



# International Trade Spotlight

Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP)

## Three ways the CPTPP benefits companies in Asia and the Americas

### 1. Access to new markets and at lower cost

- With elimination or reduction of tariffs and non-tariff barriers for 95% of goods, companies can expand into markets previously not open to foreign imports. These tariffs apply to a vast range of sectors, including automotive, textiles and apparel and electronics.
- The extent and timing of these tariff reductions vary by product and by market. As the Depository of the CPTPP, New Zealand's Foreign Affairs & Trade website<sup>1</sup> contains the latest CPTPP information, should you require the full tariff schedules.

#### CPTPP tariff schedules differ by product and market

##### Belt (HS code: 4203.30)

Majority of CPTPP countries will see the 10% tariff for belts eliminated upon the agreement's entry into force on 30 December 2018. However, Japan's existing 16% tariff will gradually be phased out over 10 years, Mexico's 30% tariff will reduce to zero over nine years, and Vietnam's 31% tariff will be completely removed within three years<sup>2</sup>.

##### Women's cotton pyjamas (HS code: 6208.21)

Majority of countries will see tariffs for women's cotton pyjamas eliminated upon the CPTPP's entry into force. However, Canada's 17% tariff will reach zero over three years, New Zealand's 10% tariff will be removed over six years, Mexico's 30% tariff will be eliminated by the ninth year, and Peru's 17% tariff will gradually cease to exist over a 15-year period.

### 2. Fosters supply chains and trade ecosystems

Companies gain flexibility to make products for any of the CPTPP countries without having to change processes, parts, suppliers or components, as long as the item qualifies under the CPTPP's Rules of Origin (ROO)<sup>3</sup>.

For example, an automotive manufacturer in Japan can source tyres from Malaysia, glass panels manufactured in Vietnam, and semiconductor chips made in Singapore, without paying duties on any item. Once the automotives have been assembled in Japan, they can also be shipped duty-free to any CPTPP country.

## The CPTPP in a nutshell

- One of the largest regional Free Trade Agreements (FTA), the CPTPP was signed in March 2018 amongst 11 member nations comprising Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
- The CPTPP will enter into force on 30 December 2018 for Australia, Canada, Japan, Mexico, New Zealand and Singapore.
- The CPTPP serves as an important platform to integrate Asia Pacific markets by reducing trade barriers, protecting investments and intellectual property rights, establishing rules for e-commerce, and promoting fair competition.
- CPTPP members who already have FTAs in place with participating countries still benefit from upgrades to existing arrangements, new FTA relationships, and new supply chains established between Asia Pacific and the Americas.

<sup>1</sup> <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-text/>

<sup>2</sup> <http://www.asiantradecentre.org/s/TPP11MarketAccessGoods.pdf>

<sup>3</sup> <https://www.asiabusiness.trade/news/2018/3/8/ten-benefits-of-the-comprehensive-and-progressive-trans-pacific-partnership-cptpp>

### 3. Streamlined customs clearance processes

Shippers can expect reduced paperwork, fewer customs delays, and expedited processes with the following features of the CPTPP:

- **Self-certification of origin** allows importers and exporters to self-declare they have met the ROO criteria. This eliminates the potentially cumbersome and costly process of applying for certificates of origin which have limited validity and which are typically issued by Chambers of Commerce for a fee.
- **Advanced ruling** mechanism allows shippers to attain information on the tariff classification, valuation and origin of goods, which will be binding for at least three years. This is expected to reduce the number of shipments stuck at customs, and gives shippers certainty and predictability when shipping the same goods.
- **Pre-arrival processing** allows the physical release of express shipments within six hours upon arrival. This shortens lead times, improves predictability of the flow of goods, supports just-in-time manufacturing, and reduces inventory costs for companies.



## How UPS can help

### UPS Solutions



#### Customs brokerage advisory

With 80+ years of customs brokerage experience, UPS's experts can advise on managing tariffs on specific product/HS classifications.



#### Wide network coverage and advanced UPS shipping solutions

Our range of guaranteed shipping solutions can deliver positive customer experiences, and grow your business.



#### Supply chain optimization

UPS's solutions experts can uncover strategic opportunities to cut costs, improve efficiency, and streamline cross-border operations.

If you have any questions about the above solutions, please contact your UPS Account Executive.

<sup>4</sup> <https://www.straitstimes.com/world/6-things-to-know-about-the-trans-pacific-trade-pact-cptpp>

<sup>5</sup> <https://qz.com/1441027/the-cptpp-trade-deal-is-ready-to-go-into-effect/>

<sup>6</sup> [https://www.japantimes.co.jp/news/2018/10/28/business/economy-business/canada-said-fifth-country-ratify-japan-led-cptpp-trade-deal-australia-close-behind/#.W\\_UYx8zblW](https://www.japantimes.co.jp/news/2018/10/28/business/economy-business/canada-said-fifth-country-ratify-japan-led-cptpp-trade-deal-australia-close-behind/#.W_UYx8zblW)

Information accurate as at 20 December 2018.