

COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP) 7 THINGS YOU SHOULD KNOW

1. What is the CPTPP?

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is the largest regional trade agreement to date, bringing together 11 economies from both sides of the Pacific – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Collectively, these countries represent 14% of the global economy, with a combined GDP of approximately S\$13 trillion. It retains the high standards of the Trans-Pacific Partnership (TPP) and remains an ambitious regional trade agreement. It is also intended to be an inclusive Agreement, open to those willing and able to meet its high standards. The expansion of the CPTPP would deepen regional economic integration of the Asia-Pacific region.

The CPTPP is an important Agreement which complements Singapore's extensive network of free trade agreements. Apart from offering new market access for Singapore goods and services producers exporting to and investing in CPTPP markets, the CPTPP also reinforces the region's commitment to a rules-based trading system by updating international rules that apply to cross-border trade and investment. The CPTPP updates rules in traditional areas, such as technical standards, sanitary and phytosanitary measures, services and investment. It addresses emerging business challenges in a 21st century economy by establishing enforceable disciplines to help the digital economy, innovative industries, companies and workers to compete fairly in the global marketplace. In particular, the CPTPP contains new elements to encourage the participation of small- and medium-sized enterprises in trade.

2. Why is the CPTPP important to Singapore?

The CPTPP represents an important market and production base for Singapore businesses. In 2017, CPTPP countries accounted for approximately 22% of Singapore's total goods trade.¹

While Singapore already has existing FTAs with eight of the ten CPTPP countries, the CPTPP brings additional value as a regional agreement. *First*, it will strengthen regional production and supply chains, by lowering tariff rates for goods that are produced in stages across multiple CPTPP countries. *Second*, CPTPP rules will bring about greater coherence and transparency to trade-related regulations across CPTPP markets, making it simpler for Singapore businesses to understand and comply with trade-related regulations across the region. *Third*, the agreement will establish a new regional standard for future trade agreements that will support efforts to grow the digital economy.

The CPTPP also establishes Singapore's first preferential trade agreement with Canada and Mexico. Singapore companies can look forward to new market access in these countries. Upon entry into force of the CPTPP, Canada and Mexico will eliminate tariffs on 99% and 88% of Singapore's exports to their markets respectively. This includes Singapore's exports of pharmaceutical products to Mexico, where current tariffs range from 10 to 15% *ad valorem*, as well as Singapore's exports of organic chemicals, which are currently subjected to tariffs of up to 6.5% *ad valorem*.

¹ Source: UNComtrade

3. How will the CPTPP increase Singapore companies' access to regional markets?

The CPTPP offers comprehensive market access for Singapore exporters of goods and services, as well as Singapore companies looking to secure foreign government procurement contracts.

The CPTPP will eliminate import tariffs across substantially all trade. **Goods manufacturers** and exporters will be able to enjoy duty-free treatment on more types of goods than what our previous trade agreements provided for. Processed food and textile and apparel manufacturers will find it easier to qualify for reduced tariffs under the CPTPP (in comparison to Singapore's bilateral FTAs) to key markets, as rules of origin in the CPTPP, which determine whether or not a good qualifies for preferential tariffs, will allow for "regional cumulation".

Regional cumulation means that the CPTPP will recognise input from all CPTPP countries as originating content. For example, a Singapore manufacturer of ice-cream will more easily qualify for lower tariff rates when exporting to Canada under the CPTPP, as milk from New Zealand, sugar from Australia, and cocoa from Mexico used in the production of this made-in-Singapore ice-cream will all count as "originating content". Manufacturers of CPTPP-made products can look forward to significant tariff savings as they export to the CPTPP region.

Service suppliers looking to export services and establish their commercial presence in a CPTPP market will be able to benefit from preferential access in a wide range of sectors. Some examples of these include Australia's transport (air, road and rail) and distribution services, Mexico's energy and telecommunications sectors, and Canada's professional services sector. Singapore **investors** will also benefit from the removal of foreign equity restrictions in private healthcare, telecommunications, courier, energy and environmental services in Vietnam.

The CPTPP will also enable Singapore companies in the IT, construction and consultancy sectors to bid for **government procurement** projects in markets such as Mexico and Vietnam, which were previously closed to foreign bidders.

4. How will the CPTPP reduce behind-the-border regulatory barriers, so that trade and investment can flow across borders more seamlessly?

The CPTPP will improve the efficiency of trade among CPTPP countries, by putting in place transparent and effective procedures to move goods as quickly as possible across borders. *First*, all customs laws, regulations and procedures will be made readily available on the Internet so that businesses can easily access this information. *Second*, countries will strive to avoid unnecessary delays on arrival, and ensure that shipments move through the ports within a time period no longer than necessary to comply with customs laws. *Third*, there will be expedited customs treatment for express delivery shipments. *Finally*, the CPTPP has strong anti-corruption and transparency provisions that would address behind-the-border regulatory issues, which may act as a hidden cost to business operations.

5. Why is the CPTPP referred to as a 21st Century agreement and what does this mean for Singapore?

Modern businesses and consumers today face new and emerging concerns due to technological advances and evolving business models. The growing overseas market for innovative products and services from Singapore entrepreneurs, engineers and scientists also exposes Singapore businesses to increased risk of intellectual property theft. The continued growth of the digital economy, which today employs over 150,000 professionals in Singapore and offers Singaporeans an unprecedented range of IT productivity tools and e-commerce options, could be stunted if regional governments adopt protectionist regulations. The CPTPP addresses these risks by pioneering new and updated rules for cross-border trade and investment.

There is a vast range of digital products today that depend on the smooth functioning of a virtual cloud, and the ability to transmit data freely across national borders. The CPTPP sets in places rules on **e-commerce** to ensure that government regulations in CPTPP markets do not unnecessarily impede cross-border data flows, or impose localisation requirements that force businesses to place data servers in individual markets as a condition for serving consumers in that market. The imposition of import duties on electronically transmitted products are prohibited, thus offering Singapore businesses and consumers a guarantee against this potential extra cost. To protect the consumer, CPTPP governments agree to adopt and maintain consumer protection laws related to fraudulent and deceptive commercial activities online.

Acknowledging the role of **intellectual property (IP)** protection in developing a high-value, knowledge-based economy, the CPTPP commits governments to implementing a robust and balanced IP regime in the Asia Pacific region. The setting of common standards across major types of IP, like patents, copyrights and trademarks, as well as the requirement for CPTPP parties to sign on to business facilitative agreements of the World Intellectual Property Organisation (WIPO), will provide Singapore businesses with the assurance of a familiar IP regime as they invest and trade in innovative products and services across the CPTPP region.

The Agreement will make it easier for Singapore businesses to search, register and protect their trademarks and patents in CPTPP markets. The CPTPP also helps innovators and creators to protect their rights by raising minimum standards for IP enforcement, including measures to prevent the theft of trade secrets. At the same time, it is carefully balanced to preserve flexibilities in sensitive areas such as public health, and on issues like parallel imports. It also establishes what can or cannot be patented, and how to create a balanced copyright system, including establishing the appropriate limitations and exceptions.

In sum, the CPTPP will allow Singapore to continue building a robust and balanced regime that will attract R&D, grow innovative businesses and create high-value employment opportunities in the 21st Century economy.

Aside from E-Commerce and IP, the CPTPP also acknowledges that **state-owned enterprises (SOEs)** can play a legitimate role in diverse economies. Even so, the CPTPP recognises that the provision of unfair advantages to SOEs can undermine fair and open trade and investment.

The CPTPP has thus established rules for SOEs that would promote a level playing field vis-à-vis privately owned enterprises, while encouraging transparency and sound business practices. The SOE chapter will ensure that SOEs makes business decisions on a commercial basis. It also commits governments to not give unfair advantages to the SOEs and to regulate SOEs and private companies in an impartial manner. This will ensure that Singapore companies are not disadvantaged when they compete with these enterprises in the CPTPP.

6. How does the CPTPP promote inclusive and sustainable trade?

The CPTPP is intended to be accessible to all businesses, big and small. This is especially important as **small- and medium-sized enterprises (SMEs)** make up 99% of enterprises in Singapore and employ 70% of the workforce.² Greater tariff elimination and more trade facilitative rules will reduce costs and make it easier for SMEs to participate in regional production and supply chains. Understanding that trade agreements can be complicated and may result in missed opportunities for SMEs, CPTPP countries will set up user-friendly websites with information targeted specifically at SMEs, to help them better understand regulations and procedures concerning intellectual property rights, foreign investment regulations, business registration procedures, employment regulations and tax information. Capacity building programmes for SME communities in the CPTPP region will also be developed to ensure the active participation of SMEs. In so doing, the CPTPP will promote more inclusive trade, and allow the benefits from the agreement to be enjoyed by a wider segment of our economy and people.

The CPTPP also recognises that free trade and economic growth must be pursued in tandem with efforts to protect and enhance the well-being of workers and environmental sustainability.

Under the CPTPP, countries cannot weaken their **labour** laws to attract trade and investment. CPTPP countries commit to improving labour conditions, by adopting and maintaining fundamental workers' rights stated in the 1998 ILO Declaration. This includes the elimination of all forms of forced labour and child labour, and the enactment of laws governing acceptable conditions of work, including the number of hours of work, occupational safety and health, as well as mechanisms and measures to promote fair wage levels for low-wage workers.

To reinforce regional efforts to protect the **environment**, CPTPP countries will work together to address a range of environmental challenges such as marine pollution and illegal wildlife trafficking. CPTPP countries also commit to prohibiting harmful fisheries subsidies, including those provided to fishing vessels engaged in illegal, unreported and unregulated (IUU) fishing.

² Source: Department of Statistics, Singapore

7. When can Singapore businesses and consumers expect to use the CPTPP?

The CPTPP was concluded on 23 January 2018 in Tokyo, Japan, and was signed on 8 March 2018 in Santiago, Chile. It will enter into force on 30 December 2018.³ Singapore looks forward to the swift ratification of the Agreement by all CPTPP countries so that the benefits of the Agreement can be fully realised.

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³ For Mexico, Japan, Singapore, New Zealand, Canada and Australia. The CPTPP will enter into force on 14 January 2019 for Vietnam. For the remaining countries, the Agreement will enter into force 60 days after its date of ratification.