

Canada Reaches Comprehensive and Progressive Trans-Pacific Partnership Agreement

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Introduction

On January 23, 2018, the Honourable François-Phillippe Champagne, Minister of International Trade, announced that Canada had reached an agreement with Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam for a (“CP-TPP”). CP-TPP discussions formally began in late September as part of an effort to finalize a renewed Trans-Pacific trade agreement following the United States’ withdrawal from the initial Trans-Pacific Partnership Agreement (“TPP”). The TPP was a multi-lateral trade initiative between 12 countries and signed by all members on February 4, 2016. On January 30, 2017, however, following the election of President Trump, the United States notified signatories that it did not intend to become a party to the TPP.

The CP-TPP Test

The CP-TPP will be signed by all 11 members during a ceremony to be held in March in Chile.

Total merchandise trade among CP-TPP countries reached US\$404 billion in 2015. Together, the 11 countries, including Canada, represent 494 million people, with a combined GDP of US\$10.2 trillion, or 13.6 percent of global GDP. While significant, it is a drastic regression from the TPP, which would have covered about 40 percent of the world’s GDP with a combined GDP of US\$28.5 trillion.

One holdover from the TPP for Canada is the existence of a bilateral arrangement with Japan which includes non-tariff barriers and a binding dispute settlement mechanism. Other bilateral agreements with Malaysia (on auto rules-of-origin) and Australia are expected to be finalized shortly. While the entire CP-TPP text is not yet available, it is believed that Canada protected its well-documented concerns over “cultural industries” (aka Canadian media) through side letters.

The NAFTA Context

The CP-TPP signals the latest agreement signed by Canada in its efforts to expand and diversify its free trade network, particularly significant in light of its recent difficulties in negotiations with the United States and Mexico over a renewed North American Free Trade Agreement (“NAFTA”). Mexican and Canadian exports will now enjoy a competitive advantage over American exports to other CP-TPP partners following the progressive elimination of custom tariffs. It remains to be seen how other aspects of the CP-TPP will influence NAFTA negotiations and how differences between the CP-TPP and NAFTA will be reconciled as the sixth round of negotiations begin in Montreal.

The CP-TPP, along with the recently implemented Canada-European Union Comprehensive Economic and Trade Agreement, may provide Canada with the motive and the opportunity to move on from NAFTA and truly



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diversify its trade should the Trump Administration continue to maintain its hard line stance on demands that are deemed unacceptable by Canadian officials.

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