance.aspx>). In 2017, Australia's agricultural exports to the TPP-11 countries accounted for more than 20 percent of Australia's total agricultural exports.

According to an Australian Parliament assessment, the CPTPP creates valuable new market access opportunities in two TPP-11 markets where Australia does not currently have a free trade agreement (FTA), namely Canada and Mexico. The CPTPP creates Australia's first free trade agreements with Canada and Mexico giving Australian exporters preferential access to two of the world's top 20 economies for the first time.

The Australian government's analysis concluded that the CPTPP will eliminate tariffs on more than \$2.5 billion of Australian agricultural products. A further \$2 billion of Australia's dutiable exports will receive significant preferential access through new quotas (see following link: <http://dfat.gov.au/trade/agreements/not-yet-in-force/tpp-11>).

The following are gains Australian exporters are expecting under CPTPP by selected commodities. The TPP-11 Agreement will not affect Australia's risk-based quarantine measures.

## Grains

Australia's grain trade to TPP-11 countries consists primarily of wheat, barley, and canola.

### Japan

The CPTPP agreement provides improved market access into the Japanese market for wheat, barley, and malt. Reduced mark-ups for wheat and barley as well as new quota arrangements will go beyond the benefits Australian exporters are already enjoy under the Japan-Australia Economic Partnership Agreement (JA-EPA). There will also be new Australian rice access quotas into Japan with a new 6,000 metric ton (MT) quota available once the agreement enters into force and increasing to 8,400 MT after 12 years. Australian rice exports to Japan totaled more than \$170 million in 2017.

### Mexico

Mexican tariffs on wheat (currently 67 percent) will be eliminated within 10 years and the tariff on barley (currently 115 percent) will be removed within 5 years.

### Canada

Canadian tariffs on cereals and grains will also be eliminated immediately.

## Beef

### Japan

Under CPTPP, there will be significant reductions and elimination of tariffs for beef and beef products into Japan (building on the JAEPA Agreement). Under the CPTPP, Australian beef exporters will enjoy a tariff reduction of 27.5 percent in the first year of the agreement for fresh and frozen products while U.S. beef tariffs will remain at 38.5 percent. In general, duties for TPP-11 countries will see their tariff rates for beef exports decline to 9 percent within 15 years. In addition, Japanese tariffs on processed meat products will drop to zero within 15 years.

Instead of current country-specific safeguard trigger levels, the CPTPP safeguard will work on an aggregated volume of imports from all parties to the agreement. The safeguards will start at 590,000 MT and gradually increase. Under CPTPP, Australia will be able to exceed its JAEPA safeguard volumes.

### Mexico

Mexico will eliminate its tariffs on beef carcasses and cuts (currently up to 25 percent) within 10 years. Mexico will also eliminate live cattle tariffs immediately.

### Canada

Canada will eliminate its 26.5 percent tariff on Australian beef imports within 5 years

### Vietnam

Vietnam will end tariffs on live cattle imports within 10 years.

## Pork

### Japan

In 2017, more than 70 percent of Australia's pork exports went to CPTPP-member countries. The TPP-11 agreement will eliminate the ad valorem component of Japan's pork tariffs and will reduce the specific tariff applied to pork cuts and carcasses with 10 years.

### Malaysia

Malaysian pork tariffs will be eliminated within 15 years.

### Mexico

Mexico's 20 percent pork tariff will be eliminated immediately.

## Cotton

All tariffs on Australian cotton and wool exports will be eliminated under CPTPP, with most eliminated once the agreement enters into force.

## Sugar

### Japan

Under CPTPP, Japan will immediately eliminate tariffs for high polarity sugar.

### Canada

Canada will cut its duties on refined sugar within 5 years.

### Mexico

Mexico will provide a guaranteed 7 percent tariff rate quota for raw sugar.

### Vietnam

Vietnam will eliminate its in-quota sugar tariffs immediately.

### Malaysia

Malaysia will allow Australia to engage in the wholesale distribution of refined sugar for use in its food and beverage industry.

## Dairy

### Japan

Australian dairy producers and exporters will increase market access to Japan, benefit from the elimination of tariffs, and receive new quota allocations on certain cheese products. There will also be larger quotas for butter and skim milk powder and new quotas and tariff reductions for ice cream, whole milk powder, condensed milk, yoghurt, and infant formula. These provisions cover more than \$150 million in bilateral trade.

### Mexico

The CPTPP agreement provides for preferential access for Australian dairy exporters into Mexico, create new quota access for butter, cheese, and milk powders, and eliminate yoghurt tariffs.

### Canada

Australian access into the Canadian market will come in the form of larger cheese, milk powder, and butter quotas. Tariffs on milk protein concentrates will be also be eliminated.

## Wine

### Canada

Australian wine exporters will immediately benefit from the elimination of Canada's wine tariffs.

### Malaysia

Malaysian wine tariffs will be eliminated within 15 years.

**Vietnam**

Vietnamese wine tariffs will end within 11 years after the agreement enters into force.

**Mexico**

Mexican wine tariffs (currently 20 percent) will end within 3 years for higher quality wine and the remaining tariffs will be eliminated within 10 years.

**Peru**

Peru will phase out its wine tariffs over 5 years.

**Seafood****Japan**

All Japanese seafood tariffs will be eliminated within 15 years.

**Vietnam**

Vietnamese seafood tariffs will cease immediately.

**Canada**

Canada will eliminate all seafood tariffs immediately.

**Mexico**

Mexico will cut its tariffs on seafood within 15 years, with most ending once the agreement enters into force.

**Horticulture**

Australian horticulture exports totaled more than \$4 billion in 2017 and 14 percent of these exports, valued at more than \$600 million, went to TPP-11 countries.

**Japan**

Under the agreement, Japan will extend the period by which oranges will face the lower “out of season” tariffs and will subsequently eliminate tariffs over 6 years. The higher “in season” tariff will be eliminated over 7 years. Japan will also eliminate all tariffs on fruit juices within 10 years.

**Canada**

Under TPP-11, Canada will immediately eliminate tariffs on horticultural products.

**Peru**

Peru will cut most of its horticultural related tariffs (currently up to 17 percent) once the agreement enters into force.

**Mexico**

Mexico will eliminate most of its horticultural-related tariffs once the agreement enters into force, with remaining tariffs phased out over 15 years.

## Concluding Comments

The CPTPP agreement provides significant new market access opportunities for Australia. The elimination and reduction of tariffs and creation of new quota access into Japan will create export opportunities in a market currently worth almost \$4 billion. Most notably, Japan's beef tariffs will be reduced to 9 percent within 15 years, making Australian exporters more competitive than U.S. exports. Malaysia's elimination of liquid milk tariffs and an interim quota of 3.3 million liters per year will provide new opportunities for Australian fresh milk exports worth more than \$200 million. The elimination of tariffs on wine and alcoholic beverages into Malaysia and Vietnam will also provide more opportunities.

The regional nature of the CPTPP agreement will also provide new opportunities for Australian exporters to participate in regional supply chains. Under the rules of origin of the agreement, production in any one of the TPP-11 Parties is counted towards a good's originating status, so an exporter can easily claim a TPP-11 tariff preference. For example, Australian agricultural commodities can be further processed in South-East Asia and exported to Japan as food and beverage products at lower tariffs.