



PERU-AUSTRALIA

FREE TRADE AGREEMENT

Why is the Australian Government pursuing a free trade agreement with Peru?

Peru has been one of the fastest growing economies in Latin America, and at times the world, over the last decade. This growth trajectory is predicted to continue over the next few years. While Peru is relatively unknown to many Australian exporters, it has a Gross Domestic Product (GDP) comparable to that of Vietnam (USD 189 and 193 billion respectively), with high rates of GDP growth, and a population in excess of 31 million people, providing a similar consumer base to that of Malaysia.

In 2015-16, two-way trade with Peru was worth \$504 million, up 19.4 per cent from the previous year. Australia's principal exports to Peru were mining equipment and education services. There is already a significant Australian investment presence in Peru, with over ninety Australian businesses currently located in Peru, up from ten in 2003. In particular, there is a large Australian presence in Peru's mining sector. The Australian brand, our record of economic success and reform, and our expertise in a range of key natural resource sectors are highly valued in Peru.

Concluding a free trade agreement (FTA) with Peru would provide opportunities for expanding Australia's engagement with this emerging market. It would support Australia's goal of capturing the gains of the Trans-Pacific Partnership (TPP), and should be relatively quick to conclude given our shared negotiating history in the TPP. It would also provide a gateway to Latin America, strengthening our economic relationships within the region and helping facilitate value chains between the Americas and Asia.

Why an FTA?

With the TPP currently unable to enter into force in its current form, Australia's trade relationship with Peru remains governed by Peru's obligations under the World Trade Organization (WTO) Agreement. Peru's WTO commitments on market access for goods, services and investment are of a much lower standard than those it has agreed to in other FTAs. This means Australian businesses face significantly more barriers to entry than many of our competitors.

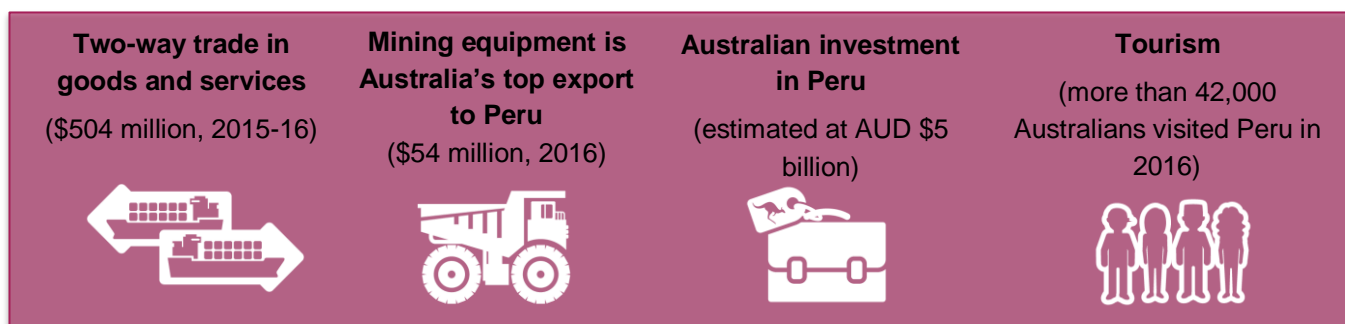
An FTA could:

- remove barriers to market access for Australian exporters of agricultural and manufactured goods;
- improve conditions for services and investment;
- provide opportunities for Australian businesses under a major infrastructure development program; and
- ensure digital trade remains free of barriers.



Australia's objectives

Australian negotiators would seek to conclude a high quality, comprehensive FTA to take the bilateral trading relationship to the next level. Key objectives could include the elimination of barriers faced by Australian exporters in the Peru market, and the creation of greater legal certainty for Australian businesses. An in-built agenda to review the working of the FTA would form the basis for future liberalisation of bilateral trade and investment.



Goods

Australian merchandise exports to Peru are currently concentrated in machinery and other goods related to the mining industry, along with some food products. Tariffs applied to Australian products are generally 9 or 17 per cent, but can range up to 29 per cent applied (and 68 per cent bound). The Government would seek better market access for Australian exporters of agricultural commodities (including beef, sheep meat, dairy, wheat, rice, sugar and wine), as well as exporters of mining equipment, pharmaceuticals, medical devices, and aluminium products.

Services

Services exports are a key part of our trade relationship with Peru, with education standing out as the current success story. Through an FTA with Peru, the Australian Government is seeking to create further opportunities for Australian services suppliers in sectors such as professional services, energy and mining-related services, environmental services, construction services, and transport services. An FTA would also create greater regulatory certainty for Australian businesses and look to capture future unilateral economic reforms and liberalisation in the services sector by Peru.

Ease of doing business

Getting the rules right assists businesses trade internationally. Through the FTA, Australia could seek to address such elements as: competition policy; digital trade (for example, e-commerce); and transparency in rules and procedures.

Benefits of a bilateral FTA

A bilateral FTA with Peru would be relatively quick to conclude given our shared negotiating history in the TPP. A high quality, comprehensive FTA is the shortest route to strengthening Australia and Peru's bilateral economic relationship. It offers the best prospect of delivering outcomes across goods, services and investment that respond to contemporary challenges facing Australian business.

Parallel paths for strengthening our economic ties with Peru

Multilateral negotiations are always a priority for Australia. Unfortunately, the comprehensive, economic-wide deal Australia seeks is not in prospect through the WTO at the moment. In the absence of multilateral trade negotiations on services, Australia and Peru are among the 23 negotiating Parties to a 'plurilateral' Trade in Services Agreement (TiSA). However, TiSA negotiations have not yet concluded. More broadly cast than TiSA, a bilateral FTA with Peru offers the prospect of delivering outcomes for Australia across the spectrum of our trade and investment interests.

Regional FTA negotiations including Peru remain a possibility, and would continue to be pursued in parallel with any bilateral FTA negotiations. TPP signatories have reiterated their firm commitment to collaborate in keeping markets open. Negotiating an FTA with Peru would help move the broader TPP process forward by creating complementary processes to bring the TPP into force and realise its benefits. It would also enable Australia to capture the gains of the TPP agreement.

No action on an FTA with Peru would continue putting Australian business at a disadvantage due to Peru's tariffs. It would also be possible for Peru to amend its policy settings to create further barriers for Australian businesses. No action would mean Australian service providers and investors would miss out on the prospect of new rules facilitating trade and investment and the attendant competitive advantage this provides.

Consultations

The Department of Foreign Affairs and Trade (DFAT) leads Australia's whole-of-government negotiations on the Peru-Australia FTA. Australia's negotiating positions are determined, in part, through input provided by stakeholders. Stakeholders are invited to express their views through public meetings, industry specific consultations, or written submissions. DFAT is particularly interested in details of specific impediments to trade and investment that the FTA could address. Further information on the Peru-Australia FTA, including updates on negotiations and how to make a submission or submit a query, is available at www.dfat.gov.au/pafta

Requests for additional information can be made by email to: pafta@dfat.gov.au

FTA implementation

In line with Australia's treaty-making processes, once agreed, an FTA with Peru would be tabled in Parliament. The Joint Standing Committee on Treaties (JSCOT) would then conduct an inquiry into the FTA and report back to Parliament. Parliament would consider any legislation or amendments to existing legislation that may be necessary to implement an agreement.