

Free Trade Overview

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

On January 23, 2018, Canada and ten other countries agreed on the core elements of a new agreement and concluded negotiations for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), formerly known as the Trans-Pacific Partnership (TPP). The CPTPP participating countries are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

text of the agreement will be in three official languages: English, French and Spanish.

Implementation

On March 8, 2018, the agreement was signed by the eleven participating countries. Implementation of the CPTPP is scheduled for Spring 2018. The agreement will enter into force 60 days after the date on which at least six, or at least 50%, of the number of signatories to this agreement have notified the Depository in writing of the completion of their legal procedures.

Benefits of the CPTPP

By joining the CPTPP, Canada gains access to a trading bloc of 495 million people, and a combined GDP of \$13.5 trillion, or 13.5% of global GDP.

The agreement will also benefit Canada's existing trade agreements. Business can buy components or inputs from any country or collection of countries to make the goods or sell services into any other CPTPP country. CPTPP countries will eliminate over 95% of tariff lines representing over 98% of total trade and, over 99% of Canada's exports. The vast majority of tariffs will be eliminated immediately upon entry into force of the Agreement. Canadian businesses will benefit from elimination of tariffs on Canadian exports in all industry sectors.

Duty Elimination timeframe

As soon as the agreement comes into force 90% of tariffs on goods will be duty free. The Staging category for Canada is from implementation date to phase-in period to 12-year time frame duty reductions to duty free status.

Here is a list of category time lines:

- Category EIF – Duty elimination date of entry into force;
- Category B4 – Elimination in four annual stages to January 1 of year 4;
- Category B6 – Elimination in six annual stages to January 1 of year 6;
- Category B7 – Elimination in seven annual stages to January 1 of year 7;
- Category B11 – Elimination in eleven annual stages to January 1 of year 11;
- Category CA1 – Maintain at base rate during year 1 to year 8. Elimination in four annual stages starting in year 9. Duty-free January 1 of year 12;

- Category CA2 – reduced to one-quarter of the base rate in year 1 and maintained at that rate through year 11 and shall be eliminated to duty free January 1 of year 12;
- Category CA3 – reduced to a 5.5% duty rate on date of entry into force in year 1. Duty reduced to 5% in January 1 of year 2. Duty reduced to 2.5% duty rate January 1 of year 3. Duty rate 2% in year 4. Duty free in Year 5;
- Category TRQ governed by the terms in Appendix A TRQs of Canada's schedule to Annex 2-D.

Read the Tariff elimination schedule and Annex for each participating country.

<http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-tpa/text-texte/toc-tdm.aspx?lang=eng>

Claiming the preferential treatment to CPTPP

The preferential treatment can be used if a certificate of origin is completed by the exporter, producer or importer. In reference in Article 3.20 and 3.21., if an importer completes the Certificate of origin they are required to provide documents or other information to support the certification. Failure to comply will lead to prohibition of issuing a certificate.

Format of the certificate of origin

The certification of origin:

- Need not follow a prescribed format;
- Be in writing, including electronic format;
- Specifies that the good is both originating and meets the requirements of this Chapter; and
- Contains a set of minimum data requirements as set out in Annex 3-B (Minimum Data Requirements).

The Certificate of origin can be issued for each shipment as blanket certificate, and cannot exceed 12 months or for such longer period specified by the laws and regulations of the importing country.

Language usage on the certificate of origin

The certificate of origin must be in English. If the certification of origin is not in English, the importing country may require a translation in the language of the importing country.

Low value Shipment Certification

If the customs value of the importation does not exceed US \$1,000 or the equivalent amount in the importing Party's currency or any higher amount as the importing Party may establish a certification or origin is not required.

Transit and Trans-shipment

An originating good retains its originating status if the good has been transported to the importing Party without passing through the territory of a non-Party.

If an originating good is transported through the territory of one or more non-Parties, the good retains its originating status provided that the good:

- does not undergo any operation outside the territories of the Parties other than: unloading; reloading;

separation from a bulk shipment; storing; labelling or marking required by the importing Party; or any other operation necessary to preserve it in good condition or to transport the good to the territory of the importing Party; and

- b) remains under the control of the customs administration in the territory of a non-Party.

Tariff Rate Quotas (TRQ)

TRQ on Agricultural products

Canada administers its Tariff Rate Quotas (TRQ) through an import licensing system. Allocation of the TRQs for each quota year, a 12-month period, applies to eligible applicants. To be eligible, the applicant must be a resident of Canada, active in the applicable Canadian dairy, poultry or egg sector, as appropriate and be compliant with the Export and Import Permits Act and its regulations. Canada's TRQs apply to originating goods.

For certain dairy products allocation period starts August 1 – July 31 on a yearly basis, and covers products subject to TRQ, which include, milk, cream, skim milk products, milk powders, cream powders, whey powder and butter.

TRQs on calendar year basis cover concentrated milk, yogurt and buttermilk, powdered buttermilk, natural milk constituents, industrial cheese, mozzarella and prepared cheese, cheese of all types, ice cream and mixes, other dairy, broiler hatching eggs and chicks, chicken, turkey and eggs.

<http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/text-texte/02-ad-03.aspx?lang=eng>

Tariff Preference Levels (TPL) Specific Rules of Origin

Under the Tariff Preference Level (TPL) Annex 4-A and TPL-specific rules of origin, a good is an originating good if it is produced entirely in the territory of one or more of the Parties by one or more producers using non-originating materials, and:

- a) each of the non-originating materials used in the production of the good satisfies any applicable change in tariff classification requirement or the good otherwise satisfies the production process requirement or any other requirement specified in this Annex; and
- b) the good satisfies all other applicable requirements of Chapter 3 (Rules of Origin and Origin Procedures) or Chapter 4 (Textile and Apparel Goods).

<http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/text-texte/04-ad.aspx?lang=eng>

Tariff Eliminations on Industry sectors

Automotive sector

Tariff elimination under the CPTPP, all countries will eliminate their tariffs on motor vehicles.

Canada will eliminate its 6.1% tariff on imports of originating passenger vehicles for all CPTPP countries over 4 years. For motor vehicle parts: Malaysia and Vietnam will eliminate their tariffs of up to 50% within 10 years. Australia will eliminate tariffs of up to 5% within 3 years. New Zealand will eliminate tariffs of up to 10% within 7 years. Brunei will eliminate tariffs of up to 20% within 7 years.

[View](#) the Automotive sector Fact Sheet -What does this mean for you in your specific sector:

<http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/auto.aspx?lang=eng>

Agriculture sector

Upon full implementation, the CPTPP will provide duty free access to CPTPP markets for a wide range of Canadian agricultural products such as pork, beef, grains, pulses, malt, fruit and vegetables, cereals, animal feeds, maple syrup, wines and spirits, processed grain, pule products, sugar and chocolate confectionary, and processed foods and beverages. Canada will provide CPTPP-wide tariff rate quotas covering dairy, poultry and egg products.

View the Fact Sheet below– What does this mean for you in your specific sector

- Agriculture and Agri-food sector <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/agri.aspx?lang=eng>
- Forestry Sector <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/forestry-foresterie.aspx?lang=eng>
- Fish and Seafood sector <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/fish-poisson.aspx?lang=eng>

Other sectors

CPTPP will eliminate 100 percent of tariffs on Canadian fish and seafood, industrial goods and consumer products, forestry and value-added wood products. Many tariffs will be eliminated immediately upon entry into force of the agreement, while others will be phased out period.

Read the Fact Sheets below – What does this mean for you in your specific sector:

- Industrial Goods <http://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/industrial-industriels.aspx?lang=eng>
- Labor <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/labour-travail.aspx?lang=eng>
- Environment sector <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/environment-environnement.aspx?lang=eng>
- Services <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/services.aspx?lang=eng>
- Investment <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/investment-investissement.aspx?lang=eng>
- Intellectual property <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/ip-pi.aspx?lang=eng>
- Canadian Culture <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/sectors-secteurs/culture.aspx?lang=eng>

More information

Read the full text of the CPTPP free trade agreement: <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/text-texte/index.aspx?lang=eng>

The Frequently asked questions (FAQs) are available on the Global Affairs Canada website to help explain why the agreement is important to Canada and Canadian workers and how key industries will benefit. <http://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/faq.aspx?lang=eng>

Side letter agreements complete text of the bilateral letters of agreement between Canada and other CPTPP countries. <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/text-texte/letters-lettres.aspx?lang=eng>

The Canadian Trade Commissioner Service (TSC) offers assistance to Canadian business and organizations on exports to various industry markets free of charge. TCS is located in more than 160 cities worldwide. <http://tradecommissioner.gc.ca/index.aspx?lang=eng>

Contact Livingston

If you have any questions contact your Livingston Client Service Representative or reach us at 1-800-837-1063.