



Australian Government

Department of Foreign Affairs and Trade

CPTPP: GROWING AUSTRALIA'S GOODS EXPORTS TO VIETNAM



THE TIME TO TRADE WITH VIETNAM IS NOW

Vietnam's economy is booming. With decade high growth of 7.1 per cent in 2018, Vietnam is expected to be a global top 20 economy by 2050.¹

An increasingly globally connected economy, robust domestic demand, a booming manufacturing sector and a burgeoning middle class are driving Vietnam's impressive economic expansion.

Australian exporters are positioned well to benefit from Vietnam's economic growth and build on Australia's reputation for high-quality goods.

Australia has an opportunity to:



meet Vietnam's consumer demand for safe and clean food and beverages;



fuel Vietnam's growing demand for energy and resources; and



provide Vietnam's export-oriented private sector with high-quality manufactured goods.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force on 30 December 2018 for Australia, Canada, Japan, Mexico, New Zealand and Singapore. For Vietnam, the seventh country to ratify the CPTPP, it entered into force on 14 January 2019.

The CPTPP affords Australian goods exporters market access to Vietnam above and beyond many competitors.

The Australian Government's wins for Australian goods under the CPTPP should help boost our trade with one of Asia's fastest growing economies.

GDP GROWTH (2018)

7.1%

POPULATION

95 MILLION

BY 2050

TOP 20 ECONOMY

ANNUAL REAL GDP PER CAPITA GROWTH (TO 2030)

4.5%

¹ In purchasing power parity terms

Source: PricewaterhouseCoopers - World in 2050 Report

WHY VIETNAM?

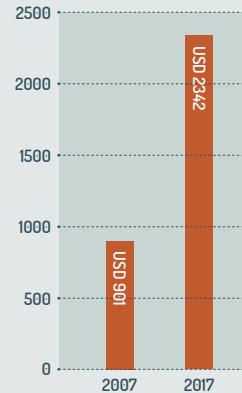
Vietnam's economy is growing faster than at any time in the last decade. Achieving 7.1 per cent growth in 2018, the nation is also one of Asia's fastest growing economies.

With a population of 95 million people, Vietnam is a large and growing consumer market. Having achieved lower middle-income status in 2010, Vietnam is expected to have more than 50 per cent of its population in the global middle class by 2035, with real GDP per capita projected to grow at 4.5 per cent annually out to 2030.² With a reputation for quality, Australian goods exporters can readily capitalise on Vietnam's growing wealth. Rising demand for energy, resources, agricultural products, food and beverages all play to Australia's economic strengths.

Vietnam is a globally significant manufacturer and a leading producer of smart phones, computers, textiles, garments, machinery and footwear. The CPTPP offers numerous opportunities for Australian exporters to supply materials, parts and components to Vietnam's manufacturing sector.

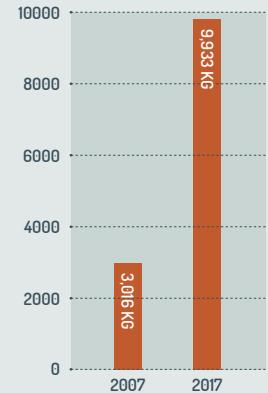
Vietnam has been one of Australia's fastest growing trade partners for the past decade, and the CPTPP will boost this growth.

VIETNAM'S RISING CONSUMPTION



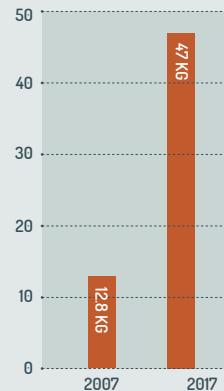
INCOME PER CAPITA

(Source: World Bank)



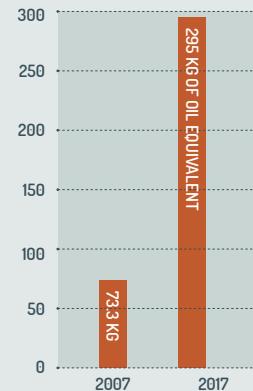
BEEF CONSUMPTION PER CAPITA

(Source: OECD³)



WHEAT CONSUMPTION PER CAPITA

(Source: USDA⁴)



COAL CONSUMPTION PER CAPITA

(Source: CEIC Data)

² World Bank – Vietnam 2035 Report

³ Organisation for Economic Cooperation and Development

⁴ United States Department of Agriculture

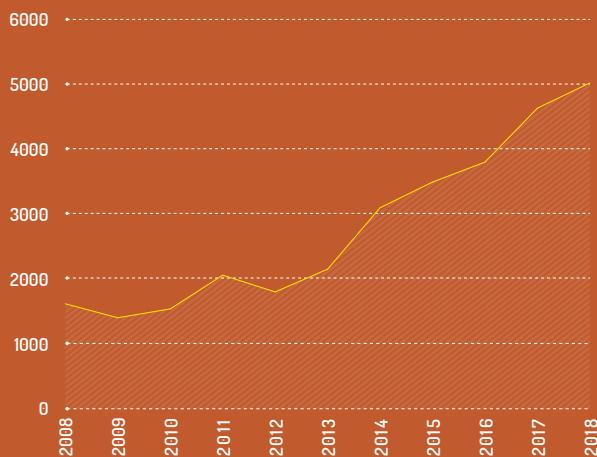
AUSTRALIA'S GOODS TRADE WITH VIETNAM

Australia's trade relationship with Vietnam has never been stronger. Vietnam is one of Australia's fastest growing trade partners, with bilateral trade averaging 12 per cent annual growth since 2013.

Australia exported around AUD5 billion worth of goods to Vietnam in 2018. This represents around 1.5 per cent of Australia's total goods exports and makes Vietnam Australia's 14th largest goods export market.

The CPTPP will give Australian goods exporters an added edge, with preferential market access above and beyond many competitors.

AUSTRALIAN GOODS EXPORTS TO VIETNAM (AUD MILLION)



Source: Australian Bureau of Statistics

AUSTRALIA'S MAJOR GOODS EXPORTS TO VIETNAM 2018 (AUD MILLION)

 COAL	1,178.2
 COTTON	466.2
 IRON ORES & CONCENTRATES	386.8
 WHEAT	314.2
 LIVE CATTLE	311.5
 FERROUS WASTE & SCRAP	287.0
 ALUMINIUM	241.5
 FRUIT, NUTS & VEGETABLES	205.9
 ZINC	173.9
 COPPER	162.5
 CEREAL PREPARATIONS	108.8
 BEEF	83.9
 LEAD	81.3
 LIQUEFIED PROPANE & BUTANE	65.8
 PLASTIC PLATES, SHEETS & FILM	63.7
 MACHINERY & TRANSPORT EQUIPMENT	47.3
 MEDICAMENTS (INCL VETERINARY)	44.1
 BARLEY	42.3
 PIGMENTS, PAINTS & VARNISHES	39.0
 ALCOHOLIC BEVERAGES	38.7
 MILK, CREAM, WHEY & YOGHURT	34.9

CPTPP WINS FOR AUSTRALIAN GOODS EXPORTERS

The CPTPP improves market access for Australia's goods exports to Vietnam above and beyond what Australian exporters already enjoy under the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) or Vietnam's World Trade Organization commitments.

The Department of Foreign Affairs and Trade's Free Trade Agreement Portal is a comprehensive resource for exporters looking to explore the benefits of Australia's FTAs, including the CPTPP. The portal provides accurate information on the tariff rates for Vietnam, guides exporters on CPTPP rules of origin and outlines certification requirements.

Visit <https://ftaportal.dfat.gov.au> for more information.



Tariff chart



TARIFF ELIMINATION

The CPTPP will eliminate more than 98 per cent of tariffs in the free trade area, with some specific wins for a number of Australia's key exports to Vietnam.

AGRICULTURAL, FOOD AND BEVERAGE EXPORTS

HEADLINE WINS IN VIETNAM:

- Elimination of all tariffs on cotton.
- Elimination of most tariffs on seafood on entry into force, with the remainder eliminated within 4 years.
- Elimination of all tariffs on sheepmeat on entry into force.
- Elimination of in-quota tariffs on Vietnam's WTO sugar quota on entry into force.
- Elimination of tariffs on wine and most spirits within 11 years (currently up to 59 per cent).
- Elimination of all remaining tariffs on Australian raw wool exports on entry into force.

The CPTPP removes a number of the few remaining tariffs on Australian agricultural exports into Vietnam. These wins will make Australian exports of cotton, wool, seafood and wine more competitive.

Australia already has a robust agricultural export trade with Vietnam. The market is Australia's seventh largest for agriculture, fisheries and forestry products, valued at AUD2 billion in 2017-18; almost doubling on the previous five years.

Vietnam is Australia's fifth largest market by value for wheat exports. Australia is Vietnam's largest supplier of wheat, accounting for over 42 per cent of total imports by value in 2017. Vietnam is also a rapidly growing market for Australian barley, with Vietnam's beer consumption and production growing steadily. Both grains are tariff free under the CPTPP and AANZFTA.

Australian beef exporters can take advantage of rising demand for quality meat, with Australian beef already enjoying a reputation as a safe, clean and high quality product. Vietnam is Australia's second largest market for live cattle, with demand expected to grow as Vietnam's eating patterns change. Both exports are tariff free under the CPTPP and AANZFTA.

AUSTRALIA'S AGRICULTURAL GOODS EXPORTS TO VIETNAM

EXPORT VALUE IN 2018 AND FIVE YEAR TREND GROWTH RATE



BARLEY
AUD37.9M
25.4%[▲]



COTTON
AUD463.9M
39.5%[▲]



MALT
AUD107.3M
9.1%[▲]



BEEF
AUD83.9M
36.2%[▲]



WINE & SPIRITS
AUD24.4M
18.2%[▲]



LIVE CATTLE
AUD311.4M
30.3%[▲]



FRESH GRAPES
AUD21.7M
10.6%[▲]



ALMONDS
AUD89.4M
223%[▲]



MACADAMIAS
AUD37.6M
239%[▲]

Australian horticulture is already a premium product in Vietnam, and has had a fivefold increase in export value since 2013. Australian grape, pear, citrus and cherry producers enjoy market access to Vietnam, all of which are tariff-free under the CPTPP or AANZFTA.

Rising incomes and the growing number of tourists, hotels and restaurant chains are increasing demand for wine. The CPTPP will eliminate tariffs on wine and most spirits within 11 years, putting Australian wine producers at an advantage over European and US competitors.

More information on opportunities for Australian agriculture, food and beverage exporters can be found here:

<https://bit.ly/2r647Sz>



Taste of Australia

Taste of Australia is an annual Vietnam-wide celebration, typically in April - May, that reinforces Australia's international reputation as a supplier of high-quality, safe and sustainable food and beverages to Vietnamese industry and consumers.

RESOURCE AND ENERGY EXPORTS

HEADLINE WINS IN VIETNAM:

- Elimination of tariffs on butanes, propane and LNG within 7 years of entry into force.
- Elimination of Vietnam's 20 per cent tariff on refined petroleum within 10 years of entry into force.

Australia has an opportunity to fuel Vietnam's growing energy and industrial development needs. Vietnam's energy consumption is growing at nearly double the rate of economic growth, averaging between 10 and 12 per cent growth over the last 15 years. The CPTPP makes Australian butanes, propane, LNG and refined petroleum more competitive.

Vietnam is one of the world's fastest growing steel manufacturers, increasing its demand for iron ore. Australian iron ore and concentrates exports to Vietnam jumped from nothing in 2015 to AUD387 million in 2018. Australian coking coal exports are also booming, increasing from AUD72 million in 2014 to AUD879 million in 2018.

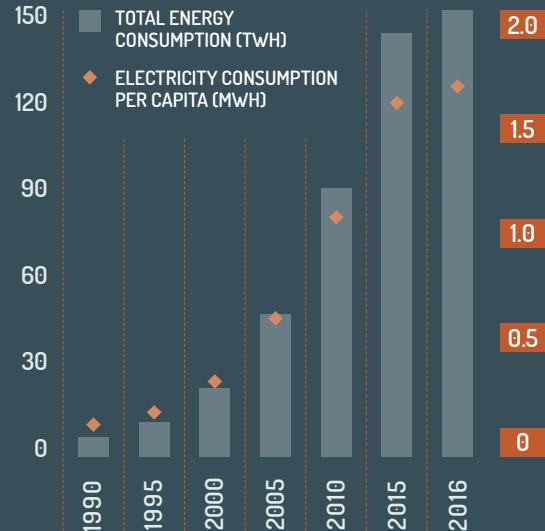
There is also an opportunity for Australian thermal coal as coal-fired power generation is expected to account for up to 50 per cent of Vietnam's electricity supply by 2030, presenting a significant opportunity for Australian thermal coal exporters. Adding to this demand, Vietnam transitioned from a net coal exporting country into a net importing country in 2015. Australian coal enjoys tariff free entry into Vietnam.

With domestic gas production forecast to decline from 2020, Vietnam will need to seek gas supplies from other countries. This presents a significant opportunity for Australian LNG exporters, who will enjoy tariff-free entry under the CPTPP from January 2025 (currently five per cent).

Australia continues to export aluminum, zinc, copper and lead that go into Vietnam's industrial production. All of these commodities enjoy tariff-free entry into Vietnam.

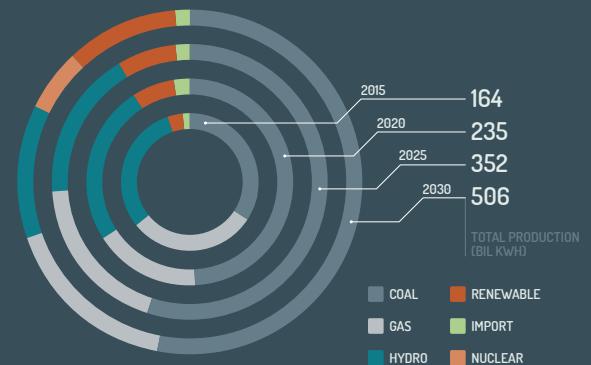
More information on opportunities for Australian resources and energy exporters can be found here: <https://bit.ly/2H1YE3Y>

RIISING DEMAND FOR ELECTRICITY IN VIETNAM



Source: International Energy Agency (IEA)

VIETNAM POWER DEVELOPMENT PLAN 7 REVISED



Source: Decision 4281/QĐ-TTg (18/3/2016)

MANUFACTURED GOODS EXPORTS

HEADLINE WINS IN VIETNAM:

- Elimination of tariffs on refined petroleum within 10 years of entry into force.
- Elimination of tariffs on iron and steel products within 10 years of entry into force.
- Elimination of tariffs on automotive parts within 10 years of entry into force.

Australian manufacturers are world class and Australia's manufactured goods have a reputation for reliability in Vietnam. The CPTPP will reduce and eliminate tariffs on many of Australia's manufactured goods exports.

The CPTPP will eliminate tariffs on iron steel products within 10 years of entry into force, including flat-rolled products. Australian automotive parts manufacturers will also enjoy tariff-free entry for many products within 10 years of entry into force, providing opportunities to supply Vietnam's growing domestic car manufacturing sector.

Vietnam has also committed to eliminating all remaining duties on medical instruments and devices and on Australian exports of pharmaceutical products.

VIETNAM'S GROWING MANUFACTURING CAPACITY



EASIER CERTIFICATION OF ORIGIN

The CPTPP makes exporting easier for Australian companies by providing simpler Certification of Origin. Under the CPTPP, there is no requirement for third party certification. An importer may make a claim for preferential tariff treatment on a Certification of Origin completed by an importer, an exporter or a producer. This is different from other Australian free trade agreements and a more streamlined approach compared to AANZFTA. CPTPP certification does not need to follow a prescribed format, but must be in writing (including electronic). More information on how to obtain tariff treatment using the CPTPP can be found here: <https://bit.ly/2Z43Xq8>

NON-TARIFF MEASURES

The CPTPP addresses costly and time-consuming non-tariff barriers and seeks to eliminate unnecessary technical barriers to trade to enhance transparency and promote regulatory cooperation and good practice. It helps ensure that market access gains for Australian exports are not undermined by unnecessary or unjustified technical barriers to trade (TBT) or sanitary and phytosanitary-related (SPS) barriers.

The CPTPP has annexes on principles that CPTPP members, including Vietnam, shall obey when applying TBT for wine and distilled spirits, ICT products, pharmaceuticals, cosmetics, medical devices, pre-packaged food and food additives as well as organic products.

On SPS barriers, the CPTPP reaffirms existing obligations under the World Trade Organization Sanitary and Phytosanitary Agreement. The CPTPP assists Australian exporters to Vietnam by improving cooperation, consultation and transparency on SPS and biosecurity measures.

The Trade Barriers Gateway website <https://tradebarriers.dfat.gov.au/> provides access to a government trade barrier reporting feature for Australian businesses. Australian exporters can also raise their concerns with their industry association, as well as directly with government departments and Australian diplomatic missions in Hanoi and Ho Chi Minh City.



GOVERNMENT PROCUREMENT & STATE-OWNED ENTERPRISES

Under the CPTPP, Vietnam has committed to opening its government procurement market for the first time. Vietnam's government procurement market is sizable and procures a wide range of goods, offering great opportunities for Australia's established exporters as well as more specialised and niche exporters.

In particular, Australian services companies will enjoy access to government procurement in the following sectors:

-  accounting, auditing and taxation services;
-  computer and related services; and
-  environmental protection services.

CPTPP commitments on SOEs will help ensure Australian goods manufacturers can compete on a more level playing-field with state-owned manufacturers in Vietnam.

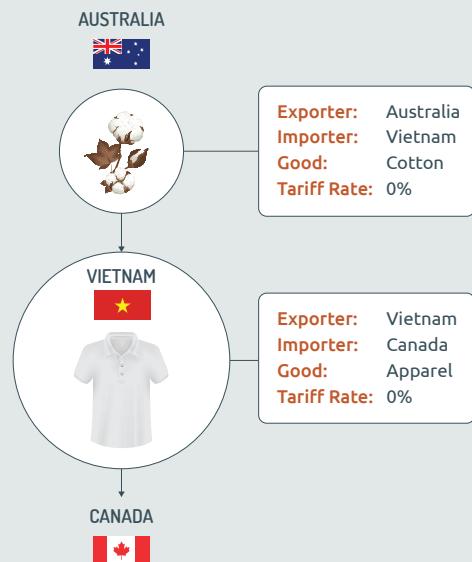
GLOBAL VALUE CHAINS (GVC)

In addition to providing new market access opportunities, the CPTPP will establish a common set of rules between the 11 members. This includes one set of rules of origin and simpler certification requirements to claim preferential tariff treatment on goods exported from Australia. Common rules contribute to the functioning of GVCs by reducing the number of different regulatory settings businesses must navigate when they trade with multiple CPTPP countries.

The CPTPP is the most significant harmonisation of trade rules since the WTO Uruguay Round concluded over 20 years ago. As a regional free trade agreement, the CPTPP will create additional and longer-term integration benefits for Australian businesses, exporters and consumers – beyond those that can be achieved in a bilateral FTA.

Under the CPTPP, businesses and exporters will be able to count inputs sourced from any of the CPTPP countries when calculating if a good is CPTPP originating to thereby take advantage of the CPTPP preferential trading arrangements. This means lower tariff rates on inputs as well as the final product. The combined effect of new market access opportunities and common rules will make it easier for Australian businesses, exporters and consumers to participate in and benefit from GVCs.

CPTPP – GVC EXAMPLE



Australian agricultural producers and exporters will benefit from increased participation in GVCs because the CPTPP will drive demand for inputs from the most efficient agricultural suppliers.

The CPTPP will allow the use of increased Australian cotton exports when producing clothing in Vietnam that can be exported to Canada under new tariff preferences. Under the CPTPP, tariffs on nearly half of all clothing produced in Vietnam imported into Canada are eliminated on entry into force, with the remainder eliminated within four years. Vietnam does not impose duties on Australian cotton, but the elimination of tariffs faced by Vietnamese clothing manufacturers exporting to Canada should result in increased demand for Australian cotton exports.

In addition to growing Australian goods exports, the CPTPP will bring about wins for services exporters and investors.

See the services and investment booklets in this series.

FOR MORE INFORMATION

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE
www.dfat.gov.au and ttp@dfat.gov.au

DFAT FREE TRADE AGREEMENT PORTAL
www.ftaportal.dfat.gov.au/

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