



Ten Benefits of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)



ASIAN TRADE CENTRE



Asia
Business
Trade
Association

1. What is the Comprehensive & Progressive Trans-Pacific Partnership (CPTPP)?

The Comprehensive & Progressive Trans-Pacific Partnership (CPTPP) is a free trade agreement (FTA) between eleven Asia Pacific economies: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Signed on March 8, 2018, the agreement will come into effect as soon as the end of the year. It is the largest regional free trade agreement in Asia with more members expected to join in the future.

Accounting for about 490 million people, 13% of global GDP, with a per capita income of over US\$19,000, the agreement is expected to integrate Asia Pacific markets by reducing barriers to goods and services trade, protecting investments and intellectual property rights, establishing rules for e-commerce, and promoting fair competition.

The CPTPP is the most important trade agreement in more than two decades. It is deeper and broader, with commitments that best match the needs of large and small businesses.

Many CPTPP members already have free trade agreements in place with other participating countries. But the CPTPP is significant because it:

1. Upgrades existing arrangements;
2. Creates new FTA relationships
3. Establishes new networks, including supply chains between Asia and the Americas.

Fully enforceable, the CPTPP is a legally binding agreement, supported by a system of dispute settlement, to bring rule of law and greater transparency and predictability to the regional trading regime.

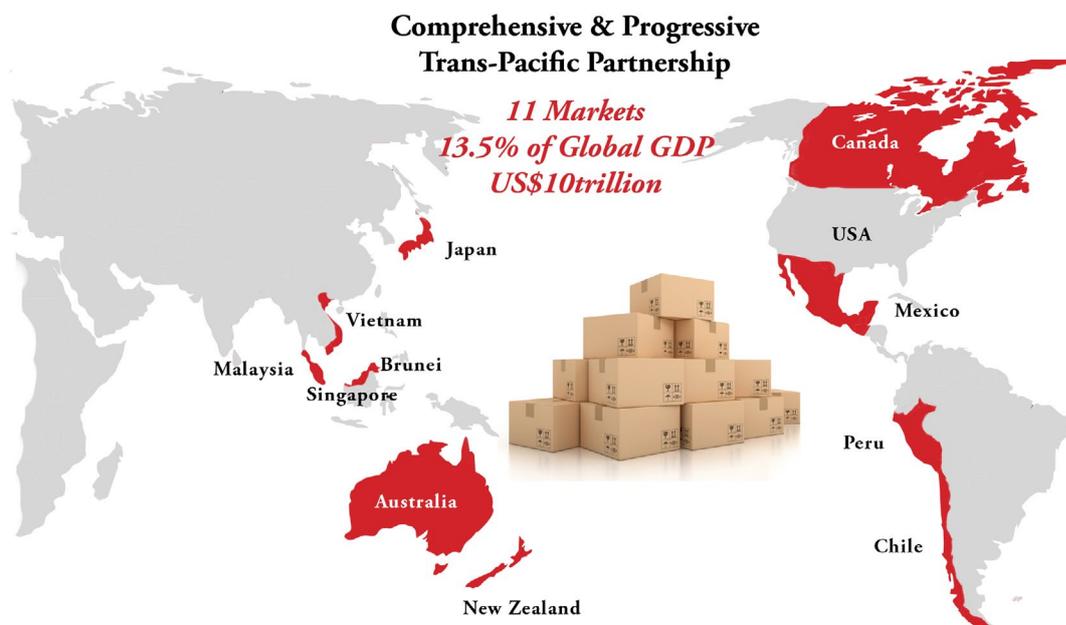




TABLE OF EXISTING FTAS AMONG CPTPP MEMBERS

	Australia	Brunei	Canada	Chile	Japan	Malaysia	Mexico	New Zealand	Peru	Singapore	Vietnam
Australia		M	None	B	B	B, M	M	M, B	B	B, M	M
Brunei	M		None	None	M, B	M	None	M	None	M	M
Canada	None	None		B	None	None	B, M	None	B	None	None
Chile	B	None	B		B	B	M, B	None	M, B	None	B
Japan	B	M, B	None	B		M, B	B	None	B	M, B	M, B
Malaysia	B	M	None	B	M, B		None	B, M	None	M	M
Mexico	M	None	M	M, B	B	None		M	M, B	None	None
New Zealand	M, B	M	None	None	None	B, M	M		None	B, M	M
Peru	B	None	B	M, B	B	None	M, B	None		B	None
Singapore	B	M	None	None	M, B	M	None	B, M	B		M
Vietnam	M	M	None	B	M, B	M	None	M	None	M	

M: Multilateral FTAs – FTAs with more than 2 members; B: Bilateral FTAs



As an SME doing business in Asia and seeking new markets, we are looking forward to the new opportunities that the CPTPP will bring including new customers in Vietnam, Malaysia, Japan, and the Americas. We also look forward to the lower duties for our Singapore and Malaysia sourced office systems, greater intellectual property protection for our designs, and more efficient customs clearance processes.

Technigroup Far East, Office Furniture Systems Manufacturer

2. Access to New Markets - Selling In More Places

The CPTPP creates new market access for goods by eliminating duties and non-tariff barriers that often prevent imports from competing with domestically produced goods.

It is expected that duties will be completely eliminated for a significant percentage of goods on the very first day of the agreement. For most of the remaining sensitive products, duties will be reduced over time.

This is good news for exporters who currently face significant duties in particular markets. For example:

AGRICULTURE:

Beef imported into Japan currently faces duties of 38.5%. This will be lowered to 9%. Dairy products into Canada can face duties as high as 250%. These are also coming down with greater access. Farmers trying to export poultry products into Mexico struggle to be competitive with duties of up to 234%. Many of these tariffs fall all the way to zero on the first day of the agreement. Nearly all other agricultural products become duty free within 3-7 years.

AUTOMOTIVE:

Passenger vehicles into Vietnam may be charged duties up to 83% under the current rules. Pumps and compressors exported to Malaysia are charged up to 30% in duties.

FOOTWEAR AND APPAREL:

Producers of footwear and apparel face import duties when entering many CPTPP markets. These fall to zero—often on entry into force.

INFO-COMMUNICATION TECHNOLOGY (ICT):

Duties remain for many information-communication technology products that have been developed since 1997 despite global agreements to eliminate duties. Duties for more than 200 new categories are expected to be eliminated, provided origin criteria is met by CPTPP members. Every single part and component in electronics will also be tariff free.

REMANUFACTURED GOODS:

The TPP also guarantees equal treatment of remanufactured or refurbished goods critical to producers of aircraft components, automotive parts, electrical and electronic equipment, engines and components, medical equipment, office furniture, printing equipment, and restaurant & food-service equipment.



As a company working in digital marketing and customer relationship management (CRM), our customer's data and data interpretation is the most crucial asset in our business. Being able to move data freely across borders is a key priority not only for us, but also to all our clients. This is why the CPTPP rules on banning data localization in all member countries is a good news for all.

Riverview Mobile Solutions, Singapore

3. Supporting an Integrated Asia Pacific Marketplace

Unlike bilateral trade agreements, the CPTPP allows companies to make products for all 11 markets without the need to change processes, parts, suppliers or components. Once an item qualifies under the rules of origin for CPTPP, it can be shipped from one CPTPP country into all 11 markets as the agreement has the same ROOs for all members.

These rules support integrated sourcing, in line with modern production patterns where parts and components are produced

from multiple countries for final assembly and delivery to market.

Under the CPTPP, regional cumulation of rules of origin will be permitted so exporters can include materials, labor, parts and components from throughout the CPTPP to qualify for preferential duty rates or duty-free entry in other CPTPP markets.

MAKING SMARTPHONES

The CPTPP can provide substantial benefits to firms. For example, a company that manufactures smartphones in Vietnam can take advantage of multiple changes once the CPTPP comes into force that should dramatically increase sales into CPTPP countries.

An existing multilateral agreement for electronics products, the Information Technology Agreement (ITA), does not cover smartphones. But the CPTPP covers this kind of advanced technology as well as all the components and raw materials used in the manufacture of the products.

The company may be able to source materials from across the CPTPP members including screens from Japanese firms, semiconductor chips manufactured in Malaysia, and chassis made in Singapore, without paying duties on any of these items. The phone, assembled in Vietnam, can be shipped to consumers in CPTPP markets, also without duties.



Made in CPTTP - The Smartphone Value Chain

4. Modernizing Clearance and Reducing Costs at the Border

To address the needs of modern supply chains and e-Commerce, the TPP includes new rules on customs clearance to reduce paperwork, increase transparency of processes, and help move goods more expeditiously and seamlessly across borders.

SOME KEY TRADE FACILITATING FEATURES AVAILABLE THROUGH THE TPP ARE:

Self-Certification of Origin

Under several existing FTAs, firms have to apply for Certificates of Origin (COs) to prove that products meet specific rule of origin criteria in order to qualify for preferential duties. These COs are usually issued by Chambers of Commerce, have limited validity periods, and require a fee. The TPP introduces self-certification of origin, allowing importers and exporters to self-declare that they have met rule of origin criteria, eliminating a potentially cumbersome and costly process. Companies will need to keep internal paperwork to prove origin, however, for five years.

Advanced Rulings

To enhance predictability of cross-border trade, the CPTPP has created an Advanced Ruling mechanism allowing importers and exporters to attain critical determinations on tariff classification, valuation, and origin which are binding for at least three years. For many companies, this is expected to reduce the number of shipments held at the border, while important decisions impacting the duties owed are made. The TPP Advanced Ruling mechanism is expected within 150 days after a request has been submitted.

Time Guarantees for Express Shipments

To facilitate the timely clearance of express shipments, the CPTPP includes commitments allow pre-arrival processing, guaranteeing release within six hours, provided the shipment has arrived. These rules will improve time-in-transit, shorten lead times and support just-in-time manufacturing practiced throughout the world to enhance competitive supply chains. The procedures are also expected to introduce operational efficiencies for express carriers to support the growth of cross-border e-Commerce.



The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is an exciting development for the Asia Pacific region, creating new opportunities for companies to access new markets and new customers. The CPTPP breaks down barriers surrounding cross-border clearance, creates a modern e-commerce framework and establishes high-standard rules that create important precedents for regional trade.

Ross McCullough, President, UPS Asia Pacific Region

5. New Opportunities in Services



The CPTPP has important benefits for services companies. Firms should find it easier to provide services across member countries in areas like banking, insurance, construction, logistics, accounting, travel & tourism, consulting, app and games development, and graphic design.

Trade in services constitutes an increasingly important part of global trade. Services even make up as much as 40-80% of the value contained in manufactured goods. They are important catalysts that enable manufacturing, and allow SMEs to access critical tools such as cloud-based digital tools, and e-Commerce retail and distribution services.

The TPP includes rules to ensure market access, non-discrimination, and fair competition for services from CPTPP parties. These include:

Negative List Approach to Scheduling Market Access Commitments

TPP Parties have scheduled their market access and national treatment (granting non-discriminatory treatment) commitments in Annexes to the agreement. These annexes are laid out using a negative-list approach, identifying only services that are subject to exceptions or restrictions, or 'non-conforming measures.' This

approach not only enhances transparency and predictability, as service descriptions can sometimes be unclear, but also allows new services and solutions access unless expressly stated.

To put this into ordinary language—all service sectors and subsectors are now opened to TPP member firms, unless explicitly listed as closed. In practice, the list of closed sectors is very small and mostly not commercially significant. This is a radical departure from many existing trade agreements and should give companies new opportunities to deliver services into CPTPP markets.

Recognition of Qualifications

Unless otherwise stated, TPP Parties commit to recognize the education or experience obtained, requirements met, or licenses or certifications granted in a particular country for purposes of the fulfilment, in whole or in part, of standards or criteria for the authorization, licensing, or certification of services suppliers.

Business Mobility

The TPP also includes a chapter on Temporary Entry to facilitate transparency in processes enabling the travel of skilled people between TPP markets for the purpose of doing business. However, all movement of temporary personnel remain subject to final approval from relevant immigration authorities.



FPT looks forward to deepening our international footprint with new services opportunities created by the TPP Agreement. Improved intellectual property protection and free-flow of cross-border data and IT services support our internationalization strategy allowing us to offer innovative and competitive software solutions to both big and small businesses.

FPT Corporation, Vietnam

6. Investments Protection & Guarantees

The TPP investment chapter provides market access, national treatment, and investment protection and guarantees to facilitate cross-border investments.

Investments are defined as any asset that an investor owns, or controls, directly or indirectly, including characteristics such as the commitment of capital or other resources, the expectation of gain or profit, and the assumption of risk.

The TPP provide assurance on:

Basic rights such as repatriation of funds and capital transfers

- Fair compensation in case of expropriation.
- Imposition of mandatory export performance or local content requirements
- Legal recourse is available in the event of disputes.
- Under very specific circumstances, investor-state dispute settlement is also available allowing investors to partake in third-party arbitration tribunals such as the International Convention for the Settlement of Investment Disputes (ICSID) or UNICTRAL.

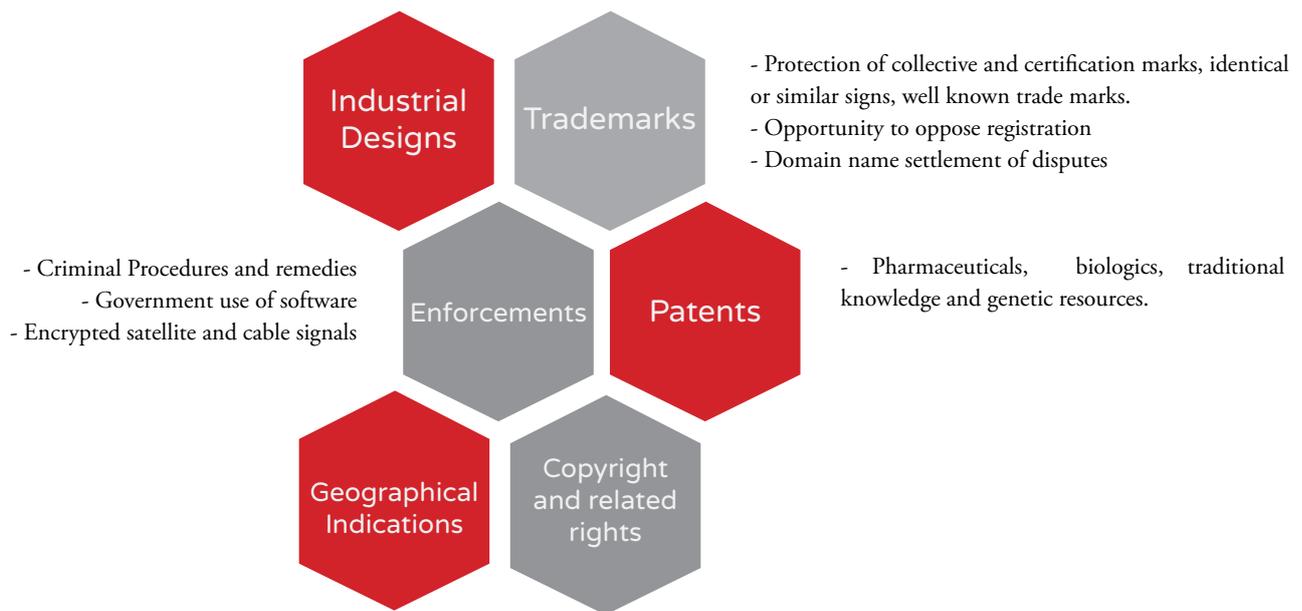
PROTECTED ASSETS

- **Enterprise**
- **Equity in an enterprise**
- **Bonds & debentures**
- **Debt security & loans**
- **Futures, options & derivatives**
- **Contracts – Turnkey, management, construction, revenue sharing**
- **Intellectual property**
- **Licenses & authorizations**
- **Moveable or immovable property**
- **Property rights such as leases, mortgages, liens, and pledges**

7. Protecting Your Intellectual Property

The TPP extends robust protection to intellectual property, with commitments reinforcing and going beyond current commitments made through the World Trade Organization (WTO) Agreement

on Trade-Related Aspects of Intellectual Property (TRIPS), while making a shared commitment to Doha Declaration on TRIPS and Public Health.



8. Expanding the Digital Economy

Recognizing the growing importance of business conducted over the internet or electronically, CPTPP countries have committed to critical disciplines facilitating the new digital economy.

THESE INCLUDE:

- A commitment to not impose duties, fees or other charges on digital products;
- Electronic authentication and recognition of electronic-signatures

- Online consumer protection
- Access to and use of internet including benefit of competition among network providers
- Cross-border information flows acknowledging the importance of personal information protection
- Disciplines facilitating the use of cloud-computing services

9. Opportunities in Government Contracts

According to OECD calculations, the TPP procurement market is a \$1.9 trillion opportunity for TPP members. TPP commitments on government procurement ensure that procurement by governments is conducted in a fair, transparent, and non-discriminatory manner.

UNDER THE CPTPP:

- Governments have committed to opening up their

procurement markets for CPTPP goods and services contracts above a threshold.

- Ensure procedures are made more transparent, making it easier for businesses to understand contracts that are available for tender, eligibility and criteria, and the application process.
- Procedures are to include clear criteria for selection, notification of awards, and appeals policies.

CPTPP PROCUREMENT MARKET OPPORTUNITY AND INFORMATION

Country	Year	GP as Percentage of GDP	GDP of the year (in million USD)	Total amount of GP (in billion USD)	For more information
Australia	2015	13.1	1,345,383	176.2	https://www.tenders.gov.au
Brunei	2006	4.1	11,471	0.47	http://www.mof.gov.bn/index.php/general-information-state-tender-board
Canada	2015	13.4	1,552,808	208.08	https://buyandsell.gc.ca/for-businesses/selling-to-the-government-of-canada/register-as-a-supplier
Chile	2014	2.9	260,990	7.6	http://www.mercadopublico.cl
Japan	2015	16.2	4,383,076	710.05	http://www.jetro.go.jp/en/database/procurement
Malaysia	2016	12.6	296,536	37.4	http://myprocurement.treasury.gov.my
Mexico	2015	5.1	1,152,264	58.8	https://compranet.funcionpublica.gob.mx/web/login.html
New Zealand	2015	14.7	175,563	25.8	http://www.business.govt.nz/procurement
Peru	2012	6.4	192,649	12.3	http://www.perucontrata.com.pe
Singapore	2014	10	308,143	30.8	https://www.gebiz.gov.sg
Vietnam	2009	22.15	106,015	23.5	http://muasamcong.mpi.gov.vn

Note: Amounts in current USD, the total amount of Government Procurement (GP) is calculated based on the percentage and the GDP of member countries

10. Interlocking Nature Fits Business Needs of Today and Tomorrow

The most important element of the CPTPP is the hardest to see and measure. It is the interlocking nature of the agreement. With 30 chapters binding together the 11 members, this trade agreement actually fits business practices of today. It is also set up to accommodate changes in the economy for tomorrow without

the need for complicated renegotiation.

Once the agreement comes into force, it will expand with the addition of new members. Firms need to plan now for CPTPP.

CPTPP: Making Candles in the Asia Pacific

The CPTPP is difficult to quantify and to show exactly how much companies will benefit. As an example, however, consider a firm that makes candles in one CPTPP country and currently exports to just one other member. Like any trade agreement, the CPTPP benefits only flow between members—companies cannot use the CPTPP, for example, to export to Europe.

The hypothetical candle company will be able to take advantage of at least a dozen different chapters in the CPTPP agreement. As a result, even a small candle company should see sales boom.

How?

First, candle tariffs, which act like a tax on exports, are set to fall in the agreement. For instance, in Vietnam, the tariff is currently 24% and will fall over four years to zero. Canada's 5.5% tariff falls on the first day of the agreement. Mexico's 30% falls to zero across ten years. Malaysia charges 15% which will be eliminated in even steps across 6 years. Each of these tariff reductions allow the candle company to become more competitive in these markets compared to non-TPP firms.

Second, candle companies, like all CPTPP members, can take advantage of the rules of origin. In brief, it means that once the company meets the criteria for making the product inside the CPTPP, it can be shipped to all other CPTPP members without any changes in manufacturing. It can also add up or "cumulate" content from across all CPTPP countries to count towards origin. The candle company, as an example, could add citrus from Vietnam and lavender from Mexico with wax derived from chemicals in Singapore.

The resulting candle can be shipped more easily using the trade facilitation rules in CPTPP, which allows self-certification, or

shipment without a specific piece of documentation called a certificate of origin. Firms can also get customs officials to classify the candle using something called an "advance ruling" so the company can be confident that the candle will be classified as a candle and not as a product called "other" and subjected to higher tariffs or different rules of origin at the border for up to three calendar years.

The firm making candles can also more easily supply and access the key services to sell the product. Marketing, distribution and retail are critical to the success of the product. This includes online distribution of advertising and, potentially, the use of e-commerce channels.

The CPTPP protects and expands access for firms in services, investment, and e-commerce.

Another critically important issue for the candle company is protecting the intellectual property investment behind the product, including the brand, packaging and even the scent. The CPTPP protects these investments and provides for enhanced enforcement to stop counterfeit products appearing in the marketplace.

As a result of so many new benefits, a smart candle company should relook at its operations and growth strategy. Markets that were not attractive before, because the tariffs were too high, because freight was too costly, because border delays were inevitable, or because retail investments were not possible, may suddenly look much more attractive.

Similar examples of CPTPP benefits can be found in nearly every type of company in nearly every CPTPP member. This agreement is the single most important trade deal in decades. It will set the rules of the game for trade in the future, as elements are replicated in other trade agreements going forward.

ABOUT ATC

The Asian Trade Centre (ATC) is the premier regional thought leader, advocate and educator for trade in Asia. The ATC works directly with governments from around the world, companies, think tanks, foundations, NGOs, aid agencies and serves as the resource for trade-related activities in Asia.

Asia Coverage

ATC's work focuses on trade-related issues in Asia, Asia Pacific and ASEAN.

Research Focus

- Regional Trade Agreements such as the Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), and ASEAN Economic Community (AEC)
- Global trade agreements such as the World Trade Organization (WTO)
- Digital trade and E-commerce
- Small and medium enterprises (SMEs)
- Supply chains, global value chains (GVCs) and Logistics

Services

- Research on trade-related issues
- Corporate advisory for firms on trade issues, including supply chain changes to match TPP11
- Advocacy for trade agreements that are being negotiated and implemented
- Training on trade knowledge
- Thought leaders for trade-related issues
- Advocacy in ongoing regional regulations on trade



**Asia
Business
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Association**

The Asia Business Trade Association (ABTA) serves as the premier business association dedicated to the promotion of regional trade issues

in cooperation with governments. The Association represents companies across Asia and advocates on trade issues to enhance their performance and ensure that our members remain globally competitive.

The ABTA brings together companies based in Asia who want to see better trade policies and more effective and efficient trade rules and regulations. The ABTA is a resource for governments and business community, acting as an advocate and thought-

leader on key trade issues. ABTA brings together different sectors and firms of different sizes with governments to develop a better trade and business environment for all.

- There are three working committees under the ABTA
- The Asia Pacific MSME Trade Coalition (AMTC)
 - Trade Agreements
 - Next Gen Trade

www.asiabusiness.trade

TPP11 is under ABTA working committee "Trade Agreements".



**Asia Pacific MSME
Trade Coalition (AMTC)**

As the largest voice of MSME in the Asia Pacific, the AMTC is committed to facilitating

the trade of goods and services by MSME in the region, as well as serving as a bridge between government officials and small businesses. The purpose of the AMTC is to shape and influence

trade policies that are MSME-friendly in collaboration with various different stakeholders.

www.tradecoalition.org

AMTC is a working committee under ABTA.

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