UNDERSTANDING THE TPP11: MARKET ACCESS FOR GOODS

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WHO'S IN THE TRANS-PACIFIC PARTNERSHIP (TPP)?

The TPP was originally negotiated and signed with 12 parties spanning both sides of the Pacific: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam.

Now, as the deal moves toward implementation, not all the original members will remain involved. President Donald Trump will not proceed with domestic level ratification of the TPP. Others may follow suit.

However, the agreement can still come into force with a modest adjustment, especially to one clause (Article 30.5).[1] The rest of the agreement is likely to stand. Officials had always included an option to trigger the agreement with as few as six members.

BUT WHAT IS LOST WITHOUT THE AMERICANS?

Many people have assumed that without the Americans, the TPP is no longer worth pursuing. From the perspective of the remaining parties in the agreement, this is a flawed assessment. **A careful review of the TPP—shown below in this booklet—shows that the benefits of the TPP generally remain whether or not the United States ever rejoins the deal.**

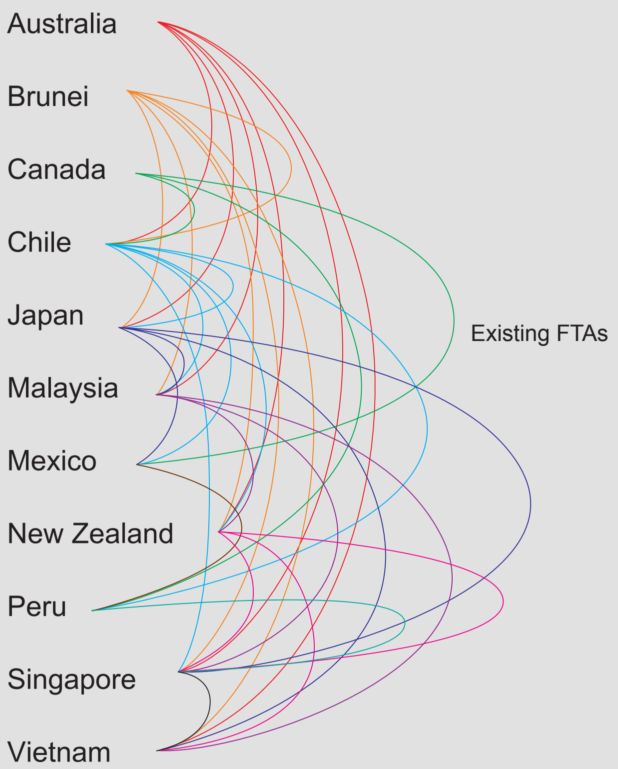
Why? You may ask. We find two compelling reasons:

First, the United States has been a relatively open market and most of the other 11 TPP parties already have access to the American market—whether or not the TPP includes the United States.[2] There is not a great deal of need for new preferential access to the US market, outside of a few sectors (like textiles, footwear and some agricultural products).

Second, even without the US, the rest of the TPP membership still affords a substantial amount of duty savings benefits particularly for countries such as Vietnam which currently only has FTAs with half of the TPP membership. Proceeding with the agreement will enable these countries to pursue broader market access for their products and, at the same time, secure participation in a trade deal which is likely to be a benchmark for future agreements.

[1] An adjustment is needed absent the Americans because the TPP as originally written requires participation from at least six countries representing 85% of the GDP of the signatories from 2013. While the TPP Article 30.5 does not explicitly name any country, the size of the US economy relative to the rest means the Americans need to be among the six unless the clause is modified.

[2] Many TPP parties also have existing trade agreements with the Americans, including Australia, Canada, Chile, Mexico, Peru and Singapore. Note, however, that President Trump has also said he will renegotiate NAFTA with Canada and Mexico, perhaps leading to fewer benefits in the future.



- Although the US has withdrawn from the TPP, there is a chance that it will still proceed with the eleven other signatory countries.
- Most of the eleven countries already have existing FTAs with each other.
- Opportunities may still be available for countries without common FTAs which the TPP can bridge (e.g., Australia-Canada, Japan-Canada, Japan-New Zealand, Malaysia-Peru, etc.)

THE US MARKET IS GENERALLY OPEN… REALLY?

Yes, other than some market access issues where the United States continues to apply tariffs at relatively high levels or maintains complicated market restrictions like tariff rate quotas, the American market is even more open to all—especially in areas like services and investment. The United States already protects intellectual property rights and facilitates trade at customs.

Moreover, because the United States wanted to limit domestic changes in Congress, the extent of American modifications that would have been required by TPP implementation were quite modest. The US is therefore already in alignment with most of the TPP rules—whether or not it proceeds with the agreement—in areas like standards or e-commerce.

As a result, for most firms trying to access American markets from TPP member countries, whether the United States is explicitly included or not in the deal is not especially critical. TPP firms already have access to the United States and this should remain.

Of course, in a world of complex supply chains, more participants following one agreement is better. It is easier for big and small companies to use one agreement than an assortment of overlapping deals. It would have been preferable to have the Americans in the TPP, but their government has opted to withdraw at this time.

WHY DOES THE TPP MATTER TO THE REST?

While the TPP didn't require many changes from the United States, which is already relatively open, and then structured the overall agreement largely to match its own domestic procedures, the same cannot be said for the remaining TPP members.

For the other 11 participants, the TPP does lower barriers between members and requires transformation in procedures. In some countries, the changes are modest and in others, the changes are more substantial.

But in all—the final result will be a much more dynamic, integrated and competitive region with benefits that are limited to TPP member firms. Non-TPP member firms (including, now, American importers and exporters)[3] will not have access to these preferential benefits.

The TPP has always been touted as a "21st century, gold standard" agreement. This assessment may have been overblown, but compared to other trade agreements, it certainly offers better, deeper and broader commitments. The high quality nature of the TPP remains, even if not all 12 original parties are included on the very first day of the deal.

Many of the specific provisions of the TPP are likely to set the benchmarks for future trade agreements.

VIEWING THE TPP: MARKET ACCESS FOR GOODS

The fastest way to assess a trade agreement for quality is to look at the extent and depth of tariff cuts. Tariffs act like taxes applied on goods crossing borders. Higher levels of tariffs can limit trade and one key goal of free trade agreements is to cut down tariff levels. Better quality trade agreements have steeper tariff cuts overall in shorter time periods.

The TPP is a truly high quality agreement in this regard, especially compared to most alternatives, as it broadly starts with tariff cuts on 90% of all tariff lines on the very first day of the agreement (entry into force or EIF). Many of the tariffs fall all the way to 0 or become duty free on EIF.

For those tariffs that do not fall to 0 on EIF, the majority of tariffs fall to become duty free in relatively short time periods. Often, this is within 5-7 years and most are gone within 10 years.

Even agricultural products, which are highly sensitive in most countries, are included in the TPP and are not simply "carved out" or ignored. Every single tariff line is included for tariff cuts in the TPP and nearly all become duty free over time.

USING THE TPP

The current TPP texts are available for download (http://www.tpp.mfat.nz/tpp-text.php) and all TPP member market access schedules (Chapter 2D Annexes) are also online. Every product can be searched by HS Code (2012 HS Codes) to find the matching tariff levels under the TPP schedules for each TPP member. Do note, however, that these schedules may change slightly for some members before final entry into force.

Many member governments have already included TPP information in their customs tariff finders. Some specialist providers have included TPP tariff details into their automated products.

TPP members that have not yet completed domestic ratification procedures at the time of entry into force will not be able to use the TPP until these are completed. Any information relevant to their country commitments (including the United States) will remain dormant and inactive.

RULES OF ORIGIN

Unlike the market access schedules, which are different for each TPP member country, the rules of origin (ROO) commitments are the same for all. There is one ROO schedule (TPP Chapter 3). Every tariff line has a matching ROO in the TPP under product-specific rules of origin (PSRs).

Once a product has met the ROO for the TPP, it can be shipped without change into every other TPP member country. TPP benefits apply only for goods being shipped into TPP countries.

The TPP uses "wholly obtained" and "substantial transformation" as the two principle criteria to determine origin of goods.

The specific ROO (Art. 3.3) for wholly obtained includes the following:

I. a plant or plant good, grown, cultivated, harvested, picked or gathered there [in a TPP country];

II. a live animal born and raised there;

III. a good obtained from a live animal there;

IV. an animal obtained by hunting, trapping, fishing, gathering or capturing there;

[3] With some caveats—some provisions will "spill over" to non-members. For example, better protections for intellectual property are likely to benefit all firms and not just TPP firms. Non-member firms may be able to take advantage of some provisions, if they are clever, careful and have good specialist help.

V. a good obtained from aquaculture there; …and

VI. fish, shellfish and other marine life taken from the sea, seabed or subsoil…

For substantial transformation, the TPP allows three different calculation methods:

(i) A general Regional Value Content (RVC) Rule, ranging from 30% to 55% content value, depending on the method of calculation (Focused Value Method, Build-Down Method or Build-Up Method);

(ii) Change in Tariff Classification Rule (CTC): Requires that for the final good to qualify for preferences, it has to be classified under a different tariff category (usually at 4 or 6 digit level) as compared with the original inputs; or

(iii) Process Rules.[4]

For certain tariff lines, businesses may opt to use either one of the three methods to determine origin. For some other tariff lines, only one option is specifically allowed. Chapter 3 of the TPP outlines the specific methods for calculating origin under each method.

Of particular importance to companies, the TPP does allow cumulation across members—this is one of the biggest benefits of using a regional arrangement instead of a bilateral trade deal. **Firms can add up or "cumulate" the originating content from a wider set of countries to reach thresholds, particularly for meeting RVC calculations.**[5] The TPP also allows firms to include 10 percent of the content of products to originate outside the TPP (a 10% de-minimus threshold) without violating RVC or CTC.[6]

TPP COMPLICATIONS

While most products will move much more freely throughout the TPP once the agreement comes into force and is fully implemented, some items between some members will remain subject to complicated procedures.

In particular, agricultural products and processed food manufacturers should pay careful attention to some parts of the TPP agreement. Canada, Japan, Mexico and Vietnam have tariff-rate quota (TRQ) commitments that contain quantitative limits on certain products.[7] There are also some products that may be subject to safeguard limits if quantities surge after the TPP comes into effect.

The TPP also has some complex rules for autos and auto parts.[8] Textiles and footwear producers will receive new market access opportunities—even without the Americans—but the market remains challenging, as many of the TPP11 countries continued to protect some sectors in the near term. The ROO, yarn-forward, for most textile and apparel products is especially complicated. Exception clauses embedded in the ROO such as the Short Supply List (SSL) and de-minimis rules for non-originating yarns further add to this complexity.

CUSTOMS AND TRADE FACILITATION

For goods companies, however, the rules for tariff reductions and ROOs are not the only things that matter. The processes and procedures for getting goods in and out of TPP member countries are also important. Fortunately, TPP rules for trade facilitation are likely to prove extremely helpful for companies.

The TPP generally promotes efficient and transparent customs procedures. Particularly important provisions include the following:

- Expedited and consistent customs treatment at all domestic entry points, including the use of automated systems
- Self-certification of origin not following any particular format
- Advance rulings to allow companies to get a ruling from customs officials about tariff classification and ROO determinations that will remain in effect for three full calendar years
- Specific rules for express shipments and expedited delivery processes to include 6 hour guidelines
- Pre-arrival processing and guaranteed release within specific time periods

[4] The process rules are about where, in geographic space, a product was created and are mostly used for chemical tariff lines. See Margaret Liang, "Rules of Origin in the TPP," AWRN Conference, Hong Hong, May 16, 2016.

[5] Cumulation applies to all products except a very small number of mostly dairy items for some member states where something called a "tariff differential" kicks in.

[6] Although there is also a small set of products (again, mostly dairy) where de-minimus is not allowed.

[7] Technically, they have a quantitative limit that qualifies for a lower tariff. Everything imported above this limit is charged a significantly higher tariff.

[8] Trade in autos may also be affected by ongoing negotiations over the North American Free Trade Agreement (NAFTA) and unilateral actions in the United States. Untangling some of the auto commitments in the TPP absent the United States may be slightly more challenging, but many of the auto pledges were placed into later staging categories with the impact due to take effect much later than the EIF date.

LOGISTICS AND TRANSPORTATION

As with FTAs in general, the TPP has the potential to influence sourcing and investment decisions of companies. Companies domiciled in non-TPP members may consider setting up business operations in TPP members to capture potential benefits. **One of the more obvious opportunities is to rationalize their sourcing operations to find suppliers in TPP member countries that can enjoy reduced duty or duty free benefits in another TPP market.** However, these potential benefits must be weighed against the corresponding logistics costs this may entail.

Since the TPP members span the Asia Pacific rim, the movement of goods would often be long haul and could be costly in terms of freight if not managed carefully. This can be eased if companies adopt a consolidation / hub strategy to maximize each voyage whilst compressing lead times.

The retention of TPP benefits for cargo passing through transit hubs would therefore be an important and practical consideration for companies seriously considering TPP benefits. In contemplating hub locations, TPP member countries, particularly those with established institutions and port infrastructure for entrepot trade would have a clear advantage.[9] Goods that are unloaded and stored in these logistics hubs located in TPP members are sure to retain their TPP benefits when re-exported to other TPP member countries. Goods that pass through non-TPP member countries may still be accorded benefits subject to certain conditions, although the practical extent to which these conditions will be enforced remains to be seen.[10] Additional documentation will most likely have to be procured from the customs authorities at the hub locations and presented to the destination customs authorities to maintain compliance with the rules on shipments passing through non-parties.[11]

EXAMPLES: MARKET ACCESS FOR GOODS

The TPP includes tariff cuts and market access improvements for every product category. While nearly every product will receive duty-free or tariff-free access eventually, not all drop immediately on the first day. For some items, access is phased in over time. In some markets, tariff cuts happen gradually in even installments. In others, tariffs cuts are uneven. Finally, a limited number of products (mostly agricultural items) never reach duty-free treatment.[12]

To see what the TPP with 11 parties delivers in wide range of products, this booklet highlights seafood, wine, plastics, cosmetics and soap, shampoo, wood, furniture, iron and steel and some footwear and textile categories. The product categories were chosen to illustrate the range of different market access commitments made by TPP11 members.

FISH AND SEAFOOD (HS CHAPTER 03)

The TPP contains extensive tariff reductions for seafood, subject to some product restrictions (particularly into Japan).[13]

All Japanese and Mexican tariffs for seafood will be eliminated within 15 years.[14] For Mexico, most of the tariff elimination will happen on day 1 (Entry into Force or EIF).[15] All Vietnamese, Canadian and Peruvian tariffs for seafood will be eliminated immediately when TPP enters into force.[16] For Japan, 58% of duties on fish and seafood will be eliminated entry into force, 95% within six years and 99% within 11 years. All will be eliminated within 16 years.[17] All Vietnam's tariffs on fish and seafood will be removed within four years.[18]

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[9] Article 3.18 paragraph 1 of the agreement states that: "Each Party shall provide that an originating good retains its originating status if the good has been transported to the importing Party without passing through the territory of a non-Party"

[10] Article 3.18 paragraph 2 allows goods to transit through non-TPP members provided that these "[do] not undergo any operation outside the territories of the Parties other than: unloading; reloading; separation from a bulk shipment; storing; labelling or marking required by the importing Party; or any other operation necessary to preserve [these] in good condition or to transport the [goods] to the territory of the importing Party; and … [remain] under the control of the customs administration in the territory of a non-Party"

[11] Article 3.24 paragraph 1(d) provides that "if required by a Party to demonstrate that the requirements in Article 3.18 (Transit and Transhipment) have been satisfied, [the importer shall] provide relevant documents, such as transport documents, and in the case of storage, storage or customs documents."

[12] For more details on what the TPP11 provides for food and agricultural products, please see our Fresh/Frozen and Processed Food materials produced in conjunction with Food Industry Asia. Available online at:

[13] Note some safeguard rules for Japan on certain types of seafood.

[14] Australian Department of Foreign Affairs and Trade (DFAT). Trans-Pacific Partnership Agreement. Outcomes: Good market access. Retrieved from: http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/outcomes-goods-market-access.aspx [Accessed: January 9, 2017]

[15] Australian Department of Foreign Affairs and Trade (DFAT). Trans-Pacific Partnership Agreement. Outcomes: Good market access. Retrieved from: http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/outcomes-goods-market-access.aspx [Accessed: January 9, 2017]

[16] Australian Department of Foreign Affairs and Trade (DFAT). Trans-Pacific Partnership Agreement. Outcomes: Good market access. Retrieved from: http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/outcomes-goods-market-access.aspx [Accessed: January 9, 2017]

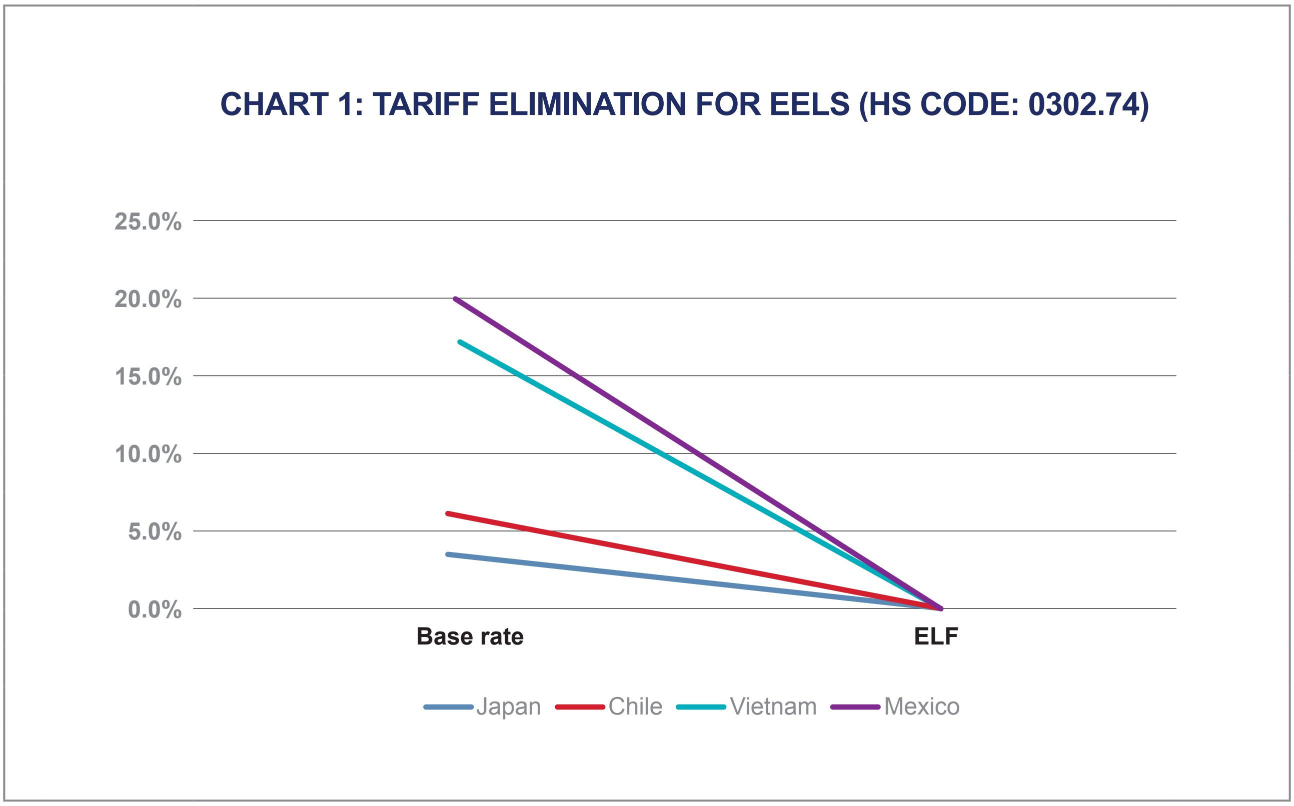
[17] New Zealand Ministry of Foreign Affairs and Trade (MFAT). Trans-Pacific Partnership. Goods Market Access. Retrieved from: https://www.tpp.mfat.govt.nz/assets/docs/TPP_factsheet_Goods-Market-Access.pdf.PDF [Accessed: Jan 9, 2017]

[18] New Zealand Ministry of Foreign Affairs and Trade (MFAT). Trans-Pacific Partnership. Goods Market Access. Retrieved from: https://www.tpp.mfat.govt.nz/assets/docs/TPP_factsheet_Goods-Market-Access.pdf.PDF [Accessed: Jan 9, 2017]

TABLE 1: OVERVIEW OF TARIFF ELIMINATION FOR FISH AND SEAFOOD (HS CHAPTER 03)

	COUNTRY	TARIFF RANGE	TARIFF ELIMINATION PERIOD
Current zero tariffs	Australia, Brunei, Singapore	0%	
All tariffs eliminated EIF	Canada	0% - 6.5%	EIF
	Chile	6%	EIF
	Malaysia	0% - 10% (Most of the base rates are zero)	EIF
	New Zealand	0% - 5%	EIF
	Peru	0% - 9% (Most of the base rates are zero)	EIF
Most tariffs eliminated EIF	Vietnam	0% - 20% 31% - 34% (14 tariff lines)	EIF 4 years
Complicated tariff schedule	Japan	0% - 15%	Most will be eliminated within 11 years, a few in 16 years
	Mexico	0% - 20%	15 years

CHART 1: TARIFF ELIMINATION FOR EELS (HS CODE: 0302.74)



WINE AND ALCOHOLIC DRINKS (HS HEADINGS 2204 TO 2208)

With 42% of Australian wine exports in 2015-2016 being shipped to TPP countries,[19] wine exporters from Australia could see substantial benefits from TPP tariff elimination when the deal comes into force.

Except for Brunei (which currently imposes zero tariffs on wine and alcoholic drinks), the remaining ten members will eliminate tariffs for these products within 16 years. Notably, within 12 years, Vietnam will eliminate all tariffs on wine and alcoholic drinks which currently range from 10% to up to 59%.

Of course, tariffs are not the only issue for exporters, but high tariffs can make it difficult to be competitive in markets. Wine and spirits producers may also want to examine Annex 8A, in the Technical Barriers to Trade (TBT) chapter which covers mostly labeling and certification rules for the sector. Since standards are increasingly used to keep out foreign products, provisions like 8A are a vital—but hard to measure—part of the TPP arrangements.

TABLE 2: OVERVIEW OF TARIFF ELIMINATION FOR WINE AND NON-ALCOHOLIC DRINKS (HS HEADINGS 2204 TO 2208)

	COUNTRY	TARIFF RANGE	TARIFF ELIMINATION PERIOD
Current zero tariffs	Brunei	0%	
All tariffs eliminated EIF	Australia	0% or 5%	EIF
	Canada	0% - 6.5% 0 to 35.2 cents/ litre	EIF
	Chile	6%	EIF
	New Zealand	0% or 5% $0.5/L al	EIF
	Singapore	0 or S$8.00 per litre of alcohol	EIF
More complicated tariff schedules	Japan	0% - 27.2% 0 - 182 yen/ litre 0 - 15.0% or 125 yen/l, whichever is the less, subject to a minimum customs duty of 67 yen/l 29.8% or 23 yen/kg, whichever is the greater	11 years
	Malaysia	20% RM1 – RM58 RM25.5 – RM108.5 per 100% vol. per litre	16 years for every tariff line
	Mexico	10% or 20% (mostly 20%) 10% + 0.36 USD/kg on sugar content	15 years
	Peru	9%	EIF or 6 years or 16 years
	Vietnam	10% - 59%	12 years

[19] Australian Department of Foreign Affairs and Trade (DFAT). Trans-Pacific Partnership Agreement. Outcomes: Good market access. Retrieved from: http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/outcomes-goods-market-access.aspx [Accessed: January 9, 2017].

CHART 2: TARIFF ELIMINATION FOR SPARKLING WINE - AD VALOREM TARIFFS (HS CODE: 2204.10)

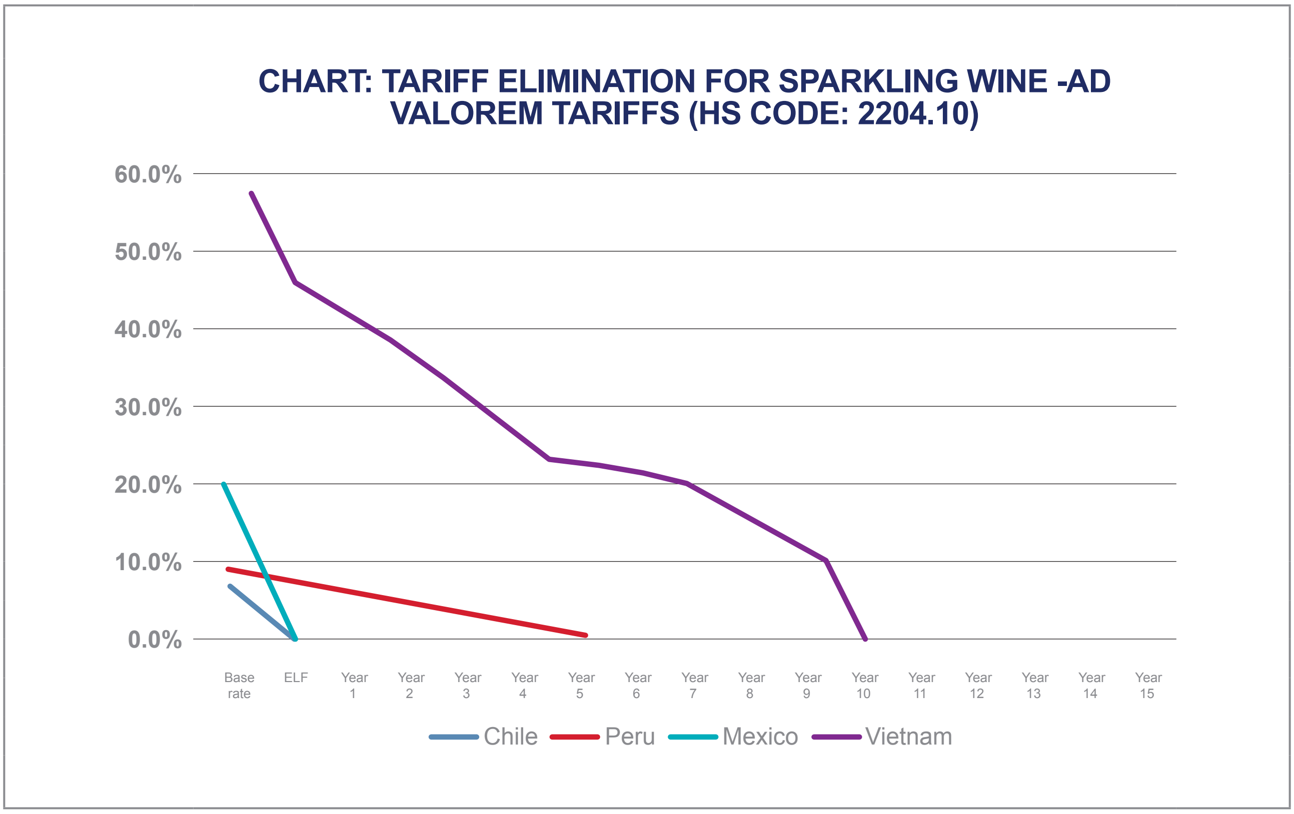
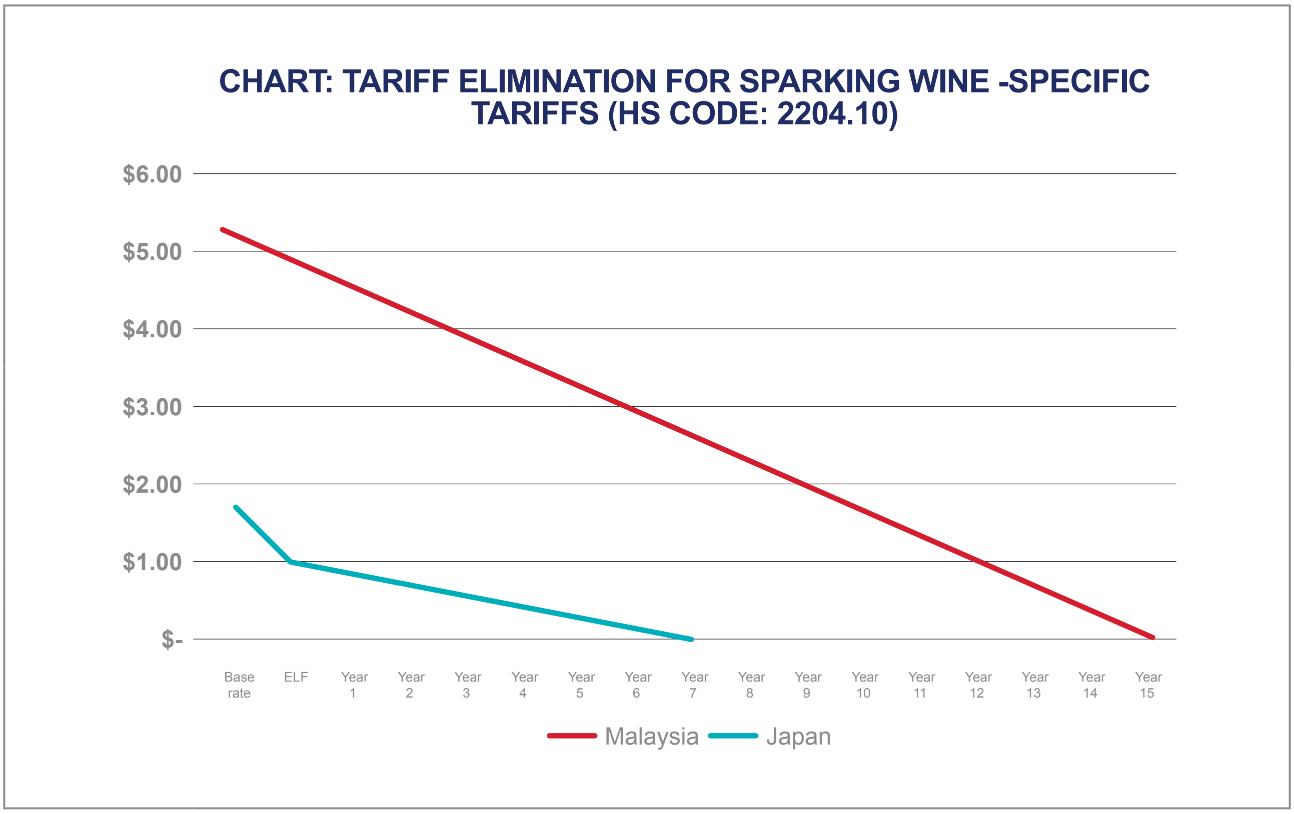


CHART 3: TARIFF ELIMINATION FOR SPARKING WINE - SPECIFIC TARIFFS (HS CODE: 2204.10)*



*The specific tariffs are in ringgit (RM) for Malaysia and yen for Japan. The tariffs have been converted into dollar value in this chart with the exchange rate on January 9th 2017 as: 1USD~4.5RM, and 1USD~117.2Yen

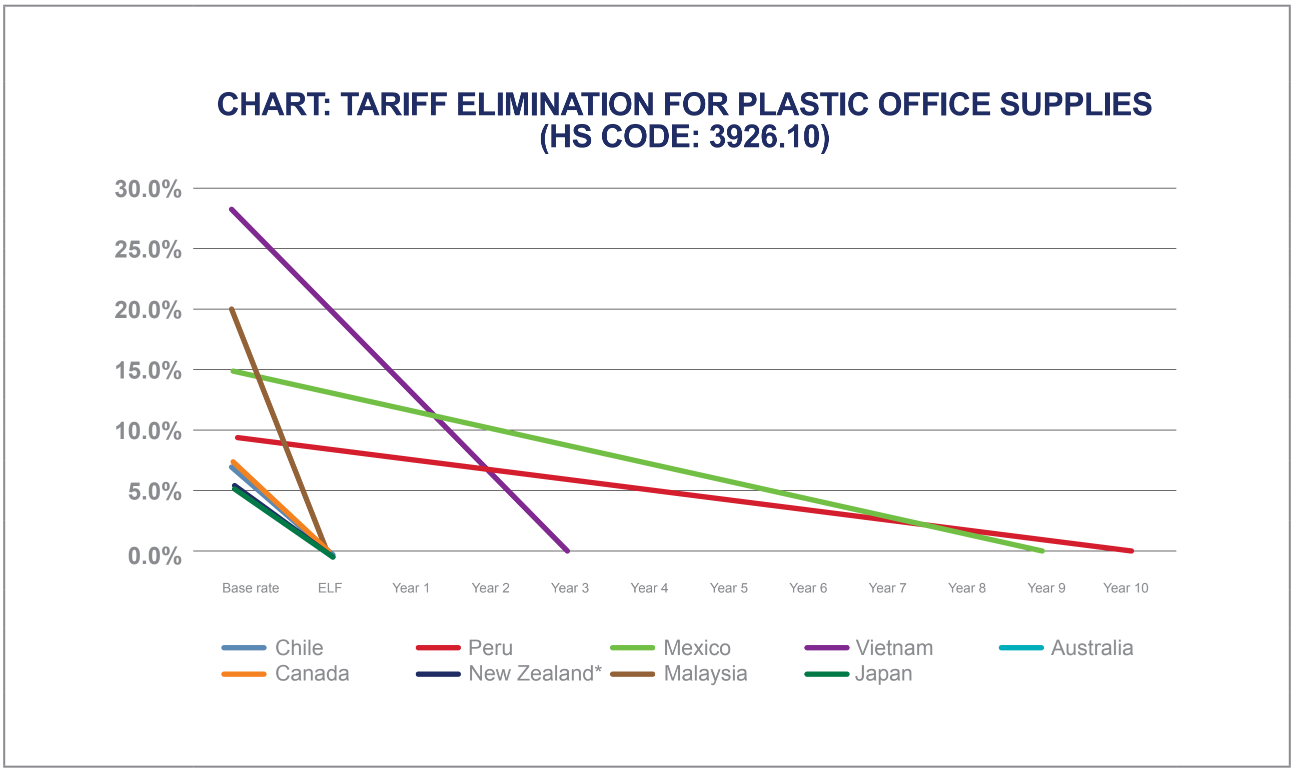
PLASTICS (HS CHAPTER 29)

Plastic manufacturers in TPP countries will see substantial benefits from tariff elimination under the TPP. Except for Brunei and Singapore which currently levy zero duties, all other nine countries will eliminate tariffs on plastics within 11 years.

TABLE 3: OVERVIEW OF PLASTICS (HS CHAPTER 29)

	COUNTRY	TARIFF RANGE	MAXIMUM TARIFF ELIMINATION PERIOD
Current zero tariffs	Singapore	0%	
	Brunei	0%	
All tariffs eliminated EIF	Canada	0% - 6.5%	EIF
	Japan	0% - 6.5% 6.5% or 22.40 yen/kg, whichever is the less	EIF
Most tariffs eliminated EIF	Australia	0% - 5%	4 years
	Chile	6%	4 years
	Malaysia	0% - 20%	11 years
	New Zealand	0% - 10%	7 years
More complicated tariff schedules	Mexico	0% - 15%	10 years
	Peru	0% - 9%	11 years
	Vietnam	0% - 31%	4 years

CHART 4: TARIFF ELIMINATION FOR PLASTIC OFFICE SUPPLIES (HS CODE: 3926.10)



Note: *All plastic office supplies except for electronic stencils and erasers. Australia and New Zealand have the same tariff schedule for plastic office supplies

ESSENTIAL OILS, PERFUMERY, COSMETICS AND TOILET PREPARATIONS (HS CHAPTER 33), AND SOAP AND OTHER CLEANSERS (HS CHAPTER 34)

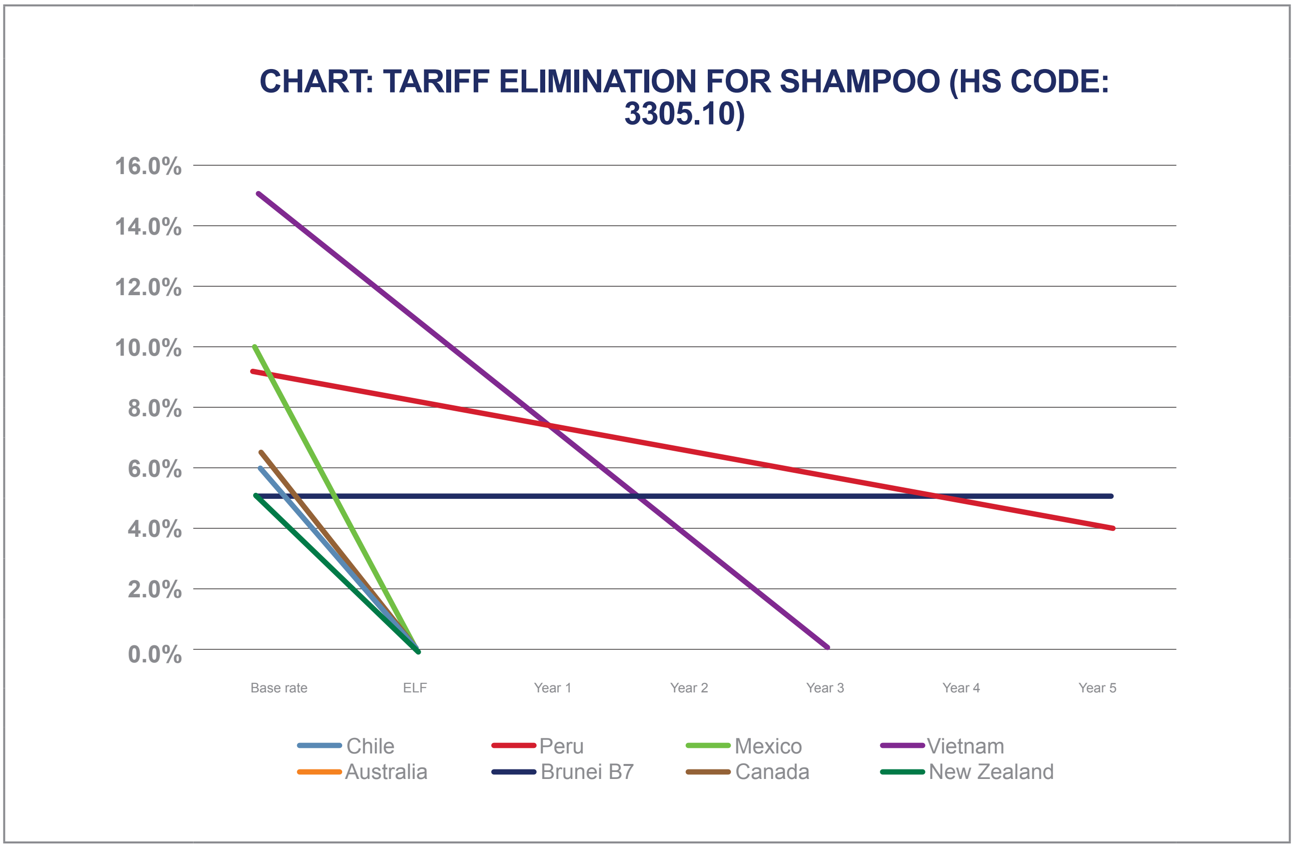
All of the tariffs imposed on essential oils, perfumery, cosmetics, toilet preparation, and soap and other cleansers will be eliminated within six to seven years in most TPP members. Note that Vietnam will eliminate almost all tariffs of 30% on these products within 4 years.

TABLE 4: OVERVIEW OF TARIFF ELIMINATION FOR ESSENTIAL OILS, PERFUMERY, COSMETICS, TOILET PREPARATIONS, SOAP AND OTHER CLEANSERS (HS CHAPTERS 33 AND 34)

	COUNTRY	TARIFF RANGE	MAXIMUM TARIFF ELIMINATION PERIOD
Current zero tariffs	Singapore	0%	
All tariffs eliminated EIF	Australia	0% - 5%	EIF
	Canada	0% - 10.5% $0.7/litre plus 19%	EIF
	Chile	6%	EIF
Most tariffs eliminated EIF	Japan	0% - 5.4% 9%	EIF 6 years
	New Zealand	0% - 5%	7 years
More complicated tariff schedules	Brunei	For HS chapter 33: 0% - 5% 30% $250/dal For HS chapter 34: 0% - 5% 44 cents/dal to 11 cents/kg	 7 years EIF 11 years 7 years 7 years
	Malaysia	For HS chapter 33: all zero tariffs For HS chapter 34: 0% - 20%	 6 years
	Mexico	0% - 30%	10 years
	Peru	0% - 9%	11 years
	Vietnam	0% - 30%	5 years (Almost all will be eliminated in 4 years)

[19] Australian Department of Foreign Affairs and Trade (DFAT). Trans-Pacific Partnership Agreement. Outcomes: Good market access. Retrieved from: http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/outcomes-goods-market-access.aspx [Accessed: January 9, 2017].

CHART 5: TARIFF ELIMINATION FOR SHAMPOO (HS CODE: 3305.10)



Note: Australia and New Zealand have the same tariff schedule for Shampoo.

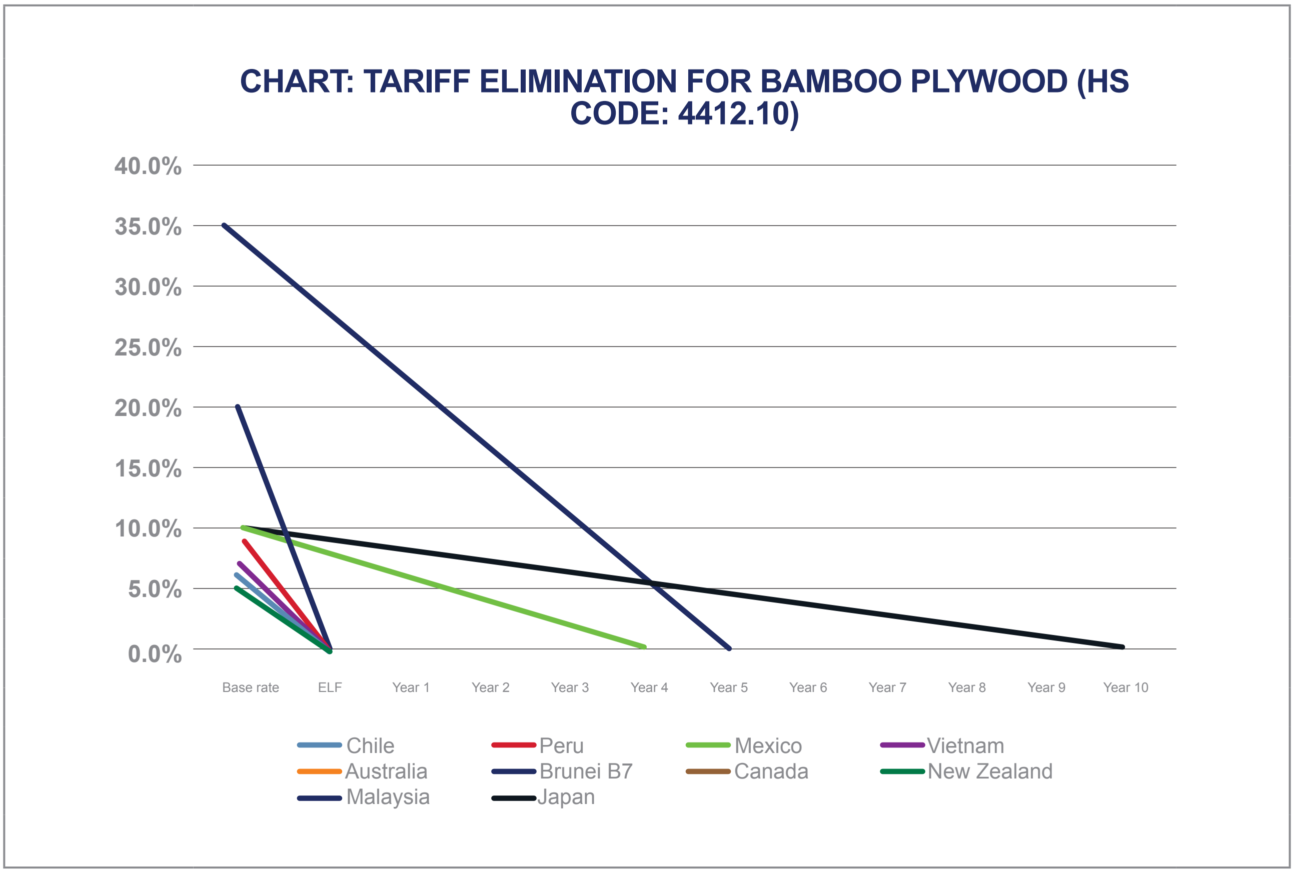
WOOD (HS CHAPTER 44)

Wood products imported into 11 TPP countries will see benefits from tariff elimination under the TPP. More than half of the TPP countries committed to remove tariffs within 7 years. Market access to Vietnam for many wood products will be widely opened on the first day of the TPP when all of the tariffs of up to 31% will be eliminated entry into force. Mexico, Peru and Japan will take 10, 11 and 16 years.

TABLE 5: OVERVIEW OF TARIFF ELIMINATION FOR WOOD, ARTICLES OF WOOD AND WOOD CHARCOAL (HS CHAPTER 44)

	COUNTRY	TARIFF RANGE	MAXIMUM TARIFF ELIMINATION PERIOD
Current zero tariffs	Singapore	0%	
All tariffs eliminated EIF	Brunei	0% -20%	EIF
	Canada	0% - 9.5%	EIF
	Chile	6%	EIF
	Vietnam	0% - 31%	EIF
Most tariffs eliminated EIF	Australia	0% - 5%	4 years
	Malaysia	0% - 40%	6 years
	New Zealand	0% - 5%	7 years
More complicated tariff schedules	Japan	0% - 10%	16 years
	Mexico	0% - 15%	10 years
	Peru	0% - 9%	11 years

CHART 6: TARIFF ELIMINATION FOR BAMBOO PLYWOOD (HS CODE: 4412.10)



Note: Australia, Canada and New Zealand have the same tariff schedule for Bamboo Plywood.

FURNITURE, BEDDING, MATTRESSES, CUSHION AND SIMILAR STUFFED FURNISHINGS (HS CHAPTER 94)

Except for Singapore which has zero tariffs, the other ten TPP countries have committed to eliminate all their tariffs for furniture, bedding, mattresses, and cushion products. All of Chile's 6% tariffs for these products will be removed on the first day of the TPP. For most countries, like Australia, Brunei, Canada, Japan, and New Zealand, tariff elimination will be done on entry into force. The tariff phase out periods for other countries are four years for Vietnam, six years for Peru, ten years for Mexico and 11 years for Malaysia.

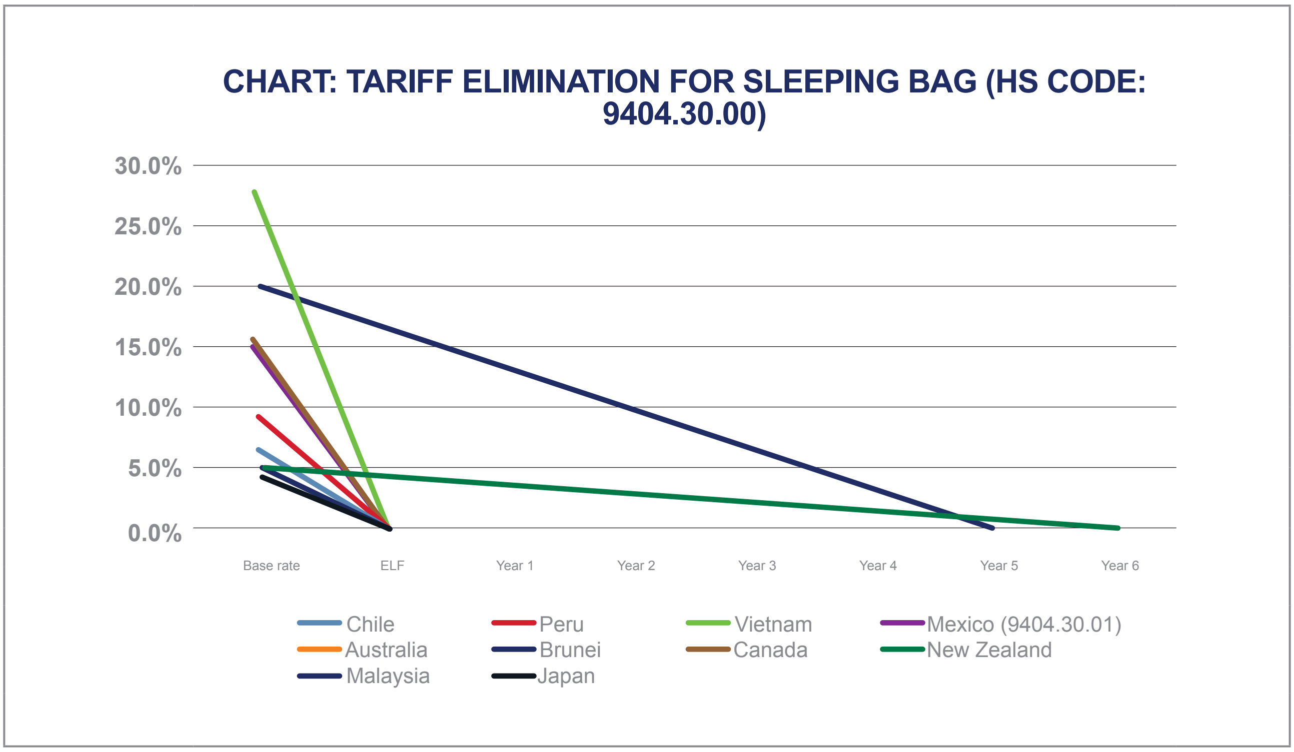
Most of furniture, bedding, mattresses, and cushion products are subject to five percent tariff when being exported to Australia. When the TPP comes into force, all most all of these tariffs will be removed, except for a few products where tariffs will take four years to phase out.

Brunei, which levies zero tariffs for most for its imports, agreed to eliminate the current tariff of five percent for most furniture products on entry into force or within seven years for a few items.

TABLE 6: OVERVIEW OF TARIFF ELIMINATION FOR FURNITURE, BEDDING, MATTRESSES, CUSHION AND SIMILAR STUFFED FURNISHINGS (HS CHAPTER 94)

	COUNTRY	TARIFF RANGE	MAXIMUM TARIFF ELIMINATION PERIOD
Current zero tariffs	Singapore	0%	
All tariffs eliminated EIF	Chile	6%	EIF
Most tariffs eliminated EIF	Australia	0% or 5%	4 years
	Brunei	0% or 5%	7 years
	Canada	0% - 15.5%	6 years
	Japan	0% - 4.8% (many of the base rates are now zero)	11 years
	New Zealand	0% - 10%	7 years
	Malaysia	0% - 30%	11 years
Complicated tariff schedule	Mexico	0% - 15%	10 years
	Peru	0% or 9%	6 years
	Vietnam	0% - 31%	4 years

CHART 7: TARIFF ELIMINATION FOR SLEEPING BAGS (HS CODE: 9404.30.00)



Note: Australia and Brunei have the same tariff schedule for Sleeping Bags.

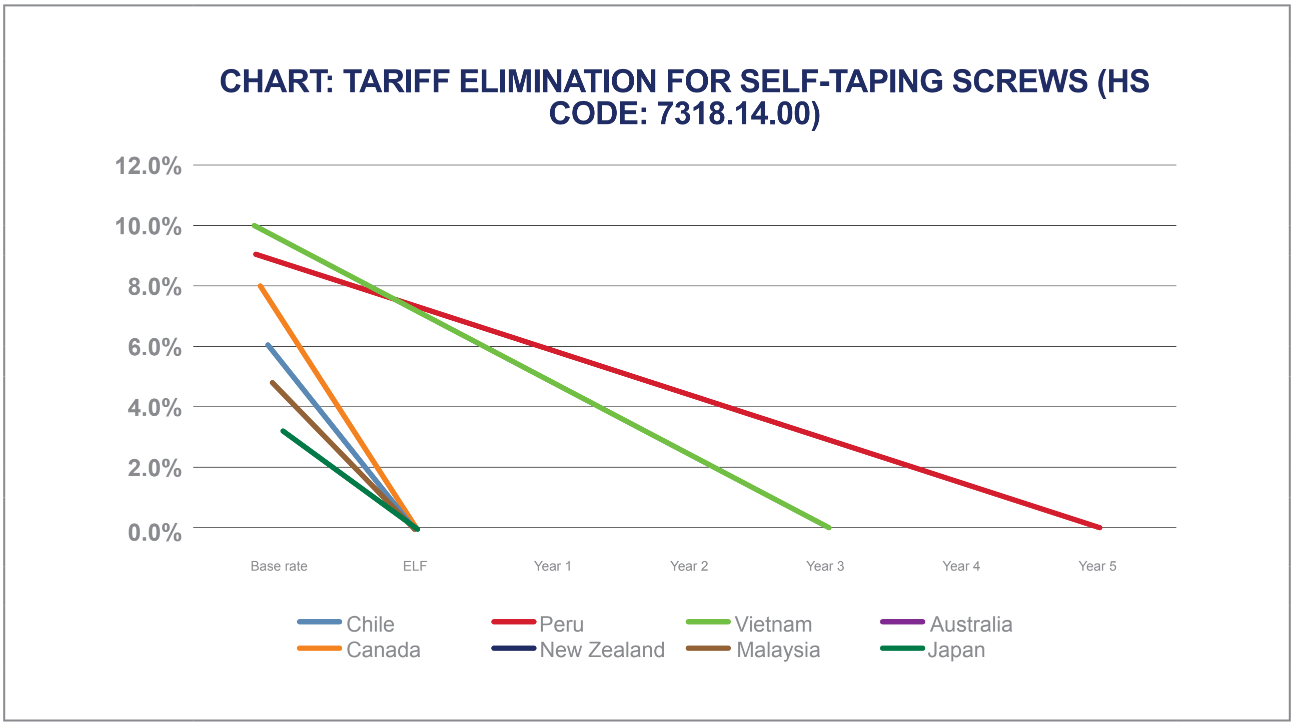
ARTICLES OF IRON AND STEEL (HS CHAPTER 73)

Except for duty-free Singapore, all ten TPP countries have committed to eliminate tariffs on articles of iron and steel imported from other members. All tariffs will be eliminated within 11 years from the day TPP enters into force. Vietnam has agreed to eliminate tariffs of up to 40% within four years.

TABLE 7: OVERVIEW OF TARIFF ELIMINATION FOR ARTICLES OF IRON AND STEEL (HS CHAPTER 73)

	COUNTRY	TARIFF RANGE	MAXIMUM TARIFF ELIMINATION PERIOD
Current zero tariffs	Singapore	0%	
All tariffs eliminated EIF	Japan	0% - 3.3%	EIF
	Canada	0% - 6.5%	EIF
Most tariffs eliminated EIF	Australia	0% - 5%	4 years
	Brunei	0% - 20% (almost all current tariffs are zero)	7 years
	New Zealand	0% - 5%	7 years
More complicated tariff schedules	Chile	6%	8 years
	Malaysia	0% - 20%	11 years
	Mexico	0% - 20%	10 years
	Peru	0% - 9%	11 years
	Vietnam	0% - 40%	4 years

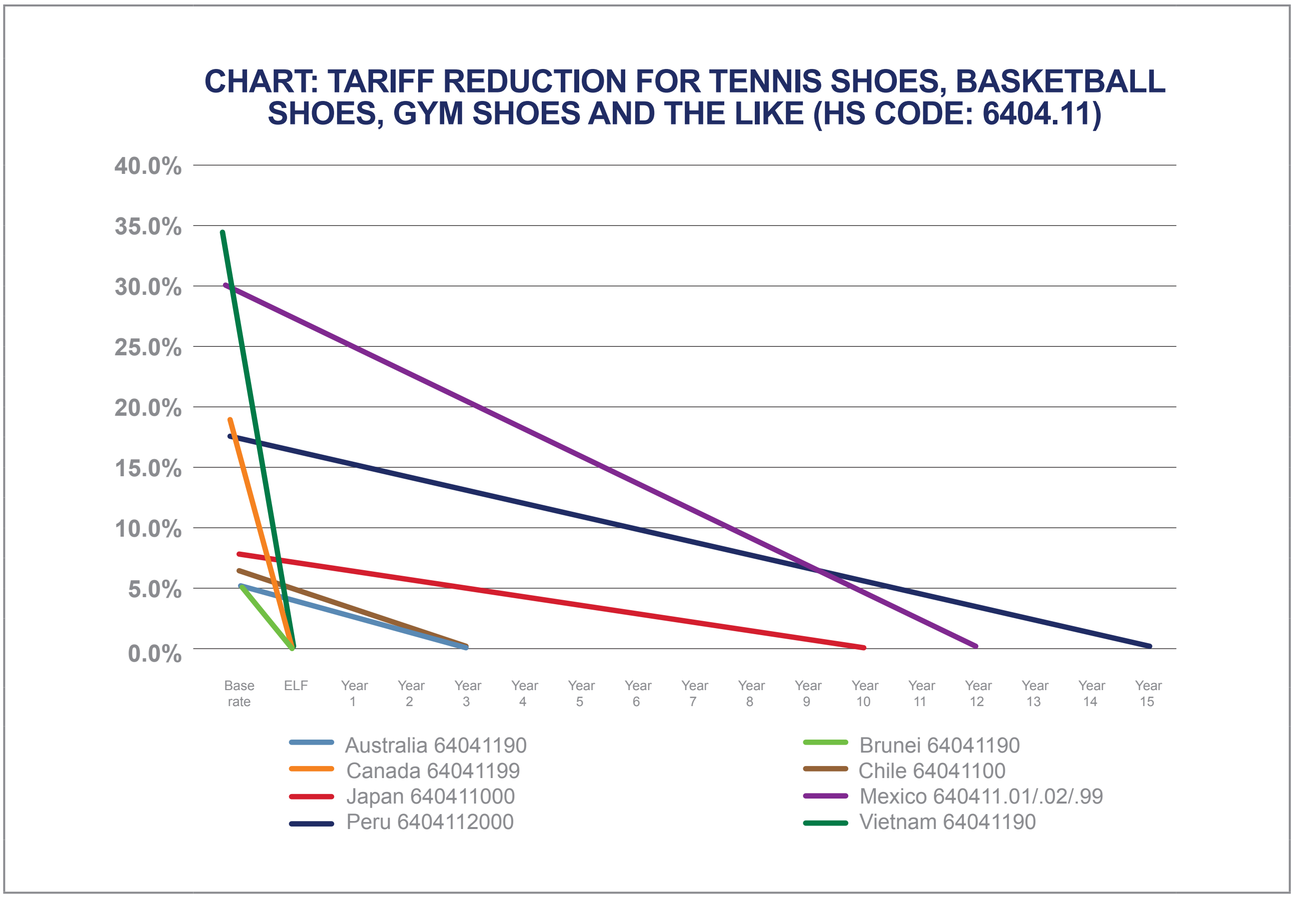
CHART 8: TARIFF ELIMINATION FOR SELF-TAPING SCREWS (HS CODE: 7318.14.00)



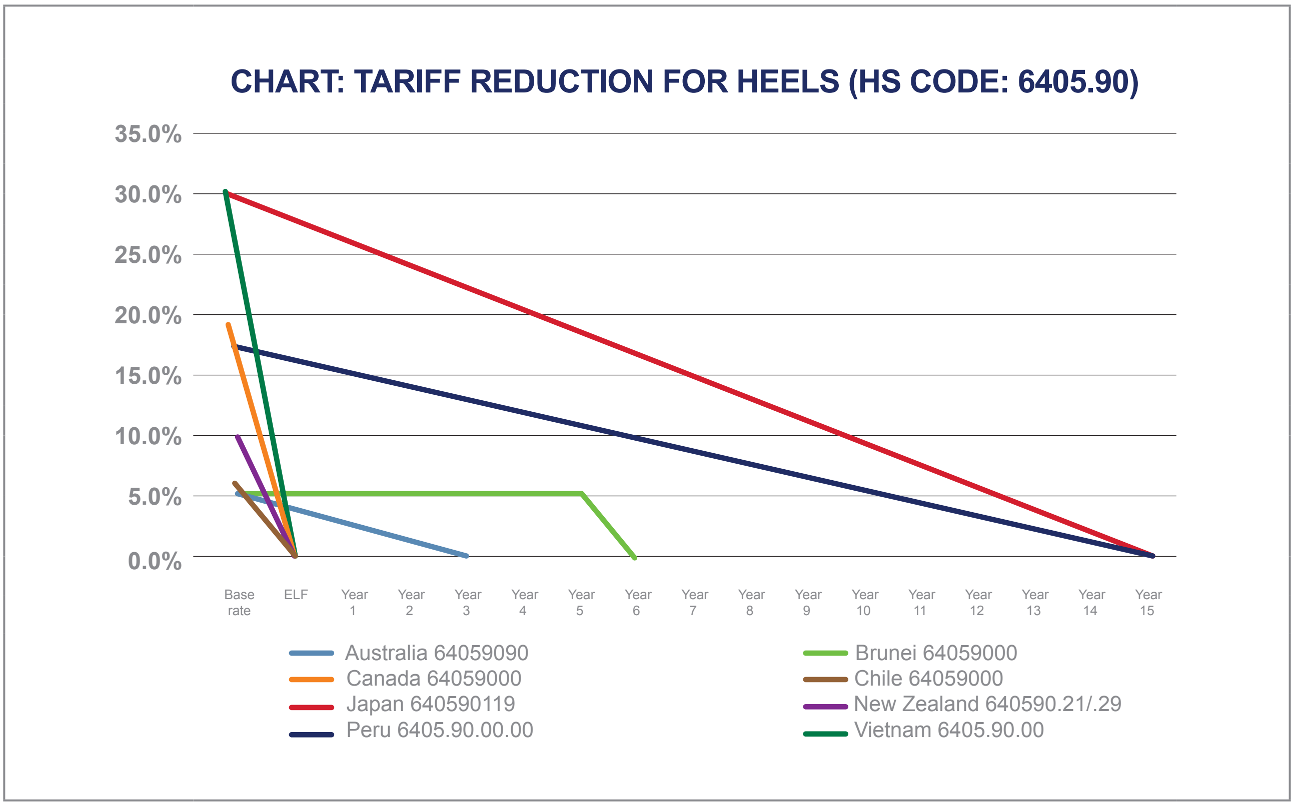
Note: Australia, New Zealand and Malaysia have the same tariff schedule for Self-taping screws.

The following sections show more examples of tariff reductions for Footwear, Textile & Garment, Dry Food, and Machinery.

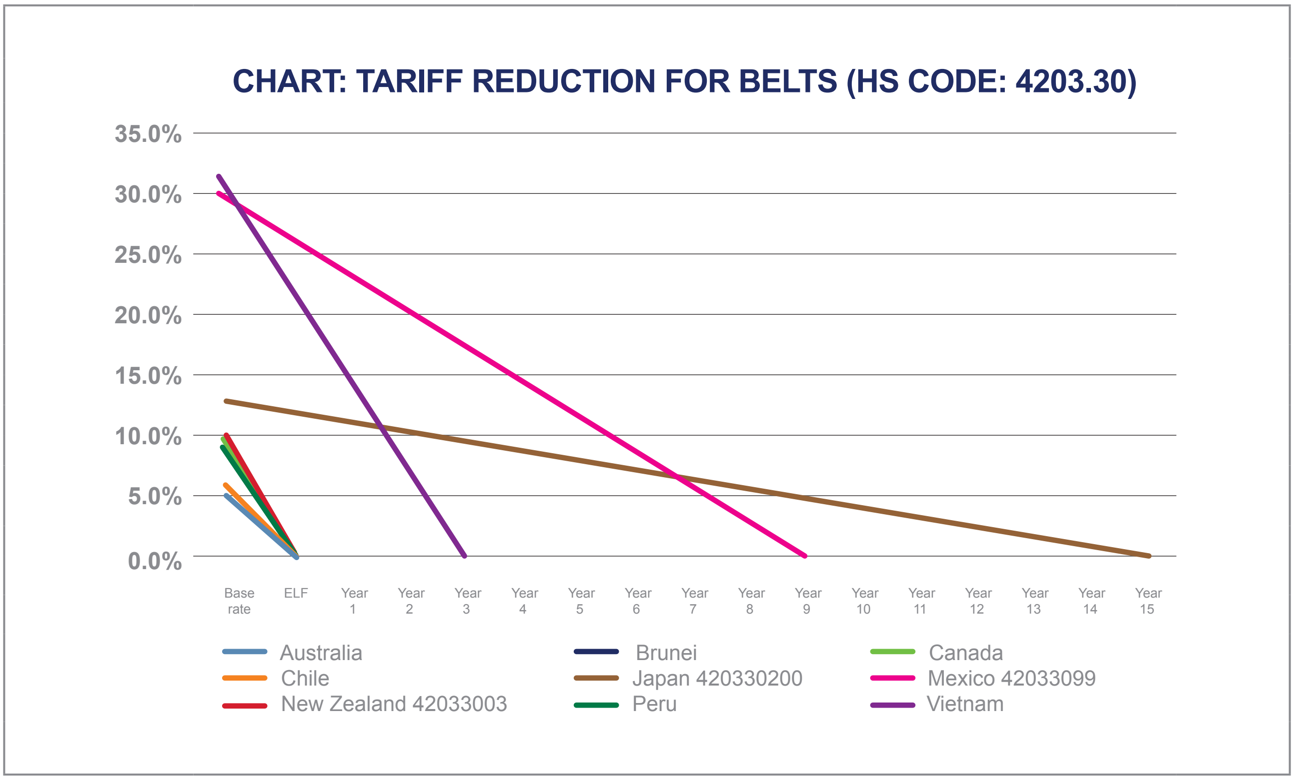
FOOTWEAR (HS CHAPTER 64)



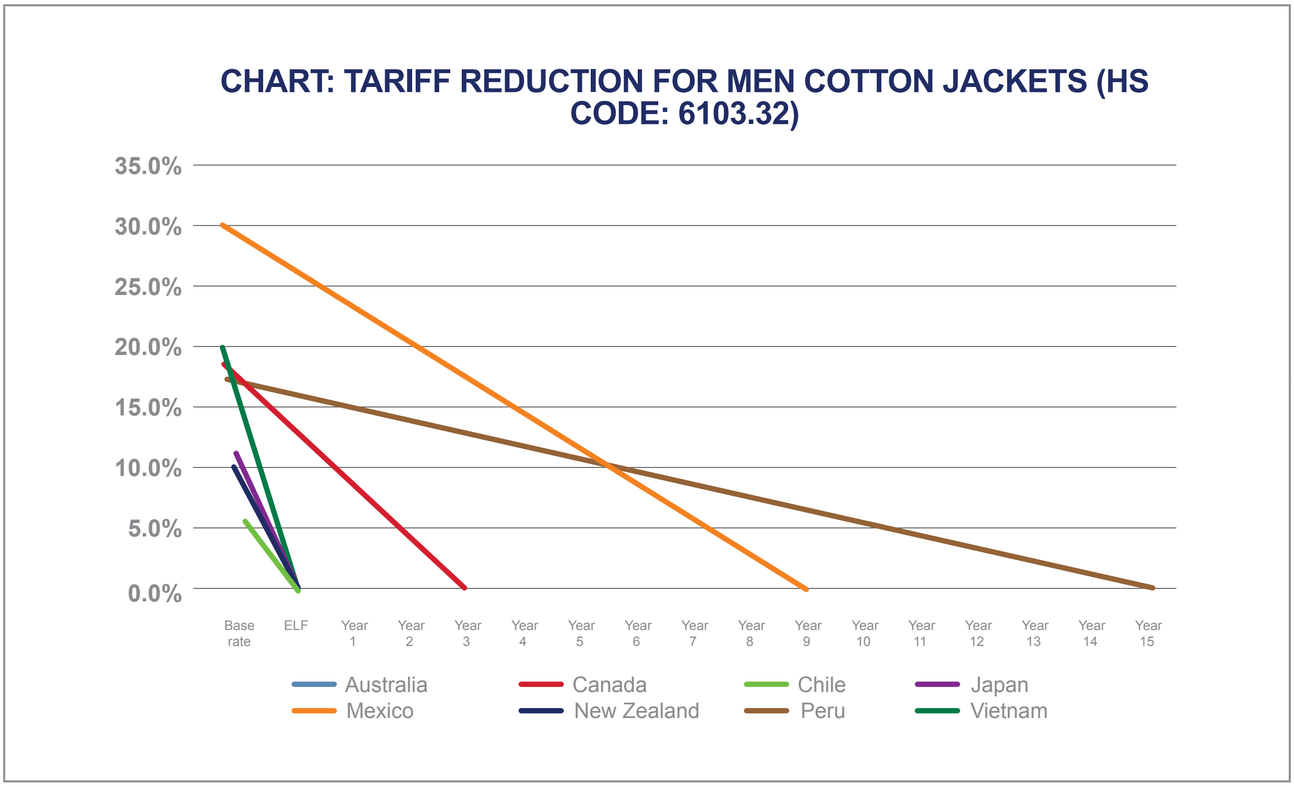
Note: Under textile and footwear sections, each country has their own way to categorize different types of footwear. The tariff equivalence in this chart is based on the author's judgment.



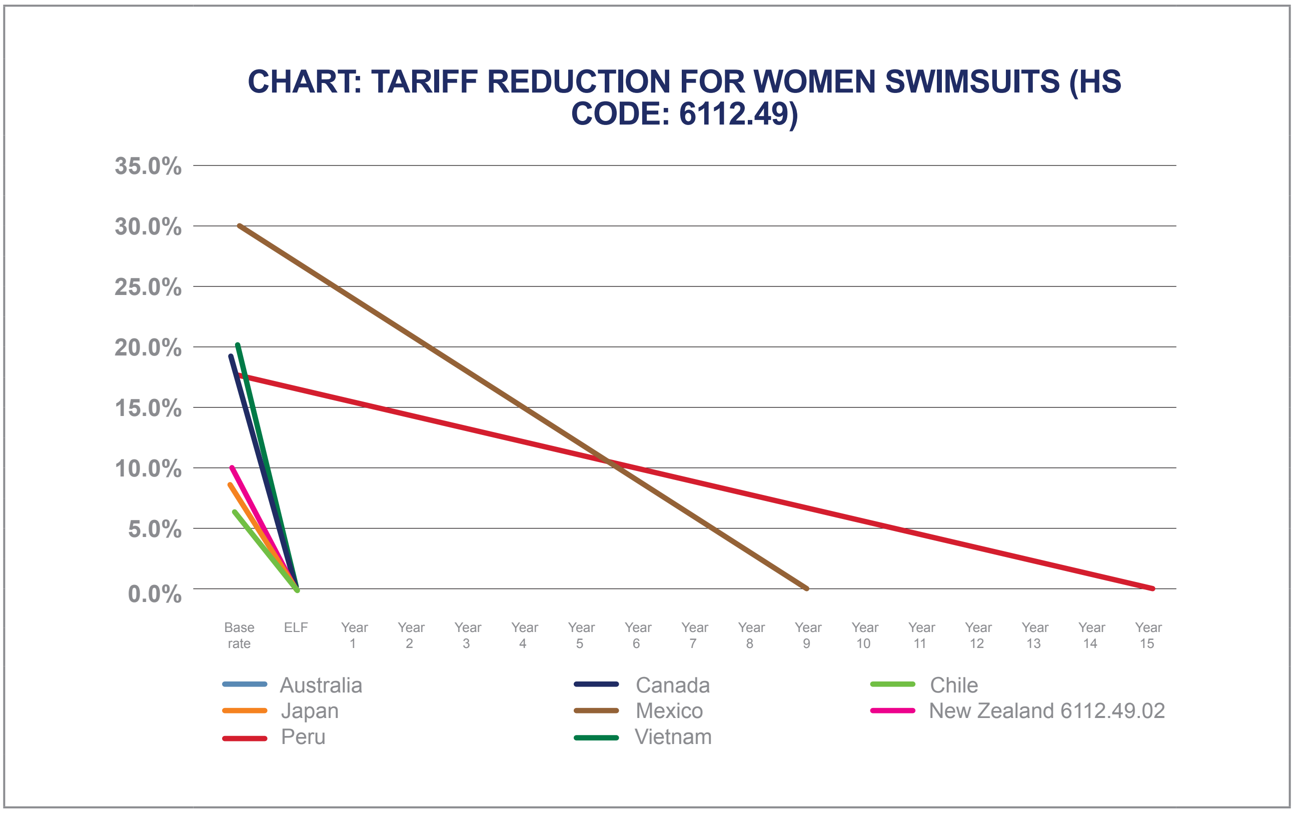
TEXTILE AND GARMENT (HS CHAPTER 42, 61, 62)



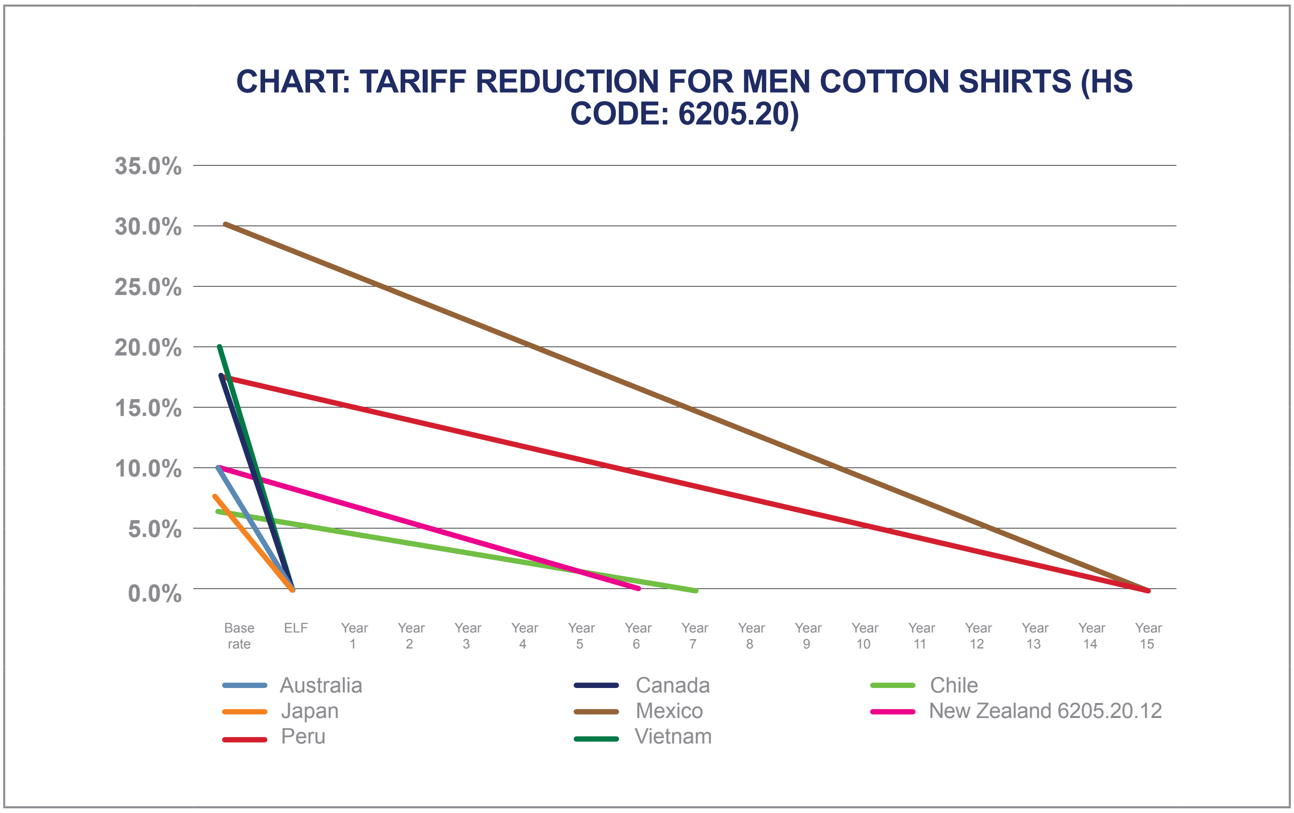
Note: Brunei and New Zealand have the same tariff schedule for Belts.

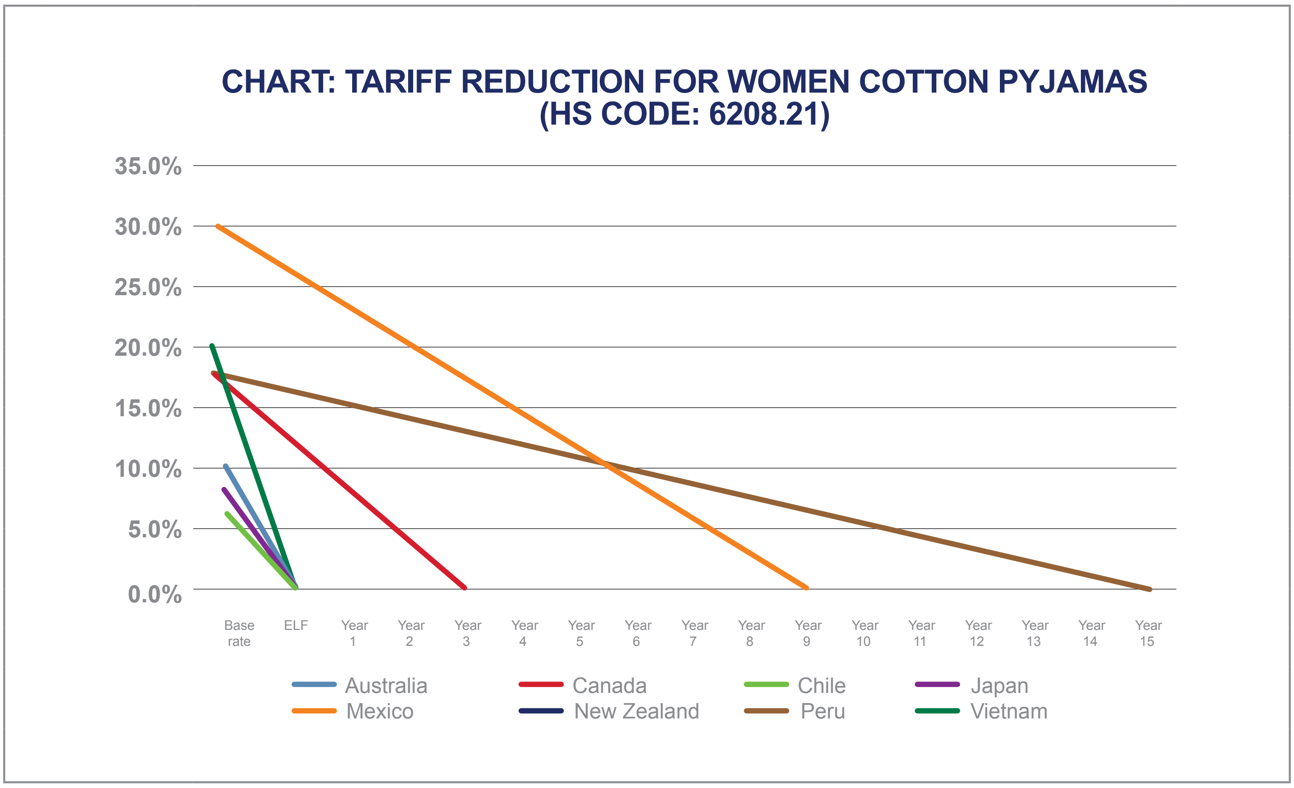


Note: Australia and New Zealand have same tariff schedule for Men Cotton Jackets.

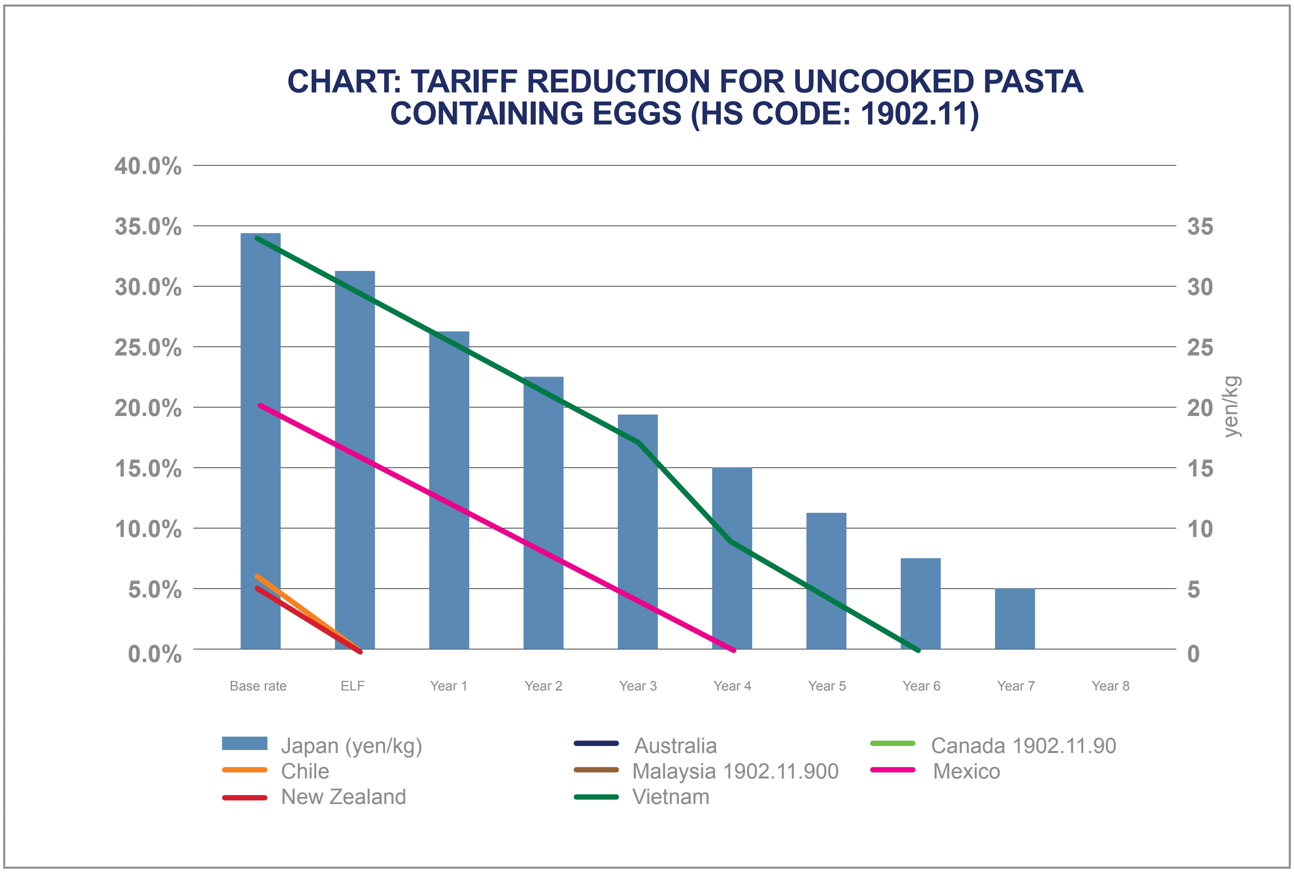


Note: Australia and New Zealand have same tariff schedule for Women's Swimsuits.



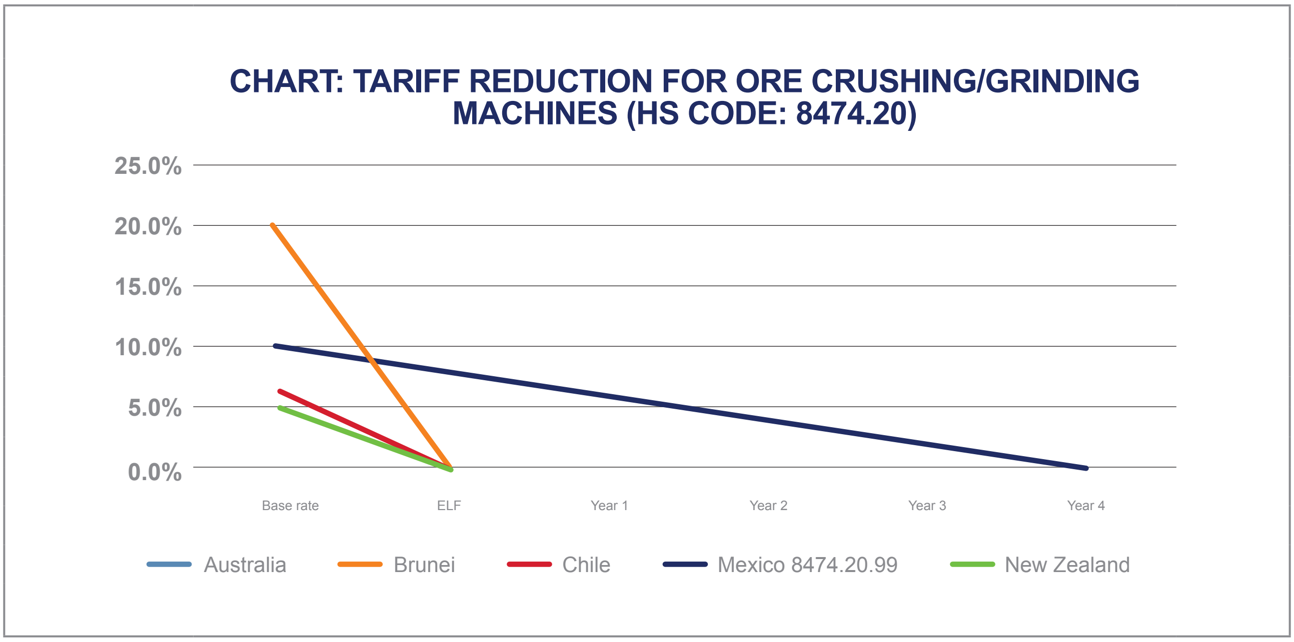


UNCOOKED PASTA (HS CODE: 1902.11)



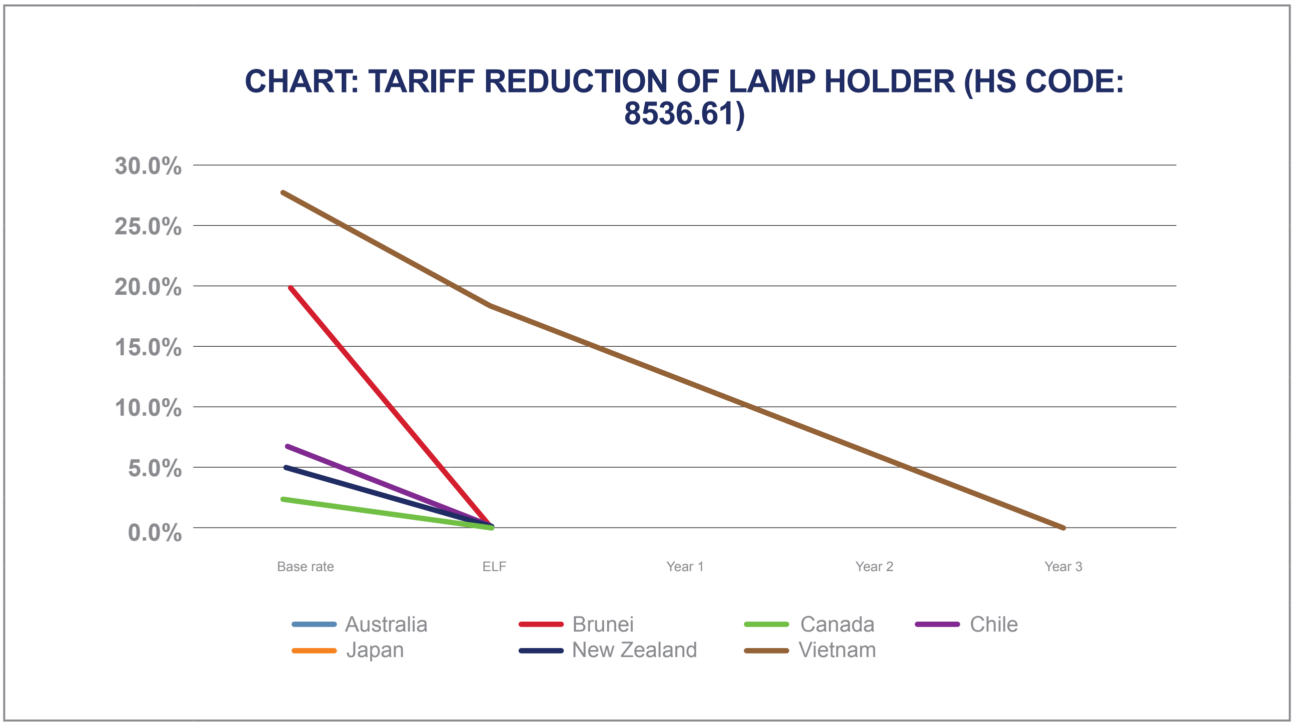
Note: Canada and Chile have the same tariff schedule for uncooked pasta containing eggs; Malaysia and New Zealand have the same tariff schedule for uncooked pasta containing eggs.

ORE CRUSHING/GRINDING MACHINE (HS 8474.20)



Note: Australia and New Zealand have the same tariff schedule for Ore Crushing/Grinding Machines

LAMP HOLDERS (HS CODE: 8536.61)



CONCLUSIONS

The TPP continues to offer substantial market access benefits to participating member countries. Firms that operate in and across the TPP will face fewer tariff barriers with lower rates as quickly as the first day of the agreement.

While very important, member governments did not throw open doors to market access in goods immediately, nor did they open all sensitive goods markets automatically. For some products, especially agricultural items that have not been subjected to market opening in the past, governments proceeded very cautiously in the TPP.

For companies planning to realign their supply chain to maximize the attractive duty savings opportunities granted by the TPP, other costs such as logistics and transportation should also be carefully considered in view of the unique geographical distribution of TPP members.

Tariff cuts are the easiest elements of the agreement to see and to measure. But the complicated and interlocking nature of the TPP means that firms should not just focus attention on this aspect of the agreement. The TPP also provides firms with lower risk and greater certainty as well as improved opportunities for doing business across TPP member markets. The interlocking nature of commitments means that firms—large and small—receive benefits scattered in chapters all across the deal.

ABOUT THE PUBLICATION

This document is prepared by APL Logistics Ltd. and the Asian Trade Centre, Singapore. The booklet is available online, please visit www.apllogistics.com.

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ABOUT APL LOGISTICS

APL Logistics is the go-to global supply chain specialist for companies in the Automotive, Consumer, Industrials and Retail sectors.

The APL Logistics group of companies has a global network covering all major markets and is backed by a multinational workforce of about 7,700 people. APL Logistics Ltd is a member of the Kintetsu World Express group, a global logistics services provider.

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ABOUT ASIAN TRADE CENTRE

The Asian Trade Centre was launched in Singapore in 2014. It is the premier independent advocate for growing trade in the Asia Pacific region and serves as a resource for trade-related activities in Asia. This includes:

- Building bridges between government and business to foster the growth of trade in region;
- Increasing capacity and knowledge for government and business leaders through training, workshops and seminars;
- Leading world-class, policy oriented research projects; and
- Conducting outreach to the media, business, NGOs and the interested public on trade issues.

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