

14 January 2019

## **CPTPP goes live in Vietnam, free trade banner flying high**

*\*\*Trade deal takes effect in Vietnam after the six Pacific Basin countries\*\**

*\*\*Immediate benefit for the country in trade\*\**

Today the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) enters into force in Vietnam after going live on 30 December 2018 for six Pacific Basin countries – Australia, Canada, Japan, Mexico, New Zealand and Singapore. This is a reminder that trade liberalisation efforts continue and that trade patterns are constantly shifting, irrespective of trade disputes.

The CPTPP is a sweeping accord that liberalises trade and investment in 11 economies in the Pacific Basin including Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

**Pham Hong Hai, CEO of HSBC Bank (Vietnam) Ltd., comments:** “While awaiting the outcome of the current trade truce, the CPTPP’s entry into force proves that Vietnam government determines to opt for the open, liberal and rules-based trading system. The CPTPP is indeed comprehensive and progressive in how it facilitates trade and investment in the 21<sup>st</sup> century, as it tackles issues such as ecommerce and data protection. Businesses are certain to benefit from greater clarity at a time of trade-policy turbulence – as well as from improved access to 500 million consumers.”

### **See – it’s comprehensive!**

Ultimately, CPTPP will remove 95% of the current tariffs on trade among the partners. Vietnam can expect to benefit immediately in trade, especially export activities, including elimination of textiles and footwear tariffs by the majority of CPTPP members upon entry into force. Although the increase will not be considerable for countries with which Vietnam has already signed bilateral or multilateral trade agreements but for Canada, the impacts will be positive. Canada is the second largest market among CPTPP members with which Vietnam has yet had a bilateral trade agreement. The country commits to cut 94.9% of import tariff lines, or 77.9% of its import turnover from Vietnam. For Mexico and Peru, the impact is positive because the import and export products of these two markets are complementary rather than conflicting with Vietnam.

According to the World Bank, the CPTPP is expected to stimulate reforms in Vietnam in such areas as competition, services (including financial services, telecommunications, and temporary entry of service providers), customs, e-

commerce, environment, government procurement, intellectual property, investment, labor standards, legal issues, market access for goods, rules of origin, non-tariff measures, and trade remedies.

<b>Ratified members</b>	<b>Selected market access outcomes</b>
Australia	<ul style="list-style-type: none"> <li>➤ Elimination of tariffs on wood products such as lumber, plywood and veneer</li> <li>➤ Elimination of tariffs on cosmetics of up to 5%</li> </ul>
Canada	<ul style="list-style-type: none"> <li>➤ Preferential access with new quotas for dairy products, including cheese, milk powder and butter</li> <li>➤ Elimination of tariffs on milk protein concentrates, cereals and grains, wine, and seafood</li> <li>➤ Elimination of tariffs of up to 8.5% on auto parts</li> </ul>
Mexico	<ul style="list-style-type: none"> <li>➤ Elimination of tariffs on offal, sparkling wine, mussels, and pork</li> </ul>
Japan	<ul style="list-style-type: none"> <li>➤ Elimination of tariffs on lobster of up to 5%</li> <li>➤ Elimination of tariffs on cosmetics of up to 5.4%</li> <li>➤ Elimination of tariffs on kiwifruit, avocados, squash and capsicums</li> <li>➤ Elimination of tariffs on oysters of up to 10.5%</li> </ul>
New Zealand	<ul style="list-style-type: none"> <li>➤ Elimination of tariffs on lobster of up to 5%</li> </ul>
Singapore	<ul style="list-style-type: none"> <li>➤ Elimination of tariffs on beer</li> </ul>
Vietnam	<ul style="list-style-type: none"> <li>➤ Elimination of wine tariffs over 11 years</li> <li>➤ Elimination of all seafood tariffs within 4 years, with the majority removed on entry into force</li> <li>➤ Elimination of automotive parts within 10 years</li> <li>➤ Elimination of tariffs of 55% on whisky within 10 years</li> </ul>

Collectively, CPTPP members have a population of 500 million and account for 15% of world trade and 13% of global GDP. Ratification by the remaining members (Brunei, Chile, Malaysia and Peru) is expected to follow. There is also an opportunity for other markets to join – China, South Korea and the United Kingdom have all expressed interest.

### **Trade shifts**

Not only will the CPTPP boost the trade of its members – it has been estimated that by 2030 exports in CPTPP countries will increase by more than 6%, especially 8% for Vietnam – but it may also lead to a shift in global supply chains as trade is rerouted to CPTPP countries, thanks to increased competitiveness from improved market access.

The implementation of the CPTPP will bring even more benefits over the next decade as duties on most remaining tariff lines are phased out. According to HSBC's recent *Navigator* survey, nearly four in 10 (39%) companies in CPTPP member countries including those in Vietnam believe that the agreement will directly or indirectly help their businesses.

**Hai comments:** "FTAs such as the CPTPP simplify import and export procedures and reduce the cost to trade. For example, the CPTPP provides for full cumulation, meaning that businesses in CPTPP markets can use inputs sourced from other CPTPP markets to qualify for preferential treatment within the region. With the CPTPP now in effect, there is no better time for businesses to raise their awareness and maximise the benefits that are on offer."

### **Free trade banner flying high**

The CPTPP's entry into force is the latest demonstration of trade liberalisation in Asia Pacific. Earlier this year both Japan and Singapore signed bilateral deals with the European Union, the largest trade bloc in the world. Vietnam's trade agreement with the EU has been concluded and is awaiting signature and ratification. Meanwhile, Australia, Indonesia and New Zealand are all in negotiation with the EU on their respective bilateral deals.

Other agreements in Asia Pacific that are either concluded but not yet in force or under negotiation include:

- Asean-Hong Kong Free Trade Agreement
- Indonesia-Australia Comprehensive Economic Partnership Agreement
- Australia-Hong Kong Free Trade Agreement
- Regional Comprehensive Economic Partnership
- China-Japan-Korea Free Trade Agreement

*ends/more*

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### **Note to editors:**

#### **HSBC Bank (Vietnam) Ltd.**

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank's current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

*ends/all*