

## Client Alert

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### The CPTPP for exporters: opportunities available now

What are the main and immediate benefits that the CPTPP brings to Vietnam exporters? The entry into force of the CPTPP brings with it preferential import tariff rates applicable to CPTPP originating goods. Import tariffs can amount to a substantial increase on the end cost of goods. For businesses operating in a competitive market preferential tariff rates may afford them a comparative advantage by reducing costs. Under the CPTPP, import tariff rate reductions occur automatically after the Agreement has entered into force in a member country's territory. Import tariff rate reductions will follow the terms of pre-negotiated schedules included in the Annex of the original TPP Agreement. There are two main conditions for access to CPTPP preferential tariff rates abroad: (1) goods must 'originate' in one or more CPTPP member countries, and (2) goods must be imported into another CPTPP member's territory.

#### (1) Originating goods

To be an 'originating good' a good must be grown, raised, caught, hunted, mined or extracted within a CPTPP member country.<sup>1</sup> A product that is made from materials originating in a CPTPP territory would likewise be originating, as would a product that has undergone substantial manufacturing within CPTPP members' territories.<sup>2</sup> The actual manufacturing inputs required to qualify a good as CPTPP originating are product specific. Additionally, the "accumulation principle" allows goods produced in a process that involves more than one CPTPP member to qualify as well. Manufacturers looking assessing the origin of their goods are encouraged to contact Baker McKenzie for a product specific origin analysis. After a Vietnam exporter has established their good as originating they can apply to their respective Foreign Trade Management Office to certify the origin of the good under the CPTPP (the CPTPP origin certification form is available [here](#)).

#### (2) Member countries

Only member countries who have legally adopted the CPTPP and formally notified other members of their adoption may enjoy preferential tariff rates. This includes the first 6 members to ratify the CPTPP (Australia, Canada, Japan, Mexico, New Zealand and Singapore), and Vietnam, the seventh member to ratify. Annual tariff rate reductions occur on 1 January of each calendar year following ratification.<sup>3</sup> The first 6 members and Vietnam have completed two rounds of tariff cuts on CPTPP originating goods, with round three cuts set to occur on 1 January 2020.<sup>4</sup>

<sup>1</sup> Comprehensive and Progressive Agreement for Trans-Pacific Partnership dated March 8, 2018 in Chile ["**CPTPP**"] art. 3.3; Circular No. 03/2019/TT-BCT dated January 22, 2019 of the Ministry of Industry and Trade on Rules of Origin in CPTPP ["**Circular No. 03**"] art. 6.

<sup>2</sup> *Ibid* CPTPP art. 3.2; Circular No. 03 art. 5.

<sup>3</sup> This excludes Japan who will apply 1 April in accordance with their fiscal calendar.

<sup>4</sup> Note: imports between Mexico and Vietnam will receive Year 1 tariff rate treatment for 2019.

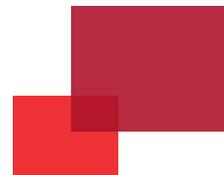
Importantly, not all signatories have ratified the CPTPP, Brunei, Chile, Malaysia and Peru have yet to complete legal procedures to bring the Agreement into effect. Additional market opportunities will be realized as the remaining 4 CPTPP signatories ratify the Agreement.

## Exporter gains

Since 14 January 2019, Vietnam originating goods exported to other CPTPP members have been eligible for preferential tariff rates in the 6 other CPTPP ratified countries.<sup>5</sup> Similar to Vietnam's tariff rate schedule discussed above, each of the other CPTPP member countries have their own respective tariff rate elimination schedule. Many import tariffs are immediately eliminated under the CPTPP. The below table summarizes each member country's time frame for tariff elimination, the current year of tariff rate treatment and summary of goods which have a multi-year tariff phase out schedule, rather than outright tariff elimination.

Country	Time frame for tariff elimination	2019 tariff rate year	Goods with a multi-year tariff phase out schedule (note: most tariffs are immediately eliminated)
<b>Australia</b>	Maximum 4 Years (2021)	Year 2	Polymers, tires, floor coverings, pipes, steel, woven fabrics, textiles, footwear, and used cars.
<b>Canada</b>	Maximum 12 Years (2029)	Year 2	Livestock, agricultural goods, prepared meals, sugars, baked goods, dairy, tobacco, textiles, footwear, and vehicles.
<b>Japan</b>	Maximum 21 Years (2038)	Year 2	Livestock, meats and seafood, nuts, grains, seeds, fruits, coffee, oils, prepared foods and beverages, alcohol and tobacco, motor oil, leathers, wood products, silk and lace, footwear and metals.
<b>Mexico</b>	Maximum 16 Years (2033)	Year 2 (Year 1 with Vietnam)	Agricultural products, coffee, animal fats, sweeteners, dairy products, wines, textiles, some household goods, tools and motorcycles.
<b>New Zealand</b>	Maximum 7 Years (2024)	Year 2	Textiles and clothing, polymers, wood products and wire.
<b>Singapore</b>	Maximum 1 Year (2018)	Tariffs eliminated	None
<b>Vietnam</b>	Maximum 21 Years (2038)	Year 2 (Year 1 with Mexico)	Meats and seafood, dairy, eggs, vegetables, nuts, fruits, tea, coffee, spices, grains, oils, prepared foods, beverages, alcohol and tobacco, petroleum, toiletries, construction materials, rubber, textiles, stationary, housewares, furniture, precious metals, bicycles, appliances, machinery, vehicles and motorcycles.
<b>Brunei</b>	Maximum 11 Years (20--)	-	Coffee, tea, petroleum, alcohol, toiletries, film, tires, prayer rugs, tiles, footwear, glass, engines, pumps, and parts, machinery, electronics, blubs, vehicle parts, motor cycle parts and medical equipment.
<b>Chile</b>	Maximum 8 Years (20--)	-	Livestock, meats, dairy, eggs, grains, prepared meats, sugar and spices, prepared foods, cement, textiles, apparel, footwear, metals, appliances and electronics.
<b>Malaysia</b>	Maximum 16 Years (20--)	-	Livestock, meat, eggs, fruits, grains, alcohol, tobacco, cement, chemicals, polymers, rubber, wood, paper, stone, glass, metals, housewares, engines, appliances, machinery, bulbs and electronics, vehicles, motorcycles, and stationary.
<b>Peru</b>	Maximum 16 Years (20--)	-	Meats, dairy, vegetables, fruits, grains, oils, sugar, salt, prepared foods, alcohol, chemicals, construction inputs, wood articles and paper, textiles, apparel, footwear, safety glass, metal, appliances, motorcycles, furniture and stationary.

<sup>5</sup> Resolution No. 72/2018/QH14 Ratification of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Relevant Documents, issued by the National Assembly. and Circular No. 03/2019/TT-BCT dated January 22, 2019 of the Ministry of Industry and Trade on Rules of Origin in CPTPP.



For importers from all countries except Singapore, this means that they will need to check the specific duty rate for a specific time period to determine the applicable CPTPP duty rate, noting the possibility that even more favorable import tariffs may be available under other trade agreements, whether under existing agreements or under future agreements.

CPTPP exporters are encouraged to continue monitoring the progress of CPTPP ratification, since preferential tariff rates will be immediately available as the agreement enters into force for each of the remaining 4 signatories.

Please do not hesitate to contact us if you have any questions related to exporting CPTPP goods, origin certification procedures, or to discuss how the CPTPP will affect your supply chain.

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