



PERU-AUSTRALIA

FREE TRADE AGREEMENT

OUTCOMES: GOODS MARKET ACCESS

The Peru-Australia Free Trade Agreement (PAFTA) aims to expand trade between Australia and Peru, one of the fastest growing economies in Latin America, and at times the world, over the last decade. Under PAFTA, Australia has not only captured the gains of the Trans-Pacific Partnership, but attained improved market access opportunities for Australian exporters.

While bilateral merchandise trade between Australia and Peru is modest (ranking 53rd at \$414 million in 2016), this agreement provides opportunities for trade and commercial relationships to grow between the two countries. Currently trade is focused around the mining sector. This agreement will broaden trade between the two economies.

Peru will eliminate tariffs on 93.5 per cent of its tariff lines from entry into force of the agreement, and ultimately will eliminate 99.4 per cent of all its tariffs. Major new market access opportunities will be available for Australia in beef, sheep meat, wine, pharmaceuticals, medical devices, paper products and machinery.

Peru will offer new quotas for Australia for sugar, dairy, rice and sorghum free from tariffs and from Peru's price band. These products are part of Peru's price band system, which covers sugar, dairy, rice and corn products. The variable specific duty component of this tariff can be up to 20 per cent, making imports largely prohibitive. Currently Australia does not export under the 48 price band tariff lines covered by this system. The duty free access permitted under these tariff quotas provides unprecedented access to the Peruvian market, allowing Australia to commence exporting and establishing commercial relationships with Peru in these sectors.

Australia will eliminate tariffs on 96 per cent of its tariff lines from entry into force of the agreement, and within four years will eliminate 99.8 per cent of all its tariffs.

KEY OUTCOMES:

Agriculture

Australia exported \$5.3 million worth of agricultural goods to Peru in 2016 (down from \$11.6 million in 2015), representing only 0.01 per cent of Australia's total exports of these products. Despite this Peru imported US\$4.6 billion of agricultural goods in 2016. The elimination of tariffs and preferential access through new quotas and tariff reductions will enable Australian agricultural exports to grow.

- **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
- **Pork:** most tariffs (up to 17 per cent) eliminated immediately, with the remainder phased out between five and ten years
- **Kangaroo meat:** the tariff on kangaroo meat will be eliminated upon entry into force (currently 9 per cent)
- **Horticulture:** elimination of most of Peru's horticulture tariffs (currently up to 9 per cent) upon entry into force of PAFTA
- **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)
- **Wheat:** tariffs on wheat (up to 9 per cent) will be eliminated on entry of the agreement into force

Non-agriculture

- **Pharmaceuticals:** immediate elimination of duties on all tariff lines (up to 9 per cent)
- **Medical Devices:** immediate elimination of duties on all tariff lines (up to 9 per cent)
- **Paper and Paperboard:** immediate elimination of duties across most lines with the remainder being phased out over 5 years (up to 9 per cent)
- **Ores and concentrates:** immediate elimination of duties on all tariff lines (up to 9 per cent), including iron ore, copper and nickel
- **Mineral fuels and mineral oils:** immediate elimination of duties on all tariff lines (up to 9 per cent), including coal
- **Textiles and textile articles:** immediate elimination of duties on all tariff lines (up to 17 per cent)
- **Aircraft and parts:** immediate elimination of duties on all tariff lines (up to 9 per cent)
- **Mining machinery and parts:** duty free access locked in across all tariff lines
- **Iron, steel and aluminium:** duty free access locked in across all tariff lines
- **Mining equipment:** duty free access locked in across most tariff lines
- **Ship and boats:** duty free access locked in across all tariff lines
- **Base metals:** duty free access locked in across all tariff lines
- **Raw hides and skins:** duty free access locked in across all tariff lines

