



# PERU-AUSTRALIA

## FREE TRADE AGREEMENT

### OUTCOMES AT A GLANCE

The Peru-Australia Free Trade Agreement (PAFTA) is a comprehensive, high quality free trade agreement that will open new markets for Australian exporters and create more Australian jobs. It supports Australia's goal of capturing the gains of the Trans-Pacific Partnership (TPP), and provides a gateway to Latin America, strengthening our economic relationships within the region and helping facilitate value chains between the Americas and Asia.

Peru is a growing market for Australian goods and services exporters. Its GDP is comparable to that of Vietnam (USD189 and USD193 billion respectively), and it has been one of the fastest growing economies in Latin America, and the world, over the last ten years. In 2016, two-way trade with Peru was worth AUD590 million, up 51.2 per cent from the previous year. PAFTA will provide Australian businesses with an opportunity to expand and deepen our engagement with the dynamic markets of Latin America, helping to ensure Australia's continued economic growth and prosperity.

PAFTA has delivered high quality outcomes that will:

- open substantial new trade and investment opportunities for Australia;
- promote job-creating growth; and
- further integrate our economies in this fast-growing region, along with the [Pacific Alliance Free Trade Agreement](#) (currently under negotiation).

Particular outcomes of note include:

- elimination of tariffs on beef within five years to ensure that Australian beef farmers will have duty free access to the Peruvian market at the same time as US farmers;
- more sugar market access for Australian sugar farmers than what Peru has provided to any sugar exporting country in the last twenty years;
- dairy farmers will be able to compete with competitors, and outcomes on certain dairy products, such as butter, exceed outcomes provided to the EU;
- immediate duty free access for Australian wine, sheep meat, most horticulture products (including almonds), kangaroo meat and wheat;
- immediate duty free access for pharmaceuticals, medical devices, paper and paperboard;
- the best services commitments that Peru has offered any other country, which will create new opportunities for Australian mining service providers; and
- recognition of Australian degrees by Peru.

By setting high quality rules and promoting transparency of laws and regulations, PAFTA will provide certainty for businesses and reduce costs and red tape for Australian exporters, service suppliers and investors in Peru.



## FOR AUSTRALIAN GOODS EXPORTERS

PAFTA will eliminate more than 99 per cent of tariffs within five years of entry into force. Under PAFTA, new market access outcomes include:

- **Sugar:** on entry into force of the agreement, Australia will have duty free access of 30,000 tonnes of sugar into Peru, growing to 60,000 tonnes in five years and 90,000 tonnes in 18 years.
- **Dairy:** on entry into force of the agreement, Australia will have duty free access of 7,000 tonnes of dairy products into Peru, growing to 10,000 tonnes in five years.
- **Rice:** on entry into force of the agreement, Australia will have duty free access of 9,000 tonnes of rice products into Peru, growing to 14,000 tonnes in five years.
- **Sorghum:** on entry into force of the agreement, Australia will have duty free access of 15,000 tonnes of sorghum products into Peru, growing to 20,000 tonnes in five years.
- **Beef cuts:** tariffs (up to 17 per cent) will be eliminated within five years.
- **Sheep meat:** tariffs on all sheep meat (up to 9 per cent) will be eliminated on entry of the agreement into force.
- **Seafood:** Peru will eliminate all tariffs (up to 9 per cent) on entry into force.
- **Almonds:** immediate elimination of duties on all tariff lines (up to 9 per cent).
- **Wine:** immediate elimination of duties across lines of commercial interest to Australia with the remainder being phased out over 5 years (up to 9 per cent).

The agreement will feature new trade rules to encourage the **use of ultrafine Australian merino wool in supply chains** between Australia and Peru.

While some of Australia's major global exports, such as liquefied natural gas, iron, steel and aluminium already enter Peru duty-free, PAFTA has secured additional market access, including:

- immediate elimination of tariffs on **base metals** including **iron ore, copper and nickel**;
- immediate elimination of tariffs on **coal**; and
- immediate elimination of duties on tariffs on **mineral fuels and mineral oils**.

Australia's exports of **manufactured goods** to Peru were worth an estimated AUD55.7 million. New market access outcomes include:

- immediate elimination of duties on **paper and paperboard** to Peru; and
- immediate elimination of duties on **pharmaceuticals** and **medical devices**.

For further information on the **goods market access outcomes**, refer to [Outcomes: Goods market access](#).

## FOR AUSTRALIAN SERVICE SUPPLIERS

PAFTA benefits Australian service suppliers by removing key barriers to services trade, providing more transparent and predictable operating conditions for Australian service suppliers in Peru, and capturing future Peruvian services sector reforms. This creates opportunities to expand our services trade with Peru, which was worth AUD176 million in 2016.

A snapshot of the PAFTA services outcomes include:

- **Education:** Australian universities will benefit from Peruvian recognition of Australian degrees. Australian education providers seeking to establish campuses in Peru will be treated the same as Peruvian education providers. Neither Australia nor Peru have made any services-related commitments on public education and the agreement will not require Australia to make any changes to its current laws and regulations covering education.
- **Mining Equipment, Technology and Services (METS) and oilfield service providers:** Peru has granted access on non-discriminatory terms to Australian suppliers of mining-related consulting, research and development, engineering, environmental, mining and technical testing and analysis services. Australians working in the METS sectors and Australian technicians working on oil and gas wells are covered by Peru's commitments on temporary entry, allowing them to stay for a year with the possibility of extension.
- **Professional services:** Guaranteed access for Australian lawyers, engineers, architects, accountants and urban planners to provide their world-class services in Peru.
- **Financial services:** Guaranteed access for Australian financial service suppliers to export their services to Peru, including investment advice and portfolio management services to a collective investment scheme and insurance of risks relating to maritime shipping and international commercial aviation and freight, and related brokerage.
- **Temporary entry of business people:** Guaranteed minimum length of stay for Australian professionals of up to one year and an undertaking from Peru not to impose any labour market testing requirements on Australians covered by PAFTA. Australia retains the right to impose labour market testing on Peruvian contractual service suppliers. Spouses of Australian intra-corporate transferees and investors will be allowed to stay in Peru for the same length of time as the primary visa holder.
- **Telecommunications services:** Guaranteed non-discriminatory treatment, including no foreign equity limits, for Australian investors in telecommunications and e-commerce services.
- **Health services:** Australian providers of private health and allied services will be treated the same as Peruvian suppliers. Neither Australia nor Peru have made any services-related commitments on public health and the agreement will not require Australia to make any changes to its current laws and regulations covering suppliers of health services.
- **Hospitality and tourism services:** Australian hotel, restaurant, travel agency, tour operator and tour guide operators will benefit from guaranteed access to Peru's significant and expanding tourism market.
- **Government procurement:** Opportunities arising from Australian businesses now having the guaranteed right to bid for government procurement services contracts, such as:
  - Management consulting services;



- Computer and related services, along with maintenance of office machinery;
- Architectural engineering and other technical services;
- Land and water transport services;
- Telecommunication and related services;
- Environmental protection services;
- Education services; and
- Health and Social Services.

For further information on the **services outcomes**, refer to [Outcomes: Services market access](#), [Outcomes: Education services](#), [Outcomes: Professional services](#), [Outcomes: Financial services](#), [Outcomes: Temporary entry of business persons](#), [Outcomes: Trade in the digital age](#).

## FOR AUSTRALIAN INVESTORS

PAFTA will create new investment opportunities and provide a more predictable and transparent regulatory environment for investment. It will facilitate foreign investment into Australia, and provide important protections to Australian businesses investing in Peru. This is significant given that Australia has around AUD5 billion of energy and resources investments in Peru, and is the fourth largest foreign investor in Peru's mining sector.

PAFTA will promote further growth and diversification of Australian outward investment by liberalising investment regimes in key sectors such as mining and resources, telecommunications and financial services. PAFTA will also promote foreign investment in Australia by liberalising the screening threshold at which private foreign investments in non-sensitive sectors are considered by the Foreign Investment Review Board (FIRB), increasing it from AUD252 million to AUD1,094 million.

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

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

For further information, refer to [Outcomes: Investment](#), [Outcomes: Resources and energy](#).



## FOR AUSTRALIAN CONSUMERS AND BUSINESSES

Consistent with Australia's other free trade agreements, remaining Australian tariffs on imports from Peru will be eliminated, with consumers and businesses set to benefit from lower prices. PAFTA also includes additional commitments which will **lower the costs of trade**. Highlights include:

- more transparent and efficient **customs procedures** making it easier for Australian companies to export and do business with Peru. For example, under PAFTA, Peru is required to provide an advance ruling on the tariff classification of a good, how it should be valued, whether a good is originating and how to claim preference;
- modern trade rules to reflect **commercial shipping routes**. Most products don't travel directly from one country to another. PAFTA recognises that products are often shipped via logistics and supply hubs and has trade rules to ensure that Australian products that transit through, or are stored in, third countries still qualify for tariff preferences. For example mining equipment from Australia will be able transit through the US or Chile and still qualify for preferential tariff rates, as will advanced Australian mining manufactures, which may be stored in global distribution hubs in customs control of countries outside of Peru or Australia;
- **duty-free temporary admission of pallets and containers**. This commitment will provide cost and administrative savings for Australian businesses engaged in providing transport logistics services to Peru;
- mechanisms to address **non-tariff barriers** (NTBs) impeding trade, which will give Australia an important avenue to address NTBs affecting our exports. PAFTA will enhance transparency, cooperation and promote good practice with regard to establishment and maintenance of technical regulations;
- simplified rules and **technical requirements** for several products, including **wine** and spirits. For example, PAFTA includes a wine annex that enables Australian exporters to use the same label to Peru as all other World Wine Trade Agreement countries, saving money on marketing and distribution costs; and
- trade facilitative **rules of origin** that enable exporters, producers or their authorised representatives to self-certify whether the goods originate in Australia. Traders will also be able to make post-importation claims for preferential tariff treatment, provided certain conditions are met.

These provisions and many others help to reduce red tape, improve transparency of international trade environment and support the competitiveness of Australian exports.

## ADDRESSING CONTEMPORARY TRADE CHALLENGES

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

- State of the art **e-commerce** provisions driving the information economy and facilitating trade between Australia and Peru. For example, Australia and Peru have committed to allow the movement and storage of data across borders, providing a platform for growth in Australian ICT exports. PAFTA will ensure appropriate consumer protections and the right of governments to regulate in the public interest. Australia's regulatory framework, including the Privacy Act, will not be affected. For further information, refer to [Outcomes: Trade in the digital age](#).



- Assisting **small and medium-sized enterprises** (SMEs) to reap the benefits of PAFTA, with an emphasis on exchanging experiences on best practices to support SME exporters and user-friendly websites targeted at SMEs to provide easily accessible information about PAFTA.
- Establishing a common set of rules on **intellectual property** protection and enforcement consistent with Australia's existing intellectual property regime and requiring no changes to Australian intellectual property laws or policies. For further information, refer to [Outcomes: Intellectual Property](#).
- Promoting high levels of **environmental protection**, ensuring Parties effectively enforce their domestic environmental laws. Parties must also take measures in relation to a number of important environmental challenges, such as addressing climate change, protecting biodiversity, and combatting illegal wildlife trade.
- Enhanced compliance with internationally-recognised **labour rights**, such as elimination of forced labour, abolition of child labour, freedom of association and the right to collective bargaining. PAFTA will also enhance cooperation and consultation on labour issues, and effective enforcement of labour laws in Australia and Peru.
- Robust provisions combatting corruption and bribery of public officials, and other acts of corruption adversely affecting international trade and investment. These anti-corruption provisions will provide greater transparency and certainty to Australian individuals and businesses seeking to trade with, and invest in, Peru.

## NEXT STEPS

The text of PAFTA will be made available once the legal scrub process has been completed and the agreement is signed.

In accordance with Australia's treaty-making process, the PAFTA text and accompanying National Interest Analysis will be tabled in Parliament. Following tabling, the Joint Standing Committee on Treaties will conduct an inquiry into PAFTA and will report back to Parliament. Parliament will also consider any legislation that may be necessary to implement the Agreement.

When either Australia or Peru has completed its domestic treaty-making processes, it will notify the other party that it has done all that is required for the Agreement to enter into force. PAFTA will enter into force 60 days after both signatories have notified completion of their domestic legal procedures.

