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The Significance of the UK's Accession to the CPTPP

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On March 31, 2023, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Ministerial Meeting approved the new membership of the United Kingdom in the CPTPP. The existing signatories aim to finalize its acceptance in July, and the UK will be formally admitted upon completion of national ratification procedures by all CPTPP members. The UK is the first country outside the 11 original members (which, with the exception of Brunei, have already ratified the agreement) to be approved as a new member since the CPTPP entered into force in 2018. With the addition of the UK, the world's fifth largest economy, the CPTPP countries will account for 15% of world GDP.

Strategic nature of the CPTPP

It has been pointed out many times that the TPP is important not only from an economic standpoint but also from a strategic standpoint. One reason for the TPP's strategic importance is its "rulemaking" aspect. Matthew Goodman, who was in charge of economic policy toward Asia in the Obama administration, asserted that the TPP had a "strategic-economic" objective to formulate rules and norms in areas such as state-owned enterprises, digital, and labor, which the United States values, and it was supposed to be a powerful tool to counter China.¹ The importance of rulemaking remains in the CPTPP, which was led by Japan after the US withdrew, and from its inception the CPTPP countries have aimed to expand its membership in order to promote the high-standard rules set out in the CPTPP. In addition, the TPP and the Regional Comprehensive Economic Partnership (RCEP) have been identified as pathways to the establishment of an Asia-Pacific Free Trade Area (FTAAP) by the Asia-Pacific Economic Cooperation (APEC). The CPTPP states that APEC member economies and other

countries or independent customs territories are welcome to join, subject to conditions to be agreed with existing parties.

UK trade policy after Brexit

The UK formulated an independent and comprehensive foreign policy called "Global Britain" after deciding to leave the European Union (Brexit). The policy states that the UK will go beyond Europe to strengthen its engagement in other regions, particularly in the Indo-Pacific where it aims to secure the broadest and most integrated presence possible as a partner of Europe through mutually-beneficial trade, shared security, and values.² On trade, it states that the UK has the freedom to pursue a better trade policy, one that differs from that of the EU, and it emphasizes agility and speed of action, pledging to conclude trade agreements with countries and regions that account for 80% of UK trade by the end of 2022.³ This is due both to the need for new agreements to replace EU trade agreements and the aim of mitigating the negative economic impacts of Brexit and the COVID-19 pandemic. In fact, the UK has been speeding up its trade negotiations since January 2021; in addition to the UK-EU Trade Cooperation Agreement (TCA) and the takeover agreements that replicate EU trade agreements as much as possible, the UK has concluded the UK-Japan Comprehensive Economic Partnership Agreement, the UK-Singapore Digital Economy Agreement, and the UK-Norway, Iceland, and Liechtenstein Free Trade Agreement, reaching a total of 70 trade agreements that have entered into force. In addition, the UK has signed trade agreements with Australia, New Zealand, Ukraine (digital agreement), and Eastern and Southern Africa (signed but not yet in force).⁴ The UK is also negotiating trade agreements with the US, India, and the Middle East.⁵

The UK formally applied for membership in the CPTPP in February 2021, shortly after Brexit, and began the process of accession in June. The signatories reached a broad agreement after less than two years of negotiations. The UK has bilateral trade agreements with nine of the 11 CPTPP countries, the exceptions being Brunei and Malaysia (Figure 1). However, some of these agreements are successors to EU trade agreements and are therefore provisional. New trade agreements have been concluded with Japan and Singapore, while negotiations are underway with Canada and Mexico, and takeover agreements apply to Chile, Peru, and Vietnam. The fact that the UK can have a high-standard trade agreement with these countries multilaterally through the CPTPP will help accelerate the UK's trade negotiations. In addition, the CPTPP, unlike a bilateral trade agreement, is a mega-regional trade agreement that has the great advantage of allowing supply chains crossing multiple countries to be linked under unified rules. The UK government says the benefits of joining the CPTPP include establishing a gateway to the fast-growing Indo-Pacific; opening up new service markets for the UK, the world's second largest exporter of services; facilitating the free flow of data; encouraging trade investment through high levels of liberalization; diversifying supply chains across a broad economic zone; reaching the UK's first trade agreement with Malaysia; and strengthening economic security by

countering unfair trade and economic coercion through the CPTPP.⁶ The UK has also expressed a strong desire to contribute to the development of the CPTPP, stating that the expansion of the CPTPP's membership will generate greater economic benefits and that the UK can increase its own influence by participating in decision-making as a CPTPP member.⁷ A new applicant must follow the same rigorous process that the UK has gone through, which examines whether an applicant country can comply with CPTPP rules and open its market substantially, as well as whether it complies with provisions in existing trade agreements.⁸

Figure 1: UK and EU trade agreements with the 11 CPTPP countries

	UK	EU
Australia	○ (signed, not yet in force)	○ (negotiations underway)
Brunei		
Canada	○ (new FTA being negotiated)	○
Chile	○	○
Japan	○ (UK-Japan CEPA)	○
Malaysia		(negotiations suspended)
Mexico	○ (new FTA being negotiated)	○
Peru	○	○
New Zealand	○ (signed, not yet in force)	(negotiations concluded)
Singapore	○ (digital agreement)	○
Vietnam	○	○

Source: Compiled by the author based on GOV.UK and European Commission data.

Economic effects of the CPTPP

The UK government estimates that joining the CPTPP would boost UK GDP by 0.08% in the long run (Figure 2)⁹. By industry, automobiles and food, beverages & tobacco are expected to see the greatest expansion¹⁰. The effects of UK accession on other CPTPP countries are likely to be largest on Malaysia, with almost no economic impact on Japan¹¹. However, this forecast excludes the effects of tariff and non-tariff reductions in trade agreements with countries that already have bilateral trade agreements in place (e.g., Japan), as well as with Australia and New Zealand, which have not yet entered into force. Therefore, the real reduction effects will largely be attributable to Malaysia, which will be concluding its first trade agreement with the UK, and to Chile, Mexico, and Peru, where the lowering of trade

barriers under the CPTPP is more substantial than in existing trade agreements. Therefore, while the estimates are shown to be "humble" figures because they measure only the additional effects of the CPTPP, it should not be overlooked that the 11 CPTPP countries are important trading partners for the UK, accounting for 8% of its total trade. Companies in countries with existing trade agreements will have more options once the CPTPP comes into force and will be able to choose between existing trade agreements or the CPTPP, whichever is easier to use. The estimates also include a CPTPP expansion scenario in which Thailand and South Korea newly join to form a "CPTPP13" that would boost GDP by 0.25%, or three times the amount of CPTPP11. Furthermore, the CPTPP14 scenario, which assumes that the US newly joins the CPTPP without taking into account the reduction effects of the trade agreement being negotiated by the UK and the US as a baseline, is projected to boost GDP by 0.92%.¹² This suggests that a large economic impact could be expected in future if Thailand and other Southeast Asian countries such as Indonesia and the Philippines, with which the UK does not yet have a trade agreement, and the US, the UK's largest trading partner, were to join the CPTPP, although it seems highly unlikely at this point in time that the US will rejoin. Some see the economic benefits of the UK joining the CPTPP as limited, but to conclude that based only on the face value of extrapolations would be an underestimation.

Figure 2: Estimated economic effects of CPTPP

% change	CPTPP11	CPTPP13 (+ Thailand, Korea)
GDP	0.08%	0.25%
Exports (UK to CPTPP countries)	2.98%	4.36%
Imports (CPTPP countries to UK)	2.96%	7.16%

Source: Department for International Trade of the UK (2021).

Besides trade and investment liberalization, there are other benefits that are hard to quantify in economic model estimates. For example, the CPTPP's e-commerce includes advanced disciplines on free data flow¹³, which will help improve the business environment for IT companies and semiconductor and software companies. In government procurement, the CPTPP includes the WTO's Government Procurement Agreement (GPA) disciplines such as non-discrimination and transparency, which will lead to improved access to government procurement with Vietnam, Malaysia, Brunei, Peru, Chile, and Mexico, which are not party to the GPA. Note that the UK's National Health Service (NHS) is not a negotiated part of the CPTPP and will be reserved.¹⁴ The CPTPP also covers other areas, such as labor

and the environment, and the UK values these new areas not covered by existing trade agreements as "rulemaking" opportunities.

Future Development

To date, China, Taiwan, Ecuador, Costa Rica, and Uruguay have submitted applications to join the CPTPP. In addition, Thailand is working through its domestic procedures to apply for membership, while South Korea, the Philippines, and other countries have expressed interest in joining.

China formally submitted its application for membership in September 2021, and Taiwan submitted its own application shortly thereafter. China's aims are thought to be both economic and strategic, including taking the lead in rulemaking, joining the CPTPP ahead of the US in its absence, promoting domestic reforms, and mitigating the negative effects of the US-China trade war. However, China's ability to meet the liberalization and rule standards of the CPTPP and to comply with the rules will be a major challenge. For Taiwan, there had been an issue with the suspension of food and agricultural imports from five Japanese prefectures, including Fukushima Prefecture, that could have presented an obstacle to joining the CPTPP, but it lifted these restrictive measures in February 2022. The CPTPP permits APEC economies or independent customs territories to join, so there is no problem under the rules with Taiwan joining. However, political relations with China make it difficult for Taiwan to join on its own.

As for the US, free trade does not enjoy much political support domestically, and it is highly unlikely that the country will return to free trade agreements such as the CPTPP. In fact, the Trade Promotion Authority (TPA) required for the US to conclude trade agreements with other countries expired in July 2021, so trade negotiations cannot proceed. As an alternative, the US is pursuing other frameworks that do not involve tariff reductions or investment liberalization, such as the Indo-Pacific Economic Framework (IPEF).

Although the membership of the UK, a G7 member, is a big plus for promoting the CPTPP, the future course of developments surrounding new membership will be complicated. Nevertheless, the CPTPP is a powerful front that will provide substantial support for maintaining and strengthening the free trade system, and it is thus important to continue working to expand the CPTPP. Because the detailed procedures for joining the CPTPP are to be decided upon consultation at the TPP Committee, the highest consultative body, it would be a good idea to establish a phased approach that would examine whether an applicant country can comply with the CPTPP rules, whether it can sufficiently open its market, and whether it is in compliance with the provisions of existing trade agreements, thereby enabling an applicant country to proceed with accession procedures while clearing the phases.

Lastly, Japan should further strengthen its ties with the UK as the latter joins the CPTPP and pursue closer cooperation in various areas, including the promotion of a rules-based trade system, supply

chain resilience, and infrastructure investment in the Indo-Pacific, as well as seek out economic and security cooperation with India.

(This is an English translation of a paper originally published in Japanese on April 13, 2023.)

¹ Goodman, Matthew P. "Overcoming the Tragedy of TPP," CSIS, September 28, 2021, <https://www.csis.org/analysis/overcoming-tragedy-tpp>.

² HM Government of the UK, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, March 2021, P6, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age-the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf.

³ Ibid., P3

⁴ "The UK's trade agreements," GOV.UK. accessed April 5, 2023. <https://www.gov.uk/government/collections/the-uks-trade-agreements#trade-agreements-in-force>.

⁵ Webb, Dominic. "Progress on UK free trade agreement negotiations," House of Commons Library, March 31, 2023, <https://researchbriefings.files.parliament.uk/documents/CBP-9314/CBP-9314.pdf>.

⁶ GOV.UK. (March 31, 2023) "Conclusion of Negotiations on the Accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Trans-Pacific Partnership," GOV.UK. Accessed April 5, 2023. <https://www.gov.uk/government/publications/comprehensive-and-progressive-agreement-for-trans-pacific-partnershipcptpp-conclusion-of-negotiations/conclusion-of-negotiations-on-the-accession-of-the-united-kingdom-of-great-britain-and-northern-ireland-to-the-comprehensive-and-progressive-trans-pac#introduction>.

⁷ Ibid.

⁸ Ibid.

⁹ Department for International Trade of the UK, *UK Accession to CPTPP: The UK's Strategic Approach*, April 2021, P48, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1027860/dit-cptpp-uk-accession-strategic-approach.pdf.

¹⁰ Ibid., P49

¹¹ Ibid., P52

¹² Department for International Trade of the UK, *Technical annexes for the Scoping Assessment for UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)*, June 2021, P8, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1026128/dit-cptpp-scoping-assessment-technical-annexes.pdf

¹³ This refers to the three principles of the TPP, which are free cross-border transfer of information, a ban on member states requiring foreign entities to set up computer servers and other facilities in the states' territory, and a ban on states ordering software source code disclosure and transfer.

¹⁴ Department for International Trade of the UK, *UK Accession to CPTPP*, P21.