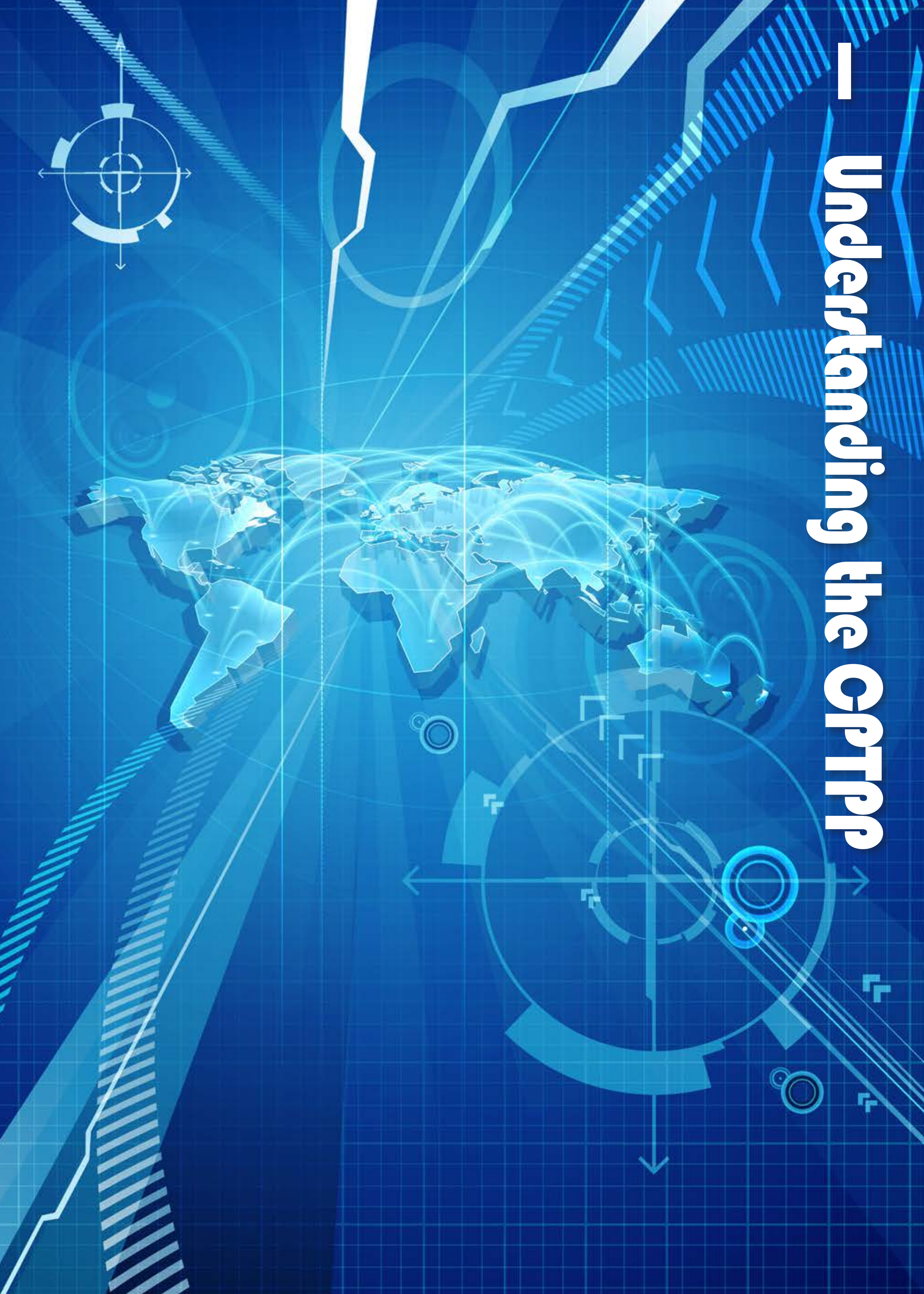
I Understanding the CPTPP



Understanding the CPTPP

Going into 2020 the global economic and trade environment is somewhat volatile. Understandably New Zealand's exporters and importers have their concerns.

However, they also have cause for celebration, thanks to this country's many free trade agreements – including the ambitious Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), explained in this chapter.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement (FTA) negotiated by 11 countries in the Asia-Pacific region: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

It is named 'comprehensive and progressive' because it goes beyond reducing costs for business.

It includes commitments to safeguard and enforce high labour and environmental standards across the Asia-Pacific region; it preserves New Zealand's right to regulate for legitimate public policy purposes; it upholds the Treaty of Waitangi, and will create new opportunities for international trade and more jobs that help generate a better standard of living for New Zealanders.

CPTPP entered into force on 30 December 2018 for the original six ratifiers (Australia, Canada, Japan, Mexico, New Zealand and Singapore) and for Vietnam, the seventh ratifier, on 14 January 2019. As a result, there have already been two tariff cuts under the Agreement (one on entry into force and the other on 1 January (1 April for Japan).

The four others still to ratify at the end of 2019 – Brunei, Chile, Malaysia and Peru – are currently working through their domestic processes to that end.

The combined CPTPP economies account for 13.5 percent of world GDP (worth US$10 trillion) and cover markets with a combined population of 480 million consumers.

More detail describing the CPTPP and the reasons for New Zealand becoming a party to CPTPP can be found in the CPTPP National Interest Analysis here: **https://www.mfat.govt.nz/assets/CPTPP/CPTPP-Final-National-Interest-Analysis-8-March.pdf**

Why is the CPTPP so important to New Zealand exporters?

The CPTPP covers 30 percent of New Zealand's goods exports (approx. $15 billion) and 31 percent of our services exports (approx. $6.8 billion). It includes four of New Zealand's top 10 trading partners (Australia, Japan, Singapore and Malaysia). It also constitutes a new FTA relationship with four key trade partners: Japan, Canada, Mexico and Peru – which combined currently receive more than $5.5 billion of our goods and services.

Crucially, it means Kiwi exporters are not disadvantaged in important markets like Japan compared with competitors such as Australia, Chile, and the EU, which have all agreed free trade agreements with Japan. The same goes for Mexico (which has agreements with Canada, Peru and Chile), and Canada (Mexico and Chile).

CPTPP also modernises and aligns the trade rules within the region (e.g. rules of origin, self-certification, e-commerce).

Schooling up on the CPTPP

The CPTPP includes many of the elements that were negotiated as part of the original Trans-Pacific Partnership (TPP), but with some significant differences. These include the suspension of 22 items from the TPP – meaning that a number of TPP-related outcomes that were of concern to New Zealand around investment, intellectual property and pharmaceuticals were suspended.

While supporting New Zealand's trade ambitions, the CPTPP protects the unique status of the Treaty of Waitangi and the Government's right to regulate in the public interest in areas like health, environment, and taxation policy.

Reciprocal side letters with Australia, Brunei Darussalam, Malaysia, Peru and Viet Nam mean that Investor State Dispute Settlement (ISDS) will either not apply with these countries or would require New Zealand's consent before a claim from an investor from these countries could proceed to arbitration. This covers more than 80 percent of our overseas investment from CPTPP countries as a whole.

Businesses – especially small and medium sized enterprises (SMEs) – can find it difficult to know which FTA agreement to use and what specific opportunities are provided under each agreement.

To address these issues, MFAT has recently upgraded the online tariff finder tool (**https://www.tariff-finder.govt.nz/**) that includes tariff rates for over 150 countries in an easy-to-read format. However, many barriers to trade are actually non-tariff barriers, and New Zealand