

Welcoming the Comprehensive and Progressive Agreement for Trans-Pacific Partnership Agreement (CPTPP) – Vietnam continue to promote broader international economic integration

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On 11/11/2017, the 11 member states agreed to rename the TPP Agreement into the CPTPP -The Comprehensive and Progressive Agreement for Trans-Pacific Partnership. This is the new "version" of the old "TPP" with higher feasibility and comprehensiveness. A joint statement by the ministers of the 11 member states confirmed that the new version of the trans-Pacific agreement is a comprehensive, high-quality, and rapidly enforceable agreement. Inheriting the progressive content of the original version, CPTPP maintains high standards, overall balance and integrity of the TPP, as well as emphasizing the comprehensiveness and progress of the new version while ensuring the commercial and other interests for all participants, preserving the right to regulate, including the flexibility to set legislative and regulatory priorities, affirming the right of each Party to preserve, develop and implement its cultural policies. The CPTPP reflects the aspirations of participating countries to implement the TPP outcomes, demonstrating their firm commitments to market opening, protectionism combating and enhancing and advancing regional economic integration.

For Vietnam, participating in the CPTP, opportunities and challenges are always parallel, almost undifferentiated from TPP. This article will assess the opportunities and challenges when Vietnam participates in implementing the CPTPP, which sets out some solutions in the coming period so that Vietnam can effectively implement the process of international economic integration, maintaining political and social stability in the context of our country's participation in the new-age free trade agreements.

1. Significant efforts to revive the next-generation high-standard trade agreement - CPTPP Agreement

If the TPP is a free trade agreement negotiated and signed between 12 member countries on February 4, 2016 and is expected to enter into force in 2018, an agreement expected to bring high quality standards to the rules of trade and investment of the 21st century while the event in January 2017, when the United States announced its withdrawal from the TPP, made it unqualified to be

effective as originally expected. The remaining eleven partners of the agreement, including Japan and Australia, have been active in their efforts to accelerate the resurgence and continuation of the TPP Agreement in the absence of the United States.

In May 2017, the ministers of the 11 TPP countries announced their support for the TPP11 initiative on the basis of a balance of interests and viewed this as a necessary step in response to the growing trend of protectionism and trade. Free trade in multilateral and multilateral frameworks. In November 2017, the TPP Agreement between the 11 partner countries, which has been highly anticipated during the APEC Summit 2017, has gone through intense negotiation, being threatened to collapse and reached an agreement at the last minute. On 11/11/2017, 11 TPP member countries announced a Trans-Pacific Partnerships Ministerial Statement that they have reached a balanced outcome maintaining the significant benefits of the TPP and agreed on the core elements of the Comprehensive and Progressive Agreement and Trans-Pacific Partnership (CPTPP). Currently the TPP countries are discussing to finalize some final issues, legal review to proceed to officially sign this CPTPP agreement.

The Statement of the 11 Ministers of Commerce affirms that the CPTPP Agreement maintains high standards, overall balance and integrity of the TPP, as well as emphasizing the comprehensiveness and progress of the new version while ensuring the commercial and other interests for all participants, preserving the right to regulate, including the flexibility to set legislative and regulatory priorities, affirming the right of each Party to preserve, develop and implement its cultural policies.

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2. Comparison between the TPP Agreement and the CPTPP

If the TPP agreement was signed on February 4, 2016 with 12 parties, the Comprehensive and Progressive Agreement and Trans-Pacific Partnership (CPTPP) shall include 11 countries. In terms of scale, the TPP Agreement represents 40% of GDP, 30% of global trade and more than 800 million people. The CPTPP Agreement represents about 15% of GDP, 15% of global trade, and nearly 500 million people. The decision to add two terms “Comprehensive and Progressive” to the name of the Agreement in order to emphasize the feature and

standard of the Agreement, thereby affirming that the shared objectives of all participants.

If there had been a number of expert comments earlier suggesting that the US withdrawal from the TPP would push countries in the region away from the United States and being closer to China, the establishment of the CPTPP Agreement shows the determination and confidence of the economies of the Asia-Pacific region in supporting trade liberalization, economic integration and multilateral cooperation with equality and mutual benefit while not being too dependent and be dominated by some certain markets.

In fact, with the TPP Agreement, the participating countries are geared towards the benefits from the American market, the world's largest economy. However, even without the involvement of this economy, the CPTPP is still a significant market, promising to bring many benefits to the partner countries. Specifically, CPTPP is composed of 11 countries (Table 1), of which the largest is Japan (by GDP), Canada, Australia, Mexico. Vietnam has the third largest population size, and is relatively small in size (GDP), the equivalent of Chile, Peru. The two countries with the smallest size are New Zealand and Brunei. In terms of income and level of development, Vietnam is the weakest.

Table 1: GDP and population of CPTPP

	GDP			GDP/person		Populati on (million people)
	Current price (billion US\$)	Calculated according to PPP (billion US\$)	<i>Share in CPTPP (%)</i>	Current price (US\$)	Calculated according to PPP	
Australia	1.225,29	1.140,62	<i>12,98</i>	51.181	47.644	23,9
Brunei	12,93	33,17	<i>0,14</i>	30.993	79.508	0,4
Canada	1.550,54	1.633,70	<i>16,42</i>	43.280	45.602	35,8
Chile	240,23	423,29	<i>2,54</i>	13.342	23.507	18
Japan	4.124,21	4.843,27	<i>43,68</i>	32.479	38.142	127
Malaysia	296,28	817,43	<i>3,14</i>	9.501	26.211	31,2
Mexico	1.143,80	2.230,14	<i>12,11</i>	9.452	18.430	121
New Zealand	172,26	167,93	<i>1,82</i>	37.066	36.136	4,6
Peru	192,11	389,92	<i>2,03</i>	6.168	12.518	31,1
Singapore	292,73	472,59	<i>3,10</i>	52.888	85.382	5,5
Vietnam	191,45	553,42	<i>2,03</i>	2.088	6.037	91,7
CPTPP	9.441,84	12.705,47	100,00	19.261	25.919	490,0

U.S.	18.036,65	18.037,00	<i>191,03</i>	56.084	56.084	321,6
TPP	27.478,49	12.723,51	<i>65,64</i>	33.849	15.673	812,0

Source: IMF Report 2016

Regarding the contents of the agreements, the TPP agreement has 30 chapters, with over 8,000 pages covering trade, tariffs, investment, intellectual property, labor, environment, state-owned enterprises... while the CPTPP will incorporate provisions of the TPP in Annex I and II. Annex I includes 7 articles on technical matter for the CPTPP and Annex II includes the list of a limited sets of 20 provisions which be suspended. The text also incorporates a list of four specific items for which substantial progress was made but consensus must be achieved prior to signing (state-owned enterprises, incompatible measures, dispute resolution (trade sanctions) and cultural exclusion).

3. Opportunities and Challenges of the CPTPP Agreement

Either it is TPP or CPTPP, the opportunities and challenges are always parallel, almost no different for Vietnam. Because, like the TPP Agreement, the CPTPP Agreement is also a new-age, high standard free trade agreement, the implementation of the CPTPP also requires innovations, institutional reform, quality management of the government, legal framework, favorable and enable investment and business environment... from which, will bring positive dynamics to the country economic development.

By participating in the CPTPP, Vietnam has the opportunity to develop its exports, reach out quickly to partner markets, except the US market, which accounts for 15% of global GDP, valued at \$ 10,151 billion (according to WB, 2016) due to the level of opening and elimination of import tariffs on CPTPP will be the highest in current FTAs in Vietnam. Participating in CPTPP helps businesses to restructure import - export market in a more balanced way. So far, exports and imports of Vietnam are quite concentrated in the Asian market. Access to the American market via the CPTPP is essential to reduce the risk of centralization, contributing to the diversification of the export market.

In addition to expanding the market, by joining the CPTPP, Vietnam has a high chance of participating in a new supply chain formed in the region. If businesses take the opportunity to become a component, one chain in the supply chain, the possibility to grow production, reaching the global scale will be much greater than finding the market on our own.

Not only that, joining CPTPP will continue to help Vietnam improve market economy institutions, actively support the process of economic restructuring and

renovation of growth model, helping Vietnam to improve the business operation mechanism, create a more favorable and transparent business environment that is easier to predict and enhance the national competitiveness. Improving the business environment, coupled with the new opportunities opened up in the export market, will help to promote an equally important element of investment, both domestic and foreign investment, helping to create new production capacity for businesses and better GDP growth.

According to the study, the quantitative impact of experts on GDP growth and exports shows that Vietnam's participation in CPTP will be less profitable than that of participating in TPP but can create 1, 32% of GDP¹, equivalent to \$ 1.7 billion (in TPP, this figure is about 2.7%) (see Table 2).

Table 2: Impact of CPTPP on Vietnam via static GTAP model

	Tariff reduction	Tariff reductions + services liberalization
Increased GDP	1,32%	2.01%
Increased export	4,04%	4.74%
Increased import	3,80%	4.64%

Source: Ministry of Planning and Investment team using static GTAP model, 2017

Vietnam has also benefited from exports with a combined increase of over 4% (\$4.09 billion). Total imports will also increase to 3.8-4.6% (\$4.93 billion²). Because export growth is higher than imports, the risk of trade deficits can be curtailed over time.

About the sectoral impacts, the research models of the authors show that most light and labor-intensive industries still benefit from CPTPP with an additional growth rate of 4-5%, and the export growth rate can reach from 8.7-9.6%. The quantitative results also show that even in the absence of the United States, the textile and apparel sector has increased its production scale and export value due to the CPTPP. The growth rate is from 8.3 to 10.8%. The high export growth rate of this sector can be attributed to the fact that textiles and clothing are more competitive in price terms in new markets from CPTPP countries, while maintaining the traditional core markets of The US and EU. In addition, the level of impact on competitive pressure due to service liberalization is also lower than TPP.

¹ Base data is for 2011 (GTAP9)

² Based on original data, base year is 2011

The results of this study also suggest that CPTPP has a negligible positive impact on inflation (0.46 points %), budget revenue (0.64 points %). If Vietnam continues to reform the growth model, economic restructuring in the direction of improving productivity, quality efficiency and positively improve business investment environment.

However, the challenges is not insignificant. First of all, it is a challenge for the state apparatus to meet high standards of transparent and non-discriminatory governance in policy systems related to market access, access to resources from the land, finance, people ... as well as in the process of exploiting and using these resources. This requires Vietnam to further strengthen the state apparatus, administrative reform, the effectiveness and productivity of the state management apparatus, the discipline and responsibilities of public servants.

For enterprises, the challenge is the competitive pressure from opening the market. By joining the CPTPP, Vietnam will significantly remove tariff barriers for goods and services to enterprises of CPTPP countries. This will certainly put competitive pressure on the production and business activities of enterprises and manufacturers. However, this is the fact of the international economic integration process that countries participating in have to accept, as long as their benefits are always greater than the cost of structural change due to competition.

4. Solutions to effective implementation of the CPTPP Agreement

Assessing the opportunities and challenges when Vietnam participates in CPTPP in the coming period shows that Vietnam should continue to positively implement the solutions proposed in Resolution 4 of the XIIth Central Committee on effective implementation To integrate into the world economy, to maintain political and social stability in the context of our country's participation in the new free trade agreements, including:

- Continuing to properly handle the relationship between independence, self-reliance and international economic integration, building a highly self-reliant economy, responding to international economic changes, macroeconomic stability, economic security.

- Completing the renovation of the growth model associated with the restructure of the economy is the premise and the consequence of international economic integration. It is also a decisive solution to enhance the capacity to take advantage of opportunities, Overcoming the challenges of the new international economic integration. Five direct economic criteria for assessing the outcome of international economic integration are the export growth, the quantity and quality of foreign direct investment, the quality of economic growth, the productivity of

labor and competitiveness of the economy. These are important criteria for close monitoring and effective management of international economic integration and for the implementation of new free trade agreements.

- To well implement the policies on three strategic breakthroughs, create a favorable business investment environment, and apply new solutions to promote the integrated strength and creativity of the business community. human. Identifying businesses, businessmen and intellectuals as the leading force in international economic integration in the coming period.

- Concentrate on exploiting international commitments to expand markets, increase exports, develop mechanisms and policies on trade remedies; to prevent and settle international disputes; Establish technical barriers, preventive measures in accordance with international practice and requirements.

In addition, specific guidelines and policies to be implemented include: (1) Strengthening ideological awareness, especially of enterprises and entrepreneurs for the opportunities and challenges of the implementation of the CPTPP and other new free trade agreements such as EVFTA; (2) improve the legal system, improve law enforcement capacity, especially international law and international trade; (3) Enhancing competitiveness, accelerating the renovation of the growth model, restructuring the whole sector, developing the private economy to become the core force in international economic integration. Enhancing the dissemination of foreign languages, focusing on English at all education levels, raising the readiness of integration of the economy; (4) Priority should be given to agricultural development in association with new rural development; To take initiative in promulgating and implementing policies on accumulation and concentration of land, focusing on the development of clean agriculture, organic agriculture, high yield and high value, capable export in line with climate change and ecological environment; Moving agriculture from food production is mainly to develop a diversified agriculture, in line with the advantages of each region; Formulating a master plan on the development of Vietnam's streng commodities and products; Take advantage of the transition roadmap stipulated in the international commitments to create new motivation for agricultural and rural areas, attracting enterprises to invest in agriculture.

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