

# Looking East

The Case for UK Membership of CPTPP

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# Foreword

In an increasingly fractured and divided world, the United Kingdom is embarking upon an ambitious and determined mission to create new defence partnerships, enhance our diplomatic networks, reform our development agenda and strike new trade agreements.

These objectives are neatly encompassed within the concept of ‘Global Britain’, a flexible term that embodies defence, diplomacy, development and trade. Each one depends on the other, requiring the UK to provide a multidirectional strategy that can safeguard existing relationships, create new opportunities and provide the growth needed to keep the UK as a top-tier global power.

This report focuses on one of Global Britain’s core tenants – trade.

Contrary to many expectations, the UK has successfully signed 67 continuity trade agreements since leaving the European Union, as well as a new free trade deal with Japan encompassing new arrangements on digital trade. Discussions are underway for a digital partnership with Singapore and agreements in principle have been reached with Australia and New Zealand. Over the coming months and years, closer trade ties are expected to be agreed with a wide range of other countries.

These free trade agreements (FTAs) seek to remove tariffs between signatories, increase trade harmonisation, reduce non-tariff barriers and open new export markets for British producers. Added to which they will help to set global standards on digital trade and create partnerships on telecommunications and rare earth minerals. This UK will once again champion free trade and strengthen its international relationships.

But we can do more. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is one of the world’s most significant trading blocs. Its 11 members – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam – have a combined GDP of £9 trillion and cover 13% of global GDP. The UK is now seeking to become the first nation to accede to CPTPP since its creation. This would not only increase its economic scope to £11 trillion in GDP and 16% of the world economy respectively, but would put us at the heart of a global trading initiative focused on the fastest-growing region of the world – the Indo-Pacific.

Having already secured bilateral agreements with seven of the 11 CPTPP founder members, the UK announced its intention to join CPTPP in February 2021. While the process of accession has been, until now, untested, the UK will set the precedent for how future members join CPTPP. If successful, the UK will not only benefit from greater market access to some of the fastest developing countries in the world, but have greater sway over international trade policy and development.



This report focuses on the economic and geopolitical benefits of UK membership in CPTPP. It also addresses the expected challenges and common myths around accession to the group, and considers which countries might likely seek future membership.

The economic benefits are certainly wide-ranging, from the reduction of tariffs between signatories to enhanced regulatory cooperation to benchmarking digital trade policy to liberalising rules of origin. All of these will benefit British businesses through opening new markets, increasing job creation and and strengthening the UK economy.

New visa arrangements will simplify how we do businesses across the bloc – removing border frictions and allowing greater cooperation between Cardiff and Chile, Belfast and Brunei, Sunderland and Singapore, and Aberdeen and Adelaide. The UK will benefit as a whole, with each region set to see an increase in exports as well as new opportunities for foreign direct investment.

Geopolitically, the UK's membership will help to diversify our exports and supply chains and boost national resilience. And as CPTPP grows in size, so too will the benefits, impacting all members.

A critical point is that, unlike the rival Regional Comprehensive Economic Partnership (RCEP), CPTPP seeks to improve international standards. Whether in labour standards, agricultural produce, the environment or intellectual property, membership helps to set an international benchmark, with common agreement and understanding.

After almost 50 years of being unable to strike our own trade agreements, the UK now has the freedom and opportunity to join a high-standards trading bloc in the fastest-growing region in the world, without having to sacrifice its sovereignty or ambitions. It is an example of Global Britain that will pay dividends for many years to come.

**Anthony Mangnall MP**



# Executive Summary

## The Economic Benefits

- Joining the CPTPP will see tariffs slashed on 99.9% of UK exports to CPTPP members. As a result, modelling suggests joining the CPTPP will boost UK trade with members by a minimum of £3.3 billion, including an extra £1.7bn in exports.
- Joining CPTPP in its current form would boost GDP by £1.8bn. As the CPTPP expands, the benefits could feasibly reach £20bn per year. However, limitations in government modelling means that these estimates are very likely significant underestimates, as the Government itself admits.
- The economic benefits from joining include liberalisation of rules of origin requirements, streamlining cross-border data flows, a more liberal treatment of visa rules, and other measures to remove non-tariff barriers (NTB), all of which will help to boost trade.
- It will also deepen the UK's connection with the economically vibrant Asia-Pacific region, an area with strong growth and a growing middle class hungry to consume goods and services that UK firms can supply.
- More liberal treatment of rules of origin requirements will help firms to restructure their supply chains so that they are more resilient and less reliant on China.
- Unlike many previous free trade agreements (FTAs), the CPTPP recognises that SMEs often fail to realise the overall benefits such deals bring. The CPTPP includes a chapter dedicated to such businesses, with commitments to ensure that they have the information and ability to prosper from the agreement.
- CPTPP member countries are both an important source of Foreign Direct Investment (FDI) into the UK and a destination for UK investment. The CPTPP will strengthen this relationship, providing new opportunities for CPTPP investment into the UK and vice versa.
- All regions of the UK will benefit from the CPTPP – with areas such as Scotland likely to benefit the most.



## The Geopolitical Benefits

- Joining CPTPP can help diversify UK supply chains, in particular by helping to unlock greater extraction of critical minerals and rare earths, as well as encouraging the use of these minerals and the renewable technology they make possible within the CPTPP. This will help reduce our collective reliance on China for vital components within the supply chain.
- CPTPP, and its expansion, can also help the UK's allies, such as New Zealand and Australia, reduce their dependence on China as an export market.
- High-standards trade agreements like CPTPP also create a level playing field between domestic and international businesses, including on important issues like environmental protection.
- The bigger the economies covered by a trade agreement, the more influential its standards are in wider trade talks – meaning that accession to CPTPP will give both the UK and existing members greater clout in setting global standards. This is especially important given the lower standards in the rival Regional Comprehensive Economic Partnership (RCEP) zone established by China.

## Dispelling The Myths About CPTPP

- From environmental protections to the Investor-State Dispute Settlement (ISDS) mechanism, most of the common objections and concerns about the UK joining the CPTPP are either exaggerated or simply wrong.
- Joining the CPTPP will not undermine environmental protections, workers' rights, or health and food standards in the UK. Countries like Australia, Canada, and Japan already have standards comparable to those in the EU and entry provides an opportunity to raise standards in developing member countries.
- The CPTPP is not a threat to British sovereignty. There is no institutional framework pushing for new regulations and the centralisation of power, as there was in the EU. The CPTPP doesn't have a parliament or court of justice and has no permanent commission. Any new regulations would have to be agreed unanimously by member countries.

## Building On CPTPP

- The growth of protectionism in the United States, together with the need for renegotiation and the expiration of the US Trade Promotion Authority's powers, mean that it is unlikely the Biden Administration will return America to the agreement (which began life as a US-sponsored project).
- While China has applied to join CPTPP, its lower standards, poor human rights record and confrontational approach to foreign policy (especially towards some of the existing members) make it unlikely that its application will be successful.
- However, a number of other Asian economies, including South Korea, Thailand, Taiwan and the Philippines, are more likely to seek accession to CPTPP, and many will be successful in their applications.



- It is likely therefore that CPTPP will remain a coalition of advanced economies, who are able to push for higher standards globally without being drawn into the US-China rivalry.
- Based on the latest forecasts, and the likelihood of various accessions, we can expect CPTPP to account for around 18% of world GDP in 2025.
- CPTPP countries are also increasingly building on the base agreement in areas including digital identities, digital inclusivity and the governance of artificial intelligence. The UK should see the base agreement as a platform to create new 'CPTPP+ partnerships', and to develop agreements and standards that fit the technologies and industries of the future.

## Recommendations

- The UK should not only join CPTPP at the earliest opportunity, but champion its expansion to create a coalition of advanced economies, for example by using its strong bilateral relationships with Japan and South Korea to help smooth the latter's accession into CPTPP.
- In the event of the US renewing its interest in joining CPTPP, the UK should work with existing members to bridge gaps between the US and other CPTPP countries. However, UK support for any application from China should be conditional on a sea change in its approach to trade standards, human rights and foreign policy.
- Rather than view membership of CPTPP as an end point in itself, the UK should see accession to the agreement as a starting point from which to build new 'CPTPP+ partnerships', via arrangements such as Digital Economy Partnerships.





# Introduction

On February 1, 2021, the UK formally applied to join the Comprehensive and Progressive Agreement for Transpacific Partnership (CPTPP), with negotiations beginning on June 22. The CPTPP represents one of the largest free trade areas in the world and includes some of the world's largest current and future economies, with 500 million consumers in the bloc and a combined Gross Domestic Product (GDP) of £9 trillion, equivalent to 13% of global GDP. With UK membership this would rise to £11 trillion and 16% of GDP.<sup>1</sup>

The CPTPP rose from the ashes of the earlier Transpacific Partnership (TPP) after the US withdrew under President Trump in 2017. The remaining 11 countries decided to go it alone and establish a comprehensive free trade agreement (FTA) among themselves in the same spirit as the TPP. The 11 countries stretch across the Pacific, from Singapore to Canada, and Chile to Australia. As of September 2021, the agreement has been ratified and entered into force in eight of the 11 member countries – Australia, Canada, Japan, Mexico, New Zealand, Peru, Singapore and Vietnam. The remaining three members – Brunei, Chile and Malaysia – are in the process of ratifying it.

**‘The CPTPP represents one of the largest free trade areas in the world and includes some of the world’s largest current and future economies, with 500 million consumers in the bloc and a combined Gross Domestic Product of £9 trillion, equivalent to 13% of global GDP’**

While separate from the TPP, the CPTPP incorporates most of the rules and provisions of the earlier agreement. Included in the provisions are significant liberalisations of trade, including the removal of tariffs on almost all goods, generous rule of origin requirements, simplification of visa and business travel regulations, liberalisation of data and the digital economy, and a push to reduce non-tariff barriers within the bloc. But alongside liberalising trade is a focus on enshrining high standards in terms of the protections pertaining to the environment, food and animal welfare, and workers' rights, while at the same time ensuring that member countries retain sovereignty over their laws and regulations.

One of the attractions of CPTPP is that it was set up with expansion explicitly in mind, and an expectation that other countries would apply to join, provided they could meet the high standards in the agreement. The UK, China and Taiwan have already done so, and several other countries such as South Korea and the Philippines look likely to do so in the near future. As it expands, it will gain increasing influence in setting the rules and standards which govern international trade.

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<sup>1</sup> Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).



The UK government has stated clearly that it is committed not only to safeguarding the rules-based system of international trade – which in recent years has been undermined by both an increasingly assertive China and the protectionism of the Trump administration – but also to pushing it forward, viewing free trade as key to continued global prosperity and development. The government argues that the UK’s accession to the bloc would make CPTPP ‘a truly global free trade area’<sup>2</sup> and help strengthen the UK’s relationships with a part of the world which is increasingly coming to anchor the global economy.

This report examines the main economic and geopolitical benefits that membership will bring to both the UK and CPTPP members, while at the same time refuting some of the biggest misconceptions, in order to demonstrate conclusively that CPTPP would be a great deal for Britain.

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2 British Embassy Tokyo, *UK and CPTPP nations launch formal negotiations*. [Link](#).



# 1. The Economic Benefits

The most obvious point to make is that there are significant economic gains to be made from the UK joining CPTPP. It is one of the largest free trade areas in the world. Moreover, the Indo-Pacific is a part of the world which has been rising in importance economically and will continue to do so over the coming decades. McKinsey forecasts that Asian economies will increase from making up 42% of global GDP in 2017 to 52% by 2040.<sup>3</sup>

The liberalisations contained within CPTPP will help to open up markets, which will increase trade and GDP, and raise investment and wages. Modelling carried out on behalf of the Department for International Trade (DIT) suggests that joining would add at least £1.8 billion to UK GDP, boost trade with CPTPP countries by £3.3 billion, and increase take-home pay for UK workers by £800 million. These may sound like comparatively modest figures, but in fact they are almost certainly underestimates, with the DIT itself readily acknowledging that its modelling fails to capture the full benefits of joining.<sup>4</sup>

**‘Modelling carried out on behalf of the Department for International Trade suggests that joining would add at least £1.8 billion to UK GDP, boost trade with CPTPP countries by £3.3 billion, and increase take-home pay for UK workers by £800 million’**

This is partly because the modelling does not take into account future trends, focusing instead on a snapshot of the world as it is today. This means that those official estimates do not take into account the substantial growth in middle-class consumers which will occur in many CPTPP countries over the coming decades. It also largely fails to account for better market access or deeper liberalisation of non-tariff barriers (NTBs) than under existing UK bilateral trade agreements. It is therefore likely that the government’s own estimates of the benefits of joining are an underestimate, failing to account for the full range of dynamic effects that would lead to a much higher increase in GDP, trade and wages.

The distance between CPTPP countries and the UK is often raised as a reason that any benefits for the UK from joining are likely to be small – since the gravity model used by trade economists suggests that the larger and closer together economies are, the more they will trade. But two things are worth bearing in mind here.

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<sup>3</sup> Andrew Caine, *The UK and the CPTPP: Creating an Asian Option for the Future*. [Link](#).

<sup>4</sup> In fact, in light of existing weaknesses in the available modelling, in 2020 DIT set up an independent modelling review in order to identify how analysis and existing modelling might be improved.



First, while it is true that the UK is a long way away from CPTPP member countries, it is equally true that those member countries are themselves often separated by vast distances. Chile, Mexico, and Peru are all further away from Japan than the UK is, and it takes longer to fly to Singapore from Toronto or Ottawa than from London.<sup>5</sup> And yet no one is suggesting that these distances mean it's not worth existing member countries being part of the CPTPP.

**Overall, tariffs on 95% of the goods traded between CPTPP members would be removed, and accession could see the proportion of UK exports eligible for tariff-free access rising from 85.4% to 99.9%<sup>8</sup>**

Second, containerisation and other innovations have already significantly cut the cost of trading goods, and the shake-up Covid has caused in terms of the embrace of remote working and use of technology may have a similar impact on the cost of services trade.<sup>6</sup> The UK would benefit substantially given its significant competitive advantage in services, should this prove to be the case.

So while distance still matters when it comes to trade, that doesn't mean the UK can't gain substantially from joining the CPTPP. This section of the paper will therefore look at the main areas in which the CPTPP liberalises trade and how the UK could benefit.

## 1.1 Trade benefits

The CPTPP provides near full liberalisation of tariffs, retaining them on a small group of sensitive industries such as rice for Japan and the dairy industry in Canada.<sup>7</sup> Overall, tariffs on 95% of the goods traded between CPTPP members are removed, and accession could see the proportion of UK exports eligible for tariff-free access rising from 85.4% to 99.9%.<sup>8</sup> While much of this will already occur under existing trade agreements the UK has in place or is negotiating, the Government argues that the UK will still gain because under the CPTPP reduction of tariffs will be larger or occur more quickly.<sup>9</sup> For example, the tariff on exporting cars to Canada would be eliminated by 2022, which is two years earlier than under the existing UK-Canada trade agreement. Similar benefits would also occur for exports of cheese to Chile, textiles to Vietnam and beverages to Malaysia.<sup>10</sup>

Other provisions – such as more liberal treatment of rules of origin, measures to streamline cross border data flows, more certainty around visa application and business travel, and efforts to remove NTBs – will help to boost trade and further integrate the UK into the economy of the region. The government's own modelling suggests joining will boost UK trade with CPTPP members by £3.3bn including an extra £1.7 billion in exports.<sup>11</sup> The UK will also benefit economically as lower trade barriers

5 Chile, Mexico and Peru are 17,332km, 10,791km and 15,501km respectively away from Japan, the UK is 9,195km away. [Link](#).

6 Richard Baldwin and Rikard Forslid, *Covid 19, globotics, and development*. [Link](#).

7 Institute for Government, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*. [Link](#).

8 Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).

9 The UK already has FTAs with seven of the 11 current members of the CPTPP and is currently negotiating with Australia and New Zealand. It is only Brunei and Malaysia with which the UK has neither an existing FTA nor is currently negotiating one.

10 House of Commons Library, *Briefing note: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership*. [Link](#).

11 DIT, *UK Accession to CPTPP: The UK's Strategic Approach*.



will give firms greater flexibility in how they structure their supply chains and help to make them more diverse, which will increase economic resilience and potentially make British firms more competitive, since productivity gains are highest in the sectors exposed to foreign investment, methodologies and competition.<sup>12</sup>

In terms of goods trade, there are plenty of opportunities in the CPTPP for British exporters, with member countries accounting for 15% of global imports and exports of goods in 2019, which is larger than the combined 13% of world GDP that they represent. At the moment, 8% and 7% of UK exports and imports of goods are with CPTPP members.<sup>13</sup> The £57 billion worth of goods the UK exported to the CPTPP in 2019 means that it is now a more important export market for the UK than Germany. This relationship has been growing stronger over the last few decades. Since 1999 exports to Germany have increased by 108%, but with CPTPP members they increased by 175%.<sup>14</sup> With several CPTPP countries forecast to be among the fastest growing economies up to 2050 and with the centre of economic gravity shifting to Asia, this is a trend which is likely to continue.<sup>15</sup>

**‘At the moment, 8% and 7% of UK exports and imports of goods are with CPTPP members’**

Exports of green tech and goods are a particular area where the UK could gain substantial economic benefit by joining CPTPP. This is a sector which is going to accelerate over the coming decades as countries attempt to transition to low carbon economies, creating many opportunities for UK exporters which joining the CPTPP will help facilitate. Joining the bloc should give the UK greater access to rare earth minerals and components for green tech – areas in which China currently dominates – thus helping to diversify supply chains and hopefully bring prices down. But the liberal rules of origin provisions contained within the agreement will also mean that UK firms will find it easier to export goods to the rest of the CPTPP that contain a large proportion of components originating in the free trade area.

This will be of benefit, for example, to UK exporters of electric cars who import the lithium battery from Japan and then export the finished good. Currently under the UK-Japan CEPA the value of the battery counts as originating in the UK only if exported as part of the finished good back to Japan. By joining the CPTPP, it will also apply for all other member countries as well. In other words a UK firm will be able to import a component from one CPTPP country such as Japan, and then reexport that as part of a finished good to another CPTPP country such as Malaysia and benefit from preferential tariffs. Not only will this help diversify supply chains, it will also make it easier for UK manufacturers to export these sorts of green goods to other CPTPP nations and provide a kickstart to help this crucial industry develop and compete in the international market going forward – especially since the UK currently imports a large amount of electric vehicle components from CPTPP countries but exports a relatively small amount of finished electric vehicles back to the bloc. There are plenty of other UK exporters of green tech that could benefit, such as heat pump manufacturers and hydrogen fuel cell firms.<sup>16</sup>

12 Office for National Statistics, *UK foreign direct investment, trends and analysis: August 2020*. [Link](#).

13 UK Trade Observatory, *The value of the CPTPP for the UK*. [Link](#).

14 Authors' own calculations using figures from: Office for National Statistics, *UK total trade: all countries, non-seasonally adjusted*. [Link](#).

15 PWC, *The Long View How will the global economic order change by 2050?* [Link](#).

16 Department for Business, Energy and Industrial Strategy, *Heat Pump Manufacturing Supply Chain Strategic Report*. [Link](#).



Yet the greatest benefit from the UK joining CPTPP may come in the field of services. The UK is the world's second largest services exporter and has a clear competitive advantage there, meaning the liberalisation of trade in services under CPTPP could be especially beneficial.<sup>17</sup> The UK already runs a large services trade surplus of about £5 billion with CPTPP countries, with exports in 2019 totalling £58 billion and imports of £53 billion,<sup>18</sup> or 9% and 8% of total UK services exports and imports.<sup>19</sup>

**‘The UK already runs a large services trade surplus of about £5 billion with CPTPP countries, with exports in 2019 totalling £58 billion and imports of £53 billion, or 9% and 8% of total UK services exports and imports’**

Alongside measures to improve cross-border flows of data, make business travel within the CPTPP easier, and a general effort to reduce NTBs, the agreement gives service exporters greater certainty and transparency when operating in CPTPP markets.<sup>20</sup> The cross-border trade in services and financial services chapters build upon, and go further than, the existing 1995 WTO General Agreement on Trade in Services. CPTPP's provisions open up many new services markets and ensure there is a level playing field between domestic and foreign service providers, and that member countries do not impose NTBs in order to try and block access to their markets.<sup>21</sup>

This liberalisation of services trade in the CPTPP will help British companies to access and operate in CPTPP markets and thus export more. But it will also make it easier for British consumers and businesses to access services and goods from firms in CPTPP countries and increase competitive pressures on domestic firms to improve the quality and price of the services they offer.

### **1.1.1 – Regulatory cooperation**

As part of CPTPP, member countries have committed to making efforts to establish greater regulatory coherence between themselves. This involves cooperating on issues of good regulatory practice by means of information exchanges and dialogues, and strengthening cooperation between the various regulatory agencies across member countries.<sup>22</sup> Moving towards regulatory coherence will help to eliminate NTBs and open up markets, while encouraging best practice. This would mean lower costs for trade between member countries both in terms of money and time spent dealing with NTBs, encouraging an increase in trade across the CPTPP. On top of this, the embrace of regulatory best practice could help to eliminate bad regulations in member countries which already hurt domestic businesses, stimulating higher growth in those countries.

### **1.1.2 – Rules of origin**

One of the key ways that CPTPP liberalises trade is in its very liberal treatment of rules of origin. Under the agreement, whatever percentage of a good that needs to be ‘CPTPP content’ to qualify for preferential tariffs can come from any combination

<sup>17</sup> Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).

<sup>18</sup> House of Commons Library, *Briefing paper: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership*. [Link](#).

<sup>19</sup> UK Trade Observatory, *The value of the CPTPP for the UK*. [Link](#).

<sup>20</sup> Australian Government, *CPTPP outcomes at a glance*. [Link](#).

<sup>21</sup> Government of Canada, *What does the CPTPP mean for services?* [Link](#).

<sup>22</sup> Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).



of CPTPP countries.<sup>23</sup> In other words, if a good needs 50% CPTPP content to qualify then 10% could come from the UK, 20% from Australia, 5% from Japan and the other 15% from Malaysia. This will give exporters, especially manufacturers, greater freedom in structuring their supply chains, potentially allowing them to make cost savings by shifting to a cheaper or more efficient supplier of a specific component, and increasing their resilience.

**‘The UK automotive sector, which employs 164,000 people, exported £3 billion in cars to the 11 CPTPP member countries in 2019’**

To illustrate the benefits, take the example of the car industry. Cars made in the UK would be able to use more Japanese or Mexican parts when exporting to CPTPP members and still qualify for lower tariffs. This could give British exporters an extra route to meet the rules of origin to access reduced tariffs in some sectors and also encourage the future development of supply chains across CPTPP members. The UK automotive sector, which employs 164,000 people, exported £3 billion in cars to the 11 CPTPP member countries in 2019. On top of this, the greater flexibility will also mean that supply chains are more diverse and robust, reducing the chances of shortages causing disruptions.

### 1.1.3 – SMEs

During the initial negotiations for CPTPP, one of the main focuses was on the impact on smaller firms. There is a perception that SMEs have been unable to properly take advantage of previous trade agreements, which have disproportionately benefited large multinationals. This resulted in a specific CPTPP chapter devoted to SMEs, which aims to make it easier for small businesses to take advantage of benefits such as lower trade barriers, for example by creating a website to ensure SMEs can easily access the information they need to understand and seize the opportunities for trade and investment the agreement creates. CPTPP also established a specific SME committee to review the operation of this chapter and recommend ways to help SMEs better benefit from the agreement.<sup>24</sup>

Should these measures prove successful in enabling SMEs to export more to CPTPP countries, or indeed perhaps start exporting for the first time, then the economic benefits for the UK could be substantial. SMEs are the backbone of the UK economy, making up 99.9% of the six million businesses in operation in 2020 and providing 61% of employment and 52% of turnover.<sup>25</sup> Furthermore, 98% of goods exporters in 2019 were SMEs accounting for 45% of all UK exports.<sup>26</sup> Yet there is a recognition that British SMEs have historically been more reluctant than many of their international peers to pursue opportunities overseas. Any measure which increases their ability to export, profit and grow will help to increase job creation, growth, and the strength and health of the UK economy.

## 1.2 Liberalising digital trade

We live in an ever more digital world and data has become increasingly valuable. In 2016, a study from McKinsey claimed that data flows across borders were already

<sup>23</sup> Institute for Government, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*. [Link](#).

<sup>24</sup> Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).

<sup>25</sup> House of Commons Library, *Briefing paper: Business statistics*. [Link](#).

<sup>26</sup> DIT, *UK Accession to CPTPP: The UK's Strategic Approach*.





more valuable than traditional goods trade.<sup>27</sup> Their value since then has only gone up, and with the continued development of data-heavy technologies such as AI, blockchain and 5G networks this trend is almost certain to continue, if not accelerate. So far, however, the policy response via trade negotiations has been ‘patchy in scope, ambition and impact’: digital trade has yet to be treated in the same way goods or services trade are in existing trade deals.<sup>28</sup>

**‘The UK’s participation in the CPTPP will help promote UK interests as a global leader in digital trade. From a strategic point of view, the CPTPP also includes some of the world’s most digital-savvy nations’**

The CPTPP is a gold-standard agreement which aims to correct this with key breakthrough provisions that encourage unrestricted cross-border data flow for business transactions, and prohibit disclosure of source code and data localisation requirements – although some specific and limited exceptions apply including for public policy measures.<sup>29</sup> The CPTPP further recognises the different legal approaches taken by each jurisdiction and encourages the development of mechanisms that promote compatibility.<sup>30</sup>

The UK’s participation in the CPTPP will help promote UK interests as a global leader in digital trade. From a strategic point of view, the CPTPP also includes some of the world’s most digital-savvy nations. The agreement should therefore be seen as joining a club of like-minded and ambitious nations in the digital space, with the deal offering the potential to go further rather than an end in itself. This is one reason why UK firms have strongly welcomed the decision to begin the accession process.

### **1.2.1 – Data flows**

Maximizing the value of data means allowing it to move. However, many countries and trading blocs, such as the European Union, have enacted rules that put a chokehold on the free flow of information, which stifles competition to the detriment of businesses and entrepreneurs.

In contrast – in what was, at the time, a first for a trade agreement – the CPTPP guarantees the free flow of data across borders for service suppliers and investors as part of their business activity. The CPTPP’s e-commerce chapter takes an ambitious approach to international data transfer by combating discriminatory and protectionist barriers with specific provisions designed to protect the movement of data.<sup>31</sup>

Companies rely on digital solutions to sell and deliver their products. Data transfers between seller and buyer are necessary to initiate and complete a transaction as well as maintaining a continuous relationship. CPTPP will provide a platform for applying unified sets of rules so that UK businesses could more easily link up to economies in

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27 McKinsey Global Institute, *Digital globalization: The new era of global flows*. [Link](#).

28 Trade Experiences, *Untangling the Digital Noodle Bowl: The Case for DEPA*. [Link](#).

29 UK Trade Policy Observatory, *It’s time to talk digital trade*. [Link](#).

30 Professor David Collins, *UK International Trade Committee – Written Evidence on Digital Trade*. [Link](#).

31 Article 14.11.2 signatories agree that each party ‘shall allow the cross border transfer of information by electronic means, including personal information, when this activity is for the conduct of the business of a covered person’. CPTPP, *Article 14.11: Cross-Border Transfer of Information by Electronic Means*. [Link](#).





the Asia-Pacific region and vice versa. Consider a hotel which relies on an international online reservation system; a telecoms firm selling data management services to businesses across CPTPP markets; or the need for a simple electronic signature to complete a contract.<sup>32</sup> These examples show that it won't only be the tech start-ups which will benefit from more frictionless flow of data across borders, but numerous businesses of all sizes.

**‘The CPTPP’s e-commerce chapter takes an ambitious approach to international data transfer by combating discriminatory and protectionist barriers with specific provisions designed to protect the movement of data’**

In addition to the material discussed above, CPTPP should be praised for prohibiting the imposition of customs duties on digital products. This helps to ensure that products distributed electronically, such as music, video, e-books, games and software, are not disadvantaged relative to their physical counterparts. The CPTPP’s e-commerce chapter includes useful provisions encouraging signatories to promote paperless trading between businesses and government, such as customs forms in electronic format, as well as providing for electronic authentication and signatures for commercial transactions.

### **1.2.2 – Data privacy**

Another major economic benefit from joining the CPTPP, especially over the long term, is that it will offer the opportunity to move away from the EU’s strict focus on data privacy above all else, as exemplified by GDPR. As some warned before its introduction, GDPR has raised compliance costs and led to a significant squeeze on smaller tech firms. With the established Silicon Valley giants like Facebook and Google having the economies of scale to absorb any extra costs, the market has become more concentrated and less competitive.<sup>33</sup> The UK could use the CPTPP as a means of freeing itself from this overly bureaucratic approach to digital trade.

Moving away from this policy environment to a more liberal one where compliance costs are lower should benefit small and new entrants and dilute the market power of the tech behemoths, which will increase competition and choice for consumers. The UK has already done this to a certain extent by agreeing to the terms of the UK-Japan trade agreement, but CPTPP goes further than this in regards to the handling of private data.<sup>34</sup>

This is not to say the CPTPP does not include robust rules on data privacy – it does. The agreement builds on recognised principles for internet governance designed to empower consumers.<sup>35</sup> For example, it requires member states to recognize the importance of consumers being able to make their own choices, to connect their own devices to the network and to access information on the practices of their internet service providers. This is very much in line with developments at the national level throughout the world, including the UK, and is designed to encourage consumer choice and competition.

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<sup>32</sup> Australian Government, *CPTPP outcomes: Trade in the digital age*. [Link](#).

<sup>33</sup> Mark Scott, Lauren Cerulus and Steven Overly, *How Silicon Valley gamed Europe’s privacy rules*. [Link](#).

<sup>34</sup> Australian Government, *CPTPP outcomes: Trade in the digital age*. [Link](#).

<sup>35</sup> CPTPP, *Article 14.10: Principles on Access to and Use of the Internet for Electronic Commerce*. [Link](#).



### 1.2.3 – Localisation

Despite the many benefits of open data flows, a growing number of governments around the world have enacted policies compelling various forms of data localisation. This erects a barrier to free-flowing data and trade. In fact, one study found that such localisation policies caused prices for some cloud services in the European Union to increase by up to 54% and reduced overall GDP by around 0.5%.<sup>36</sup> Other studies have suggested varied impacts in individual countries, ranging from reducing GDP by 0.27% in Croatia to 0.61% in Luxembourg.<sup>37</sup>

‘While data centres often contain expensive hardware, they employ relatively few full-time staff. For example, in 2011, a \$1 billion data centre built by Apple in North Carolina created only 50 full-time jobs’

Localisation requirements are often driven by a misguided belief that data is more private and secure when it is stored within a bloc’s borders. However, in most cases, data-localisation mandates do not increase commercial privacy nor data security. Such rules are sometimes introduced in an attempt to force companies to relocate data-related jobs, but the truth is in many instances that the economic benefit is outweighed by increased costs.<sup>38</sup> While data centres often contain expensive hardware, they employ relatively few full-time staff. For example, in 2011, a \$1 billion data centre built by Apple in North Carolina created only 50 full-time jobs.<sup>39</sup>

The UK is currently shackled to these same localisation policies due to GDPR, but the CPTPP could offer a better path. The agreement contains broad prohibitions on data localisation, with just three exceptions (government data, financial services and a general four-step-test exception).<sup>40,41</sup> These represent the strongest constraints on data localisation of any FTA to date.<sup>42</sup> This would enable small businesses and start-ups to scale up more quickly to compete in global markets by employing offshore cloud services rather than having to create expensive physical data centres, or simply not trade at all due to data constraints.

### 1.2.4 – Non-discrimination

Fundamental non-discrimination principles are at the core of the global trading system for goods and services, and CPTPP ensures that this principle applies to digital products as well. The CPTPP prohibits member states from favouring domestic products and their creators and owners or from discriminating between products or producers from home versus abroad.<sup>43</sup> These non-discrimination provisions include

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36 Information Technology and Innovation Foundation, *Cross-Border Data Flows: Where Are the Barriers, and What Do They Cost?* [Link](#).

37 Matthias Bauer, Martina Ferracane, Hosuk Lee-Makiyama and Erik van der Marel, *Unleashing Internal Data Flows in the EU: An Economic Assessment of Data Localisation Measures in the EU Member States*. [Link](#).

38 Information Technology and Innovation Foundation, *Cross-Border Data Flows: Where Are the Barriers, and What Do They Cost?*

39 Ibid.

40 Article 14.13 states: ‘No Party shall require a covered person to use or locate computing facilities in that Party’s territory as a condition for conducting business in that territory.’ CPTPP, *Article 14.13: Location of Computing Facilities*. [Link](#).

41 David Collins and Yoshinori Abe, *The CPTPP and Digital Trade: Embracing E-Commerce Opportunities for SMEs in Canada and Japan*. [Link](#).

42 World Economic Forum, *Data Localization and Barriers to Cross-Border Data Flows Towards a Multitrack Approach*. [Link](#).

43 CPTPP, *Article 14.4: Non-Discriminatory Treatment of Digital Products*. [Link](#).



prohibiting digital customs duties from being levied to prevent discrimination against cross-border digital delivery.<sup>44</sup>

The obligation applies to all traded goods as well as traded services and service suppliers – once the product, service, or service supplier has entered the market. This ensures healthy competition between member states and no unfair treatment of businesses.

### 1.2.5 – Source code

The CPTPP's e-commerce chapter explicitly prohibits firms from being forced by foreign governments to give up their source code when seeking to import or distribute software in a CPTPP country.<sup>45</sup> It also prevents signatory countries from asking software companies for access to their source code. As a member of the CPTPP, software developers in Britain will enjoy fair and equal treatment across the bloc, providing new opportunities for UK exporters of these products. These commitments protect the intellectual property and promote the confidence of software developers, including tech start-ups for whom proprietary source code can be the foundation of their business. They also help to protect consumer privacy and data security, all of which will help to increase cross-border digital trade.

‘The CPTPP’s e-commerce chapter explicitly prohibits firms from being forced by foreign governments to give up their source code when seeking to import or distribute software in a CPTPP country’

### 1.2.6 – Future developments

The provisions of CPTPP were always envisaged as a floor, not a ceiling. This is why, given the rapid evolution of the e-commerce and telecommunications sectors, CPTPP countries agreed on the need for continued cooperation on e-commerce regulations and policies. As a member of the CPTPP, the UK would play an important role in these conversations and be able to help shape the future of global data liberalisation going forward.

In addition, to keep up with the speed of technological change, the base CPTPP agreement is increasingly being bolstered by series of flanking agreements in this area. One such example is the new Digital Economy Partnership Agreement (DEPA) which was signed in June 2020 by three members of the CPTPP: New Zealand, Singapore, and Chile. The agreement builds on and refines the CPTPP text and sets out new areas for future co-operation, including artificial intelligence and fintech.<sup>46</sup> DEPA has been explicitly designed to allow other countries to join and it would be in the UK's interest to apply.<sup>47</sup> So rather than see CPTPP membership as an end in itself, we should use accession as a platform on which to continue to develop liberalisation in digital trade.

Going forward, it is vital the UK sets out its position on digital trade. Acceding to the CPTPP will demonstrate that the UK is embracing an approach that supports the

44 Robert Holleyman, *Data Governance and Trade: The Asia-Pacific Leads the Way*. [Link](#).

45 CPTPP, *Article 14.7: Source Code*. [Link](#).

46 Government of Chile, *What is the Digital Economy Partnership Agreement*. [Link](#).

47 CPTPP, *Article 16.4: Cooperation*. [Link](#).



free flow of data, rather than one which is circumscribed by the European fixation on privacy. CPTPP membership will send a strong signal that the UK favours a liberal trade regime that opens up new opportunities for British businesses in some of the world's rapidly growing markets and further entrenches the UK's position as a global hub for data. Accession to the CPTPP has the potential to offer British businesses an advantage over firms from non-CPTPP countries, while the collective weight of all the member countries acting together would give the UK more leverage in influencing global digital standards and could also encourage other countries to adopt similar rules – setting an important precedent for future trade negotiations around the world.

### 1.3 Investment benefits

The investment chapter of the CPTPP lowers barriers to overseas investment in member countries, helping to create a more level playing field between foreign and domestic investors.<sup>48</sup> Crucial to this are the investment protections in the agreement, including the Investor-State Dispute Settlement mechanism which gives investors an affordable and transparent independent means of legal redress should they fail to receive the treatment they are guaranteed when accessing and operating in CPTPP markets. These safeguards are important to investors.<sup>49</sup>

**‘Australia has committed to raising its screening threshold from \$261 million to over \$1 billion, while New Zealand has raised its threshold from \$100 million to \$200 million’**

Among the other measures included, several countries which currently have screening thresholds – above which investments are reviewed to make sure they are in line with the economic interests of the country – have agreed to raise them for other CPTPP members. For example, Australia has committed to raising its screening threshold from \$261 million to over \$1 billion,<sup>50</sup> while New Zealand has raised its threshold from \$100 million to \$200 million.<sup>51</sup>

Such measures will provide investors both in the UK and in other member countries with enhanced access to CPTPP markets, giving them the certainty and confidence to find new opportunities in these markets or increase existing investments. This is a win-win for Britain, whose investors gain by getting new investment opportunities, while the rest of the country benefits from the UK becoming a more attractive investment destination, increasing Foreign Direct Investment (FDI) into the country. This means more capital funding available for major projects or start-ups in the UK, driving growth and productivity and helping to create new jobs and higher wages across the country.

This builds on an already strong symbiotic investment relationship: CPTPP member countries are both an important source of FDI into the UK and a destination for UK investment. Of the stock of FDI in the UK between 2015 and 2019, 9% originated from CPTPP members. This was worth on average £115 billion and grew by about 11%

48 CPTPP, *Chapter 9: Investment*. [Link](#).

49 Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).

50 Australian Government, *CPTPP outcomes: Investment*. [Link](#).

51 New Zealand Foreign Affairs and Trade, *Understanding CPTPP: Investment and ISDS*. [Link](#).



per year over that period. Of the stock of UK investment abroad in 2019, 7% or £107 billion was in CPTPP countries, and this had been growing by around 7% per year.<sup>52</sup> A concrete example of FDI into the UK from CPTPP countries is the long-term investment that Nissan has made in its car assembly plant in Sunderland, helping to create and support tens of thousands of jobs. With CPTPP membership, such ambitious investments can only become more likely.

## 1.4 Visas and stronger connections

The CPTPP includes a dedicated chapter dealing with business travel. This simplifies and clarifies the visa application process, ensuring that it is rapid, affordable and transparent.<sup>53</sup> Many of the commitments member countries have made in this area go beyond those that already apply under existing bilateral trade agreements. One such measure is giving greater certainty to short-term business travellers about how long they can stay in CPTPP countries, with the length of stay varying between three, six, and 12 months depending on the country (although many members allow extensions on the limit). The agreement also liberalises rules about the length of time investors and longer-term intra-corporate transferees can stay in a member country, as well as removing quotas and other restrictions on business people and investors.<sup>54</sup>

**International Passenger Survey data on business visits to the UK shows that in 2019, 348,000 business trips were made to the UK from CPTPP countries**

This is important, since the ability of business people to cross borders is crucial to modern value chains. Just as with trade in goods or services, any friction in terms of costly or uncertain processes or quotas limiting numbers reduces the amount of business travel which occurs. That CPTPP removes or reduces existing frictions on cross border business travel between member countries should therefore make it easier to form business relationships, identify opportunities in local markets for export or investment, and shift staff of multinational firms from one country to another. This will benefit firms and workers in both Britain and other member states – although it is difficult, if not impossible, to put an accurate number on how much exactly business travel might rise within the CPTPP, and the boost to GDP or trade which would result.

Alongside increasing business and investment opportunities, making business travel easier will have an immediate economic benefit in terms of the amount of money that gets spent on business trips. International Passenger Survey data on business visits to the UK shows that in 2019, 348,000 business trips were made to the UK from CPTPP countries.<sup>55</sup> These represented about 4% of the 8.7 million total business trips to the UK from all countries. These CPTPP trips resulted in expenditure of £537 million, equivalent to 9% of the £5.8 billion total. While the main purpose of these trips is to facilitate trade and connection between firms and countries and sell goods and services, in themselves they generate significant economic value for the UK.

<sup>52</sup> DIT, *UK Accession to CPTPP: The UK's Strategic Approach*

<sup>53</sup> Ibid.

<sup>54</sup> Australian Government, *CPTPP outcomes: Temporary entry of business persons*. [Link](#).

<sup>55</sup> These figures are only for eight of the 11 CPTPP member countries, since the data is only broken down for certain countries. Nevertheless the countries covered include all the major economies such as Japan, Australia, Canada etc, so any underestimate is likely to be small.

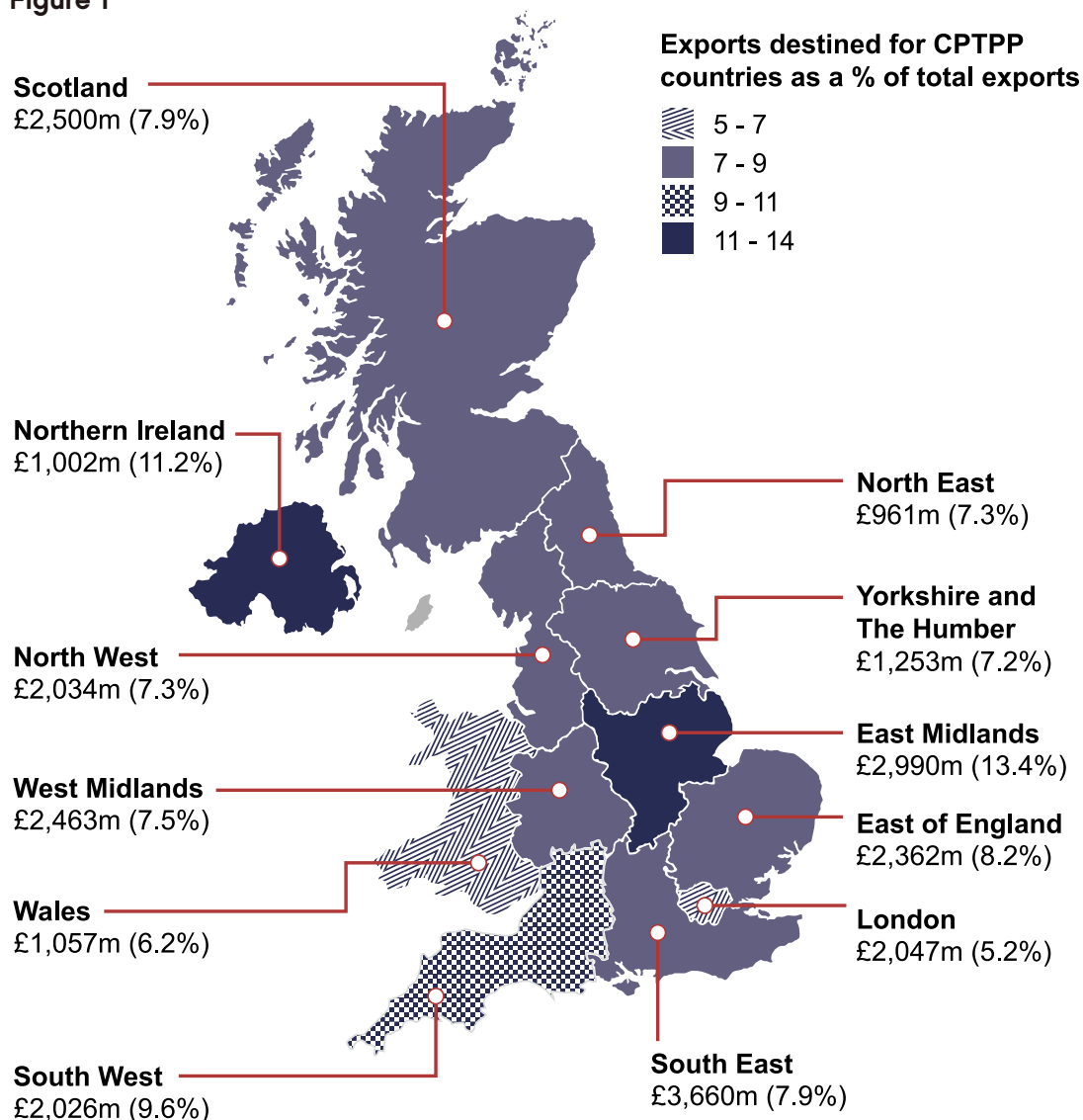


Business trips from CPTPP countries are particularly valuable, since on average expenditure for such a trip was £1,544 in 2019 compared to the total average of £672.<sup>56</sup> Making it easier for such trips to occur and thus increasing their frequency could generate significant returns for the UK.<sup>57</sup> (While similar statistics are unavailable for UK business trips to CPTPP countries, the same benefits undoubtedly apply in reverse.)

## 1.5 Strengthening the Union and levelling up

Joining the CPTPP represents an opportunity to boost growth and opportunity right across the country. As Figure 1 below shows, UK exports to CPTPP countries are spread quite evenly around the country, with only the North East (at £961 million) under the £1 billion mark. On a relative basis, London (at 5.2%) has the lowest share of its exports going to CPTPP countries, compared with the East Midlands where 13.4% of exports are destined for member countries, the highest share for any part of the UK.

Figure 1



Source: HMRC Regional Trade Statistics Q4 2020

<sup>56</sup> It is true that on average a business trip from a CPTPP country lasts longer (perhaps inevitably given the distance) – 7.24 nights compared to 4.18. But average expenditure per night is still over 30% higher for business trips from CPTPP countries at £213.3 versus £160.8.

<sup>57</sup> Visit Britain, *Business visits & events*. [Link](#).





Of course, there are plenty of opportunities for London to benefit alongside the rest of the country from the CPTPP, in particular via the liberalisation of services and especially financial services. But the point is that as it currently stands, exports to the CPTPP are more important to the rest of the country than to London.

Indeed, the two parts of the UK where discontent, especially over Brexit, is at its highest, Scotland and Northern Ireland, are among the regions that export most to CPTPP members – at 11.2%, Northern Ireland is only beaten by the East Midlands for share of exports going to the CPTPP, and only the South East and the East Midlands export more in absolute terms to the CPTPP than Scotland. Both of these nations therefore stand to be big beneficiaries from reductions in trade barriers and closer economic ties with the CPTPP.<sup>58</sup>

Furthermore, those areas which are most often associated with the levelling up agenda – the North and the Midlands – will also be big beneficiaries from increasing trade with CPTPP members.

Joining the CPTPP will take away a plethora of barriers which currently impede trade, and should lead to a boost to UK exports to member countries as well as new opportunities to invest. Those areas of the UK which already export the most have established business relationships in the region and the most experience of the markets – plus their products clearly already have a footprint in the market, meaning a reduction in barriers would increase their ability to capitalise on new opportunities or increase market share.

**‘Joining the CPTPP will take away a plethora of barriers which currently impede trade, and should lead to a boost to UK exports to member countries as well as new opportunities to invest’**

CPTPP won't just result in a general increase in trade that boosts these areas. There are specific industries which will be big gainers from the UK joining the agreement. For example, Scotch whisky will gain from tariff reductions at a faster pace than under the UK's existing trade agreements. Faster reduction in tariffs and more liberal rule of origin conditions may also be particularly useful for Japanese car firms such as Nissan, who are big employers in less affluent parts of the country such as the North East.

The UK's accession to CPTPP could therefore help to secure long-term investment in many of those areas near the top of the levelling up agenda.<sup>59</sup> The effect on these areas will be to increase trade and investment, and this should lead to more jobs and higher wages. Of course, this won't be enough on its own to keep Scotland from leaving the Union or to level up those areas which are perceived as being left behind, but it highlights the benefits of CPTPP membership across the whole of the UK and the opportunities it offers to create and expand new industries. (Moreover, the accession of an independent Scotland to CPTPP would be no foregone conclusion, as it would have to renegotiate entry to the agreement in the event of separation.)

58 Combining Scotland, Northern Ireland, and Wales together, the boost to GVA from UK accession to CPTPP is estimated to be £261m, according to government modelling. Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).

59 At 1.6%, employment in Japanese firms as a share of local business employment is twice as high in the North East as in London, where the rate is 0.8%. Department for International Trade, *Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership*. [Link](#).



## 2. The Geopolitical Benefits

Aside from the economic benefits of the UK's accession to CPTPP, there are strong geopolitical benefits too, particularly in terms of increasing trade resilience and supporting high international standards.

In terms of trade resilience, events since the start of the pandemic have highlighted the risks of depending too heavily on one country to fulfil a nation's trade needs – witness the frenzied competition for PPE equipment in the early stages of the pandemic, or more recently the global rush for gas as the economy rebounded. There is a widespread acceptance that supply chains have become too concentrated, particularly with regard to China.

**‘In an age of renewed competition, where resources are increasingly sought-after, the need for resilience and diversification will only become more pronounced’**

While decoupling our trade from China is neither possible nor desirable, countries across the globe are considering ways in which they can improve their trade resilience. CPTPP can help achieve this for both the UK and other Western nations by helping to diversify both supply chains and export markets. In an age of renewed competition, where resources are increasingly sought-after, the need for resilience and diversification will only become more pronounced.

In terms of standards, it is a sad fact that the rules-based approach to international trade is under increasing strain, with some countries ignoring their obligations as a member of the World Trade Organisation and seeking to embed a low-standards approach to trade deals. Given that the UK is one of the most prominent defenders of high standards in a whole host of areas, from the environment to workers' rights, CPTPP membership will make it easier for us to embed these high standards in global trade talks and agreements.

### 2.1 – Boosting resilience

#### 2.1.1 - Diversifying supply chains

Following the outbreak of the pandemic, and in light of the increasingly poor relations between China and various Western nations, a number of countries have launched reviews of their supply chains. These include the United States, with President Biden launching a 100-day review of America's supply chains which concluded in early 2021, as well as Australia, Japan and India, who launched a joint Supply Chain Resilience Initiative in April 2021.<sup>60</sup>

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<sup>60</sup> The White House, *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth*. [Link](#); Australian Government, *Joint Statement on the Supply Chain Resilience Initiative by Australian, Indian and Japanese Trade Ministers*. [Link](#).





Here in the UK, the Government set out in the Integrated Review its ambition to ‘diversify the UK’s supply in critical goods, such as medical equipment and rare earth elements’, by lowering barriers to trade and supporting new multilateral approaches to assess global supply chain vulnerabilities.<sup>61</sup>

Critical minerals, in particular, are an increasingly important sector for the UK’s geostrategic goals. These minerals are used to support our transition to Net Zero. For example, lithium and cobalt power our electric cars and rare earth elements are used to produce the magnets that make our wind turbines function. The International Energy Agency forecasts that global mineral demand for clean energy technologies is likely to rise at least fourfold by 2040, with the largest increase in demand expected to be for lithium.<sup>62</sup>

**Figure 2 – Critical minerals and clean energy technology<sup>63</sup>**

	Copper	Cobalt	Nickel	Lithium	REEs	Chromium	Zinc	PGMs	Aluminium
Solar PV	●	○	○	○	○	○	○	○	●
Wind	●	○	●	○	●	●	●	○	●
Hydro	○	○	○	○	○	○	○	○	○
CSP	○	○	○	○	○	●	○	○	●
Bioenergy	●	○	○	○	○	○	○	○	○
Geothermal	○	○	●	○	○	●	○	○	○
Nuclear	○	○	○	○	○	○	○	○	○
Electricity networks	●	○	○	○	○	○	○	○	●
EVs and battery storage	●	●	●	●	●	○	○	○	●
Hydrogen	○	○	●	○	○	○	○	●	○

Notes: Shading indicates the relative importance of minerals for a particular clean energy technology (● = high; ○ = moderate; ○ = low), which are discussed in their respective sections in this chapter. CSP = concentrating solar power; PGM = platinum group metals.

Beijing is directly involved in the extraction of rare earth elements, deposits of which are plentiful in the country – China accounted for almost three-fifths of global extraction of rare earth elements in 2020. The country’s firms are also heavily involved in mining operations internationally such as China Molybdenum which owns the Tenke mine in the Democratic Republic of Congo, the second-largest cobalt mine in the world.<sup>64</sup> Moreover, China dominates the refining process of many of these minerals, refining more than twice as much lithium and eight times as much cobalt as any other country.<sup>65</sup> Data from Benchmark Mineral Intelligence also suggests that China is building a battery gigafactory every week, compared to the United States building one every four months.<sup>66</sup>

As a result, China dominates global supply chains of critical minerals, leaving the UK and the West’s transition to Net Zero highly dependent on Beijing. In 2009, China imposed export quotas on rare earth elements, only removing them in 2015 after a ruling from the WTO that the restrictions were not justified.<sup>67</sup> In February 2021, Beijing

61 Cabinet Office, *Global Britain in a Competitive Age*, [Link](#).

62 International Energy Agency, *The Role of Critical Minerals in Clean Energy Transitions*, [Link](#).

63 Ibid.

64 Jevans Nyabiage, *China’s cobalt mines in spotlight as DRC seeks to renegotiate deals*, [Link](#).

65 Michal Meidan, *China’s Emergence as a powerful player in the old and new geopolitics of energy*, [Link](#).

66 Simon Moores, *The Global Battery Arms Race*, [Link](#).

67 BBC, *China scraps quotas on rare earths after WTO complaint*, [Link](#).



announced that it was exploring the merits of fresh export restrictions for rare earth elements, to levy against the United States in any new trade war and to punish individual companies, such as Lockheed Martin Corp who sold arms to Taiwan.<sup>68</sup>

The Government has recognised the importance of critical minerals and the need to ensure that UK firms have access to them. It has announced that it will publish a Critical Minerals strategy in 2022 setting out how it intends to secure reliable supply including by championing free and open trade via FTAs.<sup>69</sup> CPTPP can play an important role in this strategy and the UK joining will help to diversify our critical mineral supply chains and reduce dependence on China in two ways. First, CPTPP can help unlock greater critical mineral extraction in its signatory countries. Many of the CPTPP countries have vast untapped reserves of critical minerals – for example, despite Vietnam sitting on 18% of the world’s rare earth elements reserves, the country accounted for just 0.4% of extraction in 2020. Experts have argued that Vietnam’s largely undeveloped mining sector is a result of its restrictive regulations on foreign investment and that reforms to these regulations, required by CPTPP, will bring the investment into the sector necessary for its expansion.<sup>70</sup> The Australian government has also expressed hopes that Vietnam’s commitment to open up its mining investment regime will provide new investment opportunities.<sup>71</sup>

**Figure 3 – CPTPP extraction and reserves of key minerals**

Mineral	Extraction, 2020 (share of world, %)		Reserves (share of world, %)	
	CPTPP	China	CPTPP	China
Copper	47%	9%	45%	3%
Cobalt	6%	2%	23%	1%
Nickel	13%	5%	24%	3%
Lithium	71%	17%	67%	7%
REEs	8%	58%	22%	37%
Zinc	24%	35%	36%	18%

Second, the Agreement’s rules of origin provisions can incentivise CPTPP-centred supply chains for producing goods to support clean energy technology outside of China. As discussed in the previous section, CPTPP’s rules of origin provisions allow value to accumulate across the signatory countries, incentivising the flow of manufactured goods across the trade bloc, including in sectors with geostrategic importance, such as clean energy technology.

For example, if the UK imports a lithium battery from Japan to use in a car we manufacture, the value of that battery would, at present, only count as ‘originating’ for exports if we sold the car to Japan, but not to countries like Canada or Singapore. By acceding to the agreement, the value of such batteries will count for UK cars exported to any of the CPTPP countries. The agreement thereby incentivises each country’s manufacturers to source constituent parts of their goods from other CPTPP nations, potentially helping to shift supply chains, including mineral refinery and battery production, away from China.

68 Bloomberg, *China may ban rare earth tech exports on security concerns*. [Link](#).

69 HM Government, *Net Zero Strategy: Build Back Greener*. [Link](#).

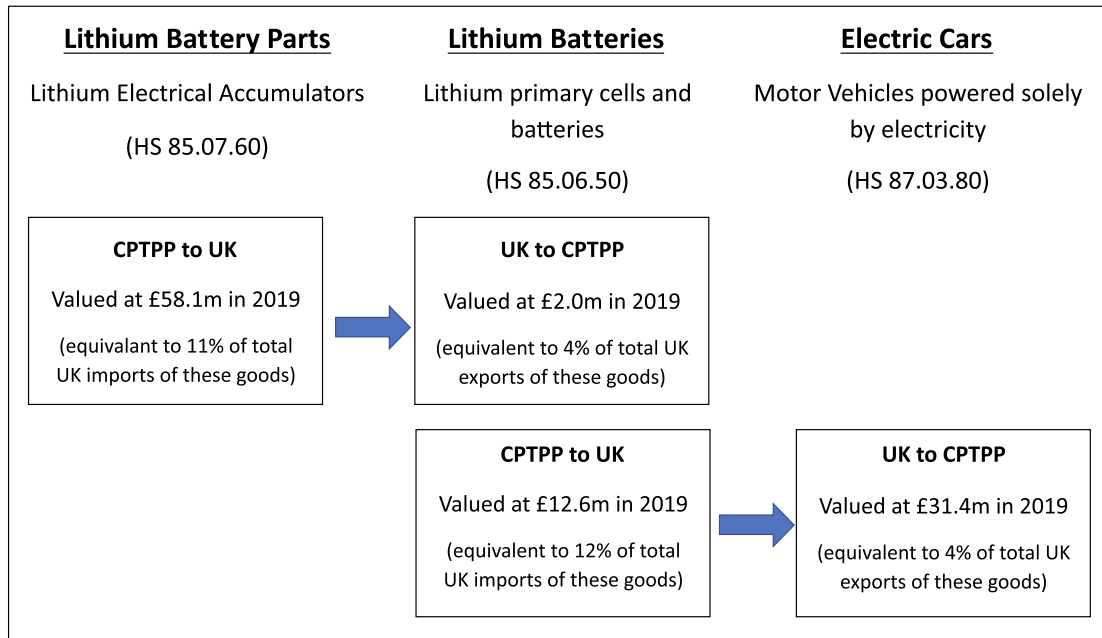
70 Oliver Massman, *Vietnam – Mining action plan*. [Link](#).

71 Australian Government, *CPTPP outcomes: Resources and energy*. [Link](#).



This should benefit the UK in particular, given that we import a good deal of electric car components, such as lithium batteries and their parts, from CPTPP countries but export relatively small amounts of electric vehicles to the bloc. Therefore, as the Society of Motor Manufacturers and Traders has argued, the Agreement’s rules of origin provisions ‘should help UK manufacturers of finished vehicles incorporating batteries originating from CPTPP countries’.<sup>72</sup>

**Figure 4 – Trade with CPTPP in electric vehicles and components, 2019<sup>73</sup>**



### 2.1.2 – Diversifying exports

While the UK and much of the West have become dependent on Chinese imports, some of our closest allies also wrestle with the opposite problem: China accounting for a large proportion of their exports, leaving them economically exposed to any changes in their access to that market.

Countries which face this challenge, such as Australia and New Zealand, are at risk of being disproportionately impacted if Beijing were to restrict their access for geopolitical purposes. For example, after Australia called for an investigation into the origins of Covid, they were slapped with tariffs and sanctions. While the full impacts are hard to quantify, analysis suggests that AUD\$48 billion of exports have been disrupted.<sup>74</sup> This may help explain why New Zealand’s criticism of China’s human rights record has been relatively muted.

<sup>72</sup> Society of Motor Manufacturers and Traders, *Written Evidence to the House of Lords International Agreements Committee*. [Link](#).

<sup>73</sup> UK Trade Info, *Overseas trade data table - Overseas trade by commodity code*. [Link](#).

<sup>74</sup> Daniel Hurst, *How much is China’s trade war really costing Australia?* [Link](#).



**Figure 5 – Proportion of trade with China<sup>75</sup>**

Five Eyes Country	Percentage of Total Exports, 2019	Percentage of Total Imports, 2019
Australia	38.7%	25.7%
New Zealand	27.9%	20.2%
United States	6.5%	18.4%
United Kingdom	6.4%	9.5%
Canada	3.9%	12.5%

Two of the sectors where New Zealand is most reliant on China as an export market are dairy and meat, which between them account for over two-fifths of the country's exports to the country. Leaving aside geopolitical issues, this export concentration is also a cause for economic concern. In 2019, Beijing stated that it would seek to reduce food imports in order to keep inflation lower, while in 2020 the country announced that it would seek to ensure 70% of dairy consumption was met by local output.<sup>76</sup>

**Figure 6 – New Zealand's top exports to China<sup>77</sup>**

Export	Value (NZD billion)	Share of exports to China
Dairy	\$5.33	26.5%
Meat and edible offal	\$3.37	16.8%
Wood	\$2.93	14.6%

As the New Zealand-China Council has argued, new trade agreements can 'provide Kiwi businesses with a wider range of large, hopefully fast-growing markets to potentially trade with'.<sup>78</sup> A bilateral FTA with the UK and our accession to CPTPP can help open up our country to exports from New Zealand's dairy and meat sectors, supporting diversification.

That said, clearly a country of 70 million cannot balance out the demand of a country of 1.4 billion. But by championing an expansion of CPTPP, as discussed in part four, the UK can open up greater export opportunities for all member states.

<sup>75</sup> World Integrated Trade Solution, Trade statistics by Country/Region. [Link](#).

<sup>76</sup> Orange Wang, China food security: how's it going and why's it important? [Link](#); Chinese Communist Party, Development of Animal Husbandry. [Link](#).

<sup>77</sup> Stats NZ, New Zealand International Trade – Trade Dashboard. [Link](#).

<sup>78</sup> New Zealand China Council, How many eggs in how many baskets? An update on NZ-China Trade Patterns. [Link](#).



## 2.2 – Setting the ‘rules of the road’

### 2.2.1 – The value of international standards

The other main geopolitical benefit of acceding to CPTPP is that it will help us to set and uphold high international standards.

High standards are a crucial ingredient for any successful trade deal. They ensure that when a country opens its markets, companies exporting into those markets meet a minimum threshold in a range of vital areas, such as how well they protect the environment or how they treat their employees. This creates a level playing field between domestic and international businesses, ensuring that high standards at home do not result in production being offshored.

**‘A separate study found that international standards contributed an additional £6.1 billion per year in UK exports’**

High standards can also bring economic benefits, with the OECD concluding that they can drive up international trade by providing a signal of quality, creating a ‘common language’ for potential trading partners, and reducing transaction costs.<sup>79</sup> A separate study found that international standards contributed an additional £6.1 billion per year in UK exports.<sup>80</sup>

Although the World Trade Organisation (WTO) was designed to set broad global trade standards, the body has struggled to achieve this goal, due to longstanding disagreements between its member countries. The result has been a more fragmented approach to standards setting, with talks shifting from comprehensive negotiations between all the member states of the WTO to plurilateral negotiations between interested countries on specific issues. One example are the ongoing talks taking place via the WTO between more than 70 countries on rules and standards for electronic commerce.<sup>81</sup> Such plurilateral agreements help set standards between some of the largest economies in the world.

### 2.2.2 – CPTPP and high standards

Outside of the WTO, international standards are increasingly being set through bilateral and plurilateral FTAs, such as CPTPP. Speaking back in 2013, when the US was still leading the negotiations, then Vice President Joe Biden said, ‘our goal is for high standards for the Trans-Pacific Partnership to enter the bloodstream of the global system and improve the rules and norms.’<sup>82</sup>

As the Peterson Institute for International Economics has noted, TPP was designed to ‘fill important holes in the WTO rulebook’ and ‘help to inform ongoing plurilateral talks’ at the WTO.<sup>83</sup> With the United States participating in the agreement, TPP would have covered two-fifths of the world economy, helping to build a critical mass for its high standards in areas such as digital trade, and to export them to other countries around the world by feeding into plurilateral negotiations at the WTO.

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<sup>79</sup> OECD, *International Standards and Trade: A review of the empirical literature*. [Link](#).

<sup>80</sup> Centre for Economics and Business Research, *The Economic Contribution of Standards to the UK Economy*. [Link](#).

<sup>81</sup> WTO, Joint Statement on Electronic Commerce. [Link](#).

<sup>82</sup> Doug Palmer, *U.S. aims to reshape world trade rules with regional pacts: Biden*. [Link](#).

<sup>83</sup> Jeffrey Schott, *The TPP: Origins and outcomes*. [Link](#).



Regrettably, the ability of the pact to achieve this objective was dented by President Trump's withdrawal of the United States from TPP in 2017. However, even without the economic heft of the United States, the successor agreement continues to be influential, accounting for 13% of world GDP, while its leaders remain ambitious that the agreement can help set standards. In 2019, then Japanese Prime Minister Shinzo Abe stated that the members of CPTPP 'should actively spread the high-level, free and fair rules incorporated in this agreement to the world', while Australian Prime Minister Scott Morrison has said the agreement 'has the potential to be the best mechanism for a solution to the biggest global trade problems'.<sup>84</sup>

**‘Unlike the EU, which is also a high-standards trade area, membership of CPTPP will not damage the UK’s sovereignty’**

With the agreement only entering into force at the end of 2018, it is too early to fully assess the extent to which CPTPP is fulfilling the ambitions of Biden and Abe to set future trade standards. That said, there are encouraging signs. As the Heinrich Böll Foundation has noted, the agreement 'created a significant pathway' towards the launch of the WTO talks on e-commerce discussed above.<sup>85</sup> Given all of the members bar Vietnam supported the launch of the talks, and have a joint position agreed through CPTPP, the signatory countries have enjoyed considerable influence over the direction of the negotiations. Indeed, the three co-convenor countries leading the talks – Australia, Japan and Singapore – are all members of the agreement.<sup>86</sup>

As a member of CPTPP, the UK could play a similarly enhanced role in helping set international standards. Liz Truss rightly noted when Trade Secretary that by signing up to the agreement's leading provisions on services and digital trade, the UK can 'push the World Trade Organisation to adopt new rules and modernise its rulebook' in these areas.<sup>87</sup> The UK is already ahead of the curve in this area, having included many of the CPTPP's provisions on digital trade in our bilateral trade deal with Japan and started talks for a new Digital Economy Agreement with Singapore.

It is also important to stress that, unlike the EU (which is obviously a high-standards trade area), membership of CPTPP will not damage the UK's sovereignty. Whereas most decisions in the EU are made by Qualified Majority Voting, decisions in the CPTPP are made unanimously. Furthermore, the agreement's high standards are in place solely to level the playing field for international trade, not as a way of pooling states' sovereignty. And there is no powerful commission, parliament or court to push through further regulation or legislation.

### **2.2.3 – The Regional Comprehensive Economic Partnership**

While CPTPP has the potential to cement a high-standards approach to international trade, it is not the only new multilateral FTA in the Indo-Pacific. Signed in November 2020, the Regional Comprehensive Economic Partnership (RCEP) is a new free trade agreement between 15 countries across Asia and the Pacific, including China and a number of CPTPP countries. Together RCEP accounts for more than two billion people

84 Japanese Government, *The Prime Minister in Action*. [Link](#); Australian Government, *UK Policy Exchange Virtual Address Transcript*. [Link](#).

85 Burcu Kilic, *Digital trade rules: Big Tech's end run around domestic regulations*. [Link](#).

86 WTO, *E-commerce negotiations advance, delve deeper into data issues*. [Link](#).

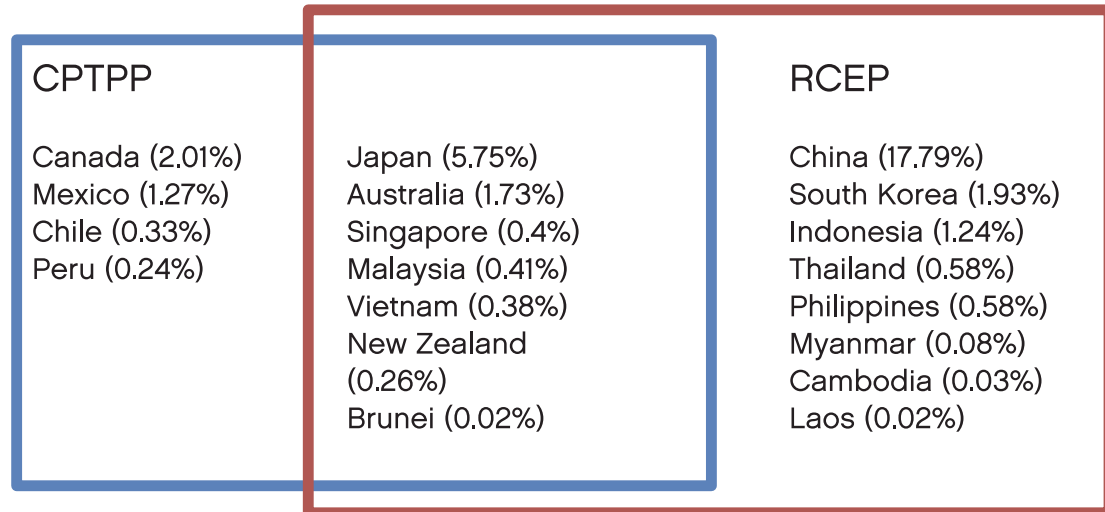
87 Department for International Trade, *Speech: Global Britain and the CPTPP*. [Link](#).



and 30% of the world's economy. As a result, having come into effect at the beginning of 2022, the agreement is now the largest FTA across the globe.<sup>88</sup>

Figure 8 outlines the main differences between the two agreements, but the short version is that RCEP has less ambitious standards than those of CPTPP. Where CPTPP seeks to liberalise digital trade, RCEP allows for data localisation restrictions.<sup>89</sup> Where CPTPP contains chapters on environmental protections, workers' welfare and state-owned enterprises, RCEP does not. While CPTPP has largely been made in the image of the United States, RCEP has been made in the image of China.

**Figure 7 – CPTPP and RCEP membership compared (% of world GDP)<sup>90</sup>**



88 Yen Nee Lee, *World's largest trade deal will come into force in January. The U.S. won't be part of it.* [Link](#).

89 Matthew Goodman, *Governing Data in the Asia-Pacific*, [Link](#); Wendy Cutler and Joshua Meltzer, *Digital trade deal ripe for the Indo-Pacific*. [Link](#).

90 International Monetary Fund, *World Economic Outlook Database, April 2021: Gross domestic product, current prices*. [Link](#).





**Figure 8 – CPTPP and RCEP provisions on digital standards, environment, workers’ welfare, and state-owned enterprises compared**

Area	CPTPP	RCEP
Digital Trade	<p><b>Data Flows.</b> Promoting the free flow of data by allowing a ‘covered person’ (such as service suppliers and investors, with the exception of financial services) to transfer information across borders by electronic means where it is part of their business activity.</p> <p><b>Data Localisation.</b> Not to impose data localisation requirements.</p> <p><b>Exceptions.</b> CPTPP only allows exceptions to these commitments when they do not constitute an ‘arbitrary or unjustifiable discrimination or a disguised restriction on trade’.<sup>91</sup></p> <p><b>Dispute Resolution.</b> Aside from a small number of clause-specific opt-outs for Malaysia and Vietnam, disputes can be brought forward under the Agreement’s general dispute settlement provisions (Chapter 28).<sup>92</sup></p>	<p><b>Data Flows.</b> Broadly similar to CPTPP.</p> <p><b>Data Localisation.</b> Broadly similar to CPTPP – but with wide scope for exceptions (see below), which effectively nullify these provisions.</p> <p><b>Exceptions.</b> As well as copying CPTPP’s ‘arbitrary or unjustifiable discrimination’ language, RCEP has a broad exception for security grounds, stating that any country can take ‘any measure that it considers necessary for the protection of its essential security interests. Such measures shall not be disputed by other Parties.’<sup>93</sup></p> <p><b>Dispute Resolution.</b> Unlike CPTPP, there is no dispute resolution – ‘No Party shall have recourse to dispute settlement under Chapter 19 (Dispute Settlement) for any matter arising under this Chapter.’<sup>94</sup></p>

91 CPTPP, Articles 14.11 and 14.13. [Link](#).

92 CPTPP, Article 14.18. [Link](#).

93 RCEP, Articles 12.14 and 12.15. [Link](#).

94 RCEP, Article 12.17. [Link](#).





Environment	<p><b>Ozone.</b> Requires countries to control trade of substances that significantly deplete the ozone layer.</p> <p><b>Marine Pollution.</b> Requires countries to prevent the pollution of the marine environment from ships.</p> <p><b>Marine Fisheries.</b> Requires countries to: operate management systems designed to prevent overfishing; combat illegal fishing; and protect sharks, turtles and other animals through measures to limit by-catch and prohibitions on finning.</p> <p><b>Conservation.</b> Requires countries to: protect at-risk wildlife in its territory, including protecting the ecological integrity of designated natural protected areas; fulfil their obligations under CITES; and combat illegal trade in non-CITES species, including strengthening cooperation in this area.</p> <p><b>Cooperation.</b> Promotes cooperation on clean and renewable energy sources, deforestation and emissions monitoring.</p> <p><b>Enforcement.</b> Environment measures subject to a robust enforcement mechanism.</p>	Does not contain a single provision on or mention of environmental protections.
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Worker Welfare	<p><b>International Labour Organization.</b> Requires countries to enshrine the rights stated in the ILO Declaration into domestic national law.</p> <p><b>Acceptable conditions of work.</b> Requires countries to have acceptable conditions of work relating to minimum wages, hours of work and occupational health and safety.</p> <p><b>Non-regression.</b> Countries are prohibited from weakening the protections afforded to workers under their labour laws.</p> <p><b>Forced labour.</b> Promotes initiatives to discourage the importation of goods produced by forced labour, including child labour.</p>	Does not contain a single provision on or mention of workers' rights protections.
State-owned enterprises	<p><b>Non-discriminatory treatment.</b> Requires countries to ensure their SOEs act in accordance with commercial considerations when buying or selling goods and Services, such as price and availability.</p> <p><b>Non-commercial assistance.</b> Agreement allows countries to fund and support SOEs, provided any non-commercial support does not cause 'adverse effects' to other country's interests.</p> <p><b>Transparency.</b> Requires countries to provide information on their SOEs, updated annually, and respond promptly to other countries' requests for certain information regarding an SOE.</p>	Does not contain a single provision on or mention of subsidies or state-owned enterprises.



One of the United States' main aims for TPP was to pressure China into abandoning trade-distortive practices and upholding high standards in order to trade on good terms with the rest of the Indo-Pacific region. As President Obama succinctly argued in 2016, 'with TPP, China does not set the rules in that region; we do.'<sup>95</sup> President Trump's decision to withdraw the US from TPP has duly reduced America's economic influence in the Indo-Pacific. With China's economy alone larger than all of the CPTPP members combined, its economic clout means there is a risk that, through RCEP, Beijing will now set the rules of the road in many countries across the Indo-Pacific.

**‘As the Asia Society Policy Institute has argued, there is a danger that RCEP’s low digital standards could spill over into the ongoing e-commerce discussions in the WTO’**

RCEP is also likely to strengthen China's influence over trade rules globally. As the Asia Society Policy Institute has argued, there is a danger that RCEP's low digital standards could spill over into the ongoing e-commerce discussions in the WTO.<sup>96</sup> Similarly, Professor Eswar Prasad of Cornell University has warned that RCEP means 'the US now has even less leverage to pressure China' to align with US standards on labour, the environment and intellectual property rights.<sup>97</sup>

#### **2.2.4 – Using CPTPP to support higher international standards**

With CPTPP and RCEP offering different visions for the future of global trade, the UK should use CPTPP accession as an opportunity to bolster the agreement's high standards approach. If we are to protect our environment and the welfare of workers in developing countries it is vital that international trade is underpinned by high standards.

This can be achieved by ensuring that high-standards free trade agreements cover a sufficient proportion of the world's economy. As President Biden said in response to the signing of RCEP: 'We make up 25% ... of the economy of the world. We need to be aligned with the other democracies, another 25% or more, so that we can set the rules of the road.'<sup>98</sup>

Between CPTPP and the similar United States-Mexico-Canada Trade Agreement (USMCA), 37% of global GDP is covered by high-standards multilateral FTAs. The EU then makes up another 18%, although obviously it is far more than just a free trade area.<sup>99</sup>

With UK accession, the combined CPTPP/USMCA figure would increase to 40%.<sup>100</sup> Indeed, there has been speculation that the UK could also seek to join the USMCA, which could help strengthen the global influence of high standards, further align the two agreements, and smooth America's accession to CPTPP.<sup>101</sup>

By joining CPTPP and being a strong champion for its further expansion, the UK can help high-standards countries get closer to that critical mass needed to influence standards globally. With some of the highest environmental, animal welfare, and workers' rights standards in the world, we can play a pivotal role in this endeavour.

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95 The White House, *State of the Union Address 2016*. [Link](#).

96 Wendy Cutler and Joshua Meltzer, *Digital trade deal ripe for the Indo-Pacific*. [Link](#).

97 Amy Gunia, *Why the US could be the big loser in the huge RCEP trade deal between China and 14 other countries*. [Link](#).

98 Alex Fang, *Biden says US needs to align with democracies after RCEP signing*. [Link](#).

99 International Monetary Fund, *World Economic Outlook Database, April 2021: Gross domestic product, current prices*. [Link](#).

100 Ibid.

101 Steve Swinford, Henry Zeffman, David Charter and Oliver Wright, *Joe Biden is wrong about Northern Ireland, says George Eustice*. [Link](#).



## 3. Dispelling The Myths About CPTPP

During the 2018 public consultation on the UK seeking accession to the CPTPP, various concerns were raised by individuals, businesses, and activist organisations about the potential impact of membership. This section briefly analyses the most common concerns around CPTPP membership, explaining why many of these are either misplaced or are actively mitigated against by provisions within the agreement.

### 3.1 Workers' rights

Critics of the UK joining CPTPP have expressed particular concern that the Agreement could erode workers' rights abroad or undercut British workers with cheap foreign labour. For these reasons, many trade unions have voiced opposition to CPTPP membership.<sup>102</sup>

In fact, CPTPP is part of a new generation of trade agreement which put greater emphasis on protecting worker's rights. All member countries are required to adopt and maintain the rights set out in the 1998 International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. This includes freedom of association and the right to collective bargaining; the elimination of forced labour; the abolition of child labour; and the elimination of employment discrimination. It also requires that all members have laws governing minimum wages, hours of work, and occupational health and safety. All these requirements are fully enforceable and are backed up by the threat of trade sanctions in the event of violation.<sup>103</sup>

**‘All member countries are required to adopt and maintain the rights set out in the 1998 International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work’**

These commitments have already improved workers' rights in developing countries within the CPTPP. For example, in order to join the CPTPP's predecessor, the TPP, Vietnam was obliged to allow workers to establish and join a fully autonomous independent union with the power to bargain collectively and strike. As a result, under Vietnam's 2019 Labour Code there have been legal, regulatory and institutional changes that strengthen the protection of all fundamental labour rights.<sup>104</sup> In the run-up to ratifying CPTPP, Vietnam announced its intention to ratify two of the ILO Fundamental Conventions. As a result, the Right to Organise and Collective Bargaining

<sup>102</sup> Trades Union Congress, *Comprehensive and Progressive Transpacific Partnership: Submission to the Department for International Trade*. [Link](#).

<sup>103</sup> Australian Government, *CPTPP outcomes: Labour*. [Link](#).

<sup>104</sup> Office of the United States Trade Representative, *TPP Chapter Summary: Labor*. [Link](#).



Convention and the Abolition of Forced Labour Convention were ratified in July 2019 and July 2020 respectively.<sup>105</sup>

As can be seen in Figure 9 below, CPTPP member countries have ratified many of the ILO fundamental conventions.

**Figure 9 – Ratifications of ILO Fundamental Conventions by CPTPP members<sup>106</sup>**

Convention	AUS	BRN	CAN	CHL	JPN	MYS	MEX	PER	NZL	SGP	VNM
C029 (Forced Labour)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
C087 (Freedom of association)	✓		✓	✓	✓		✓	✓			
C098 (Right to organise and collective bargaining)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
C100 (Equal Remuneration)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
C105 (Abolition of Forced Labour)	✓		✓	✓			✓	✓	✓	✓	✓
C111 (Discrimination)	✓		✓	✓			✓	✓	✓		✓
C138 (Minimum age)		✓	✓	✓	✓	✓	✓		✓	✓	✓
C182 (Worst forms of child labour)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

CPTPP does not impinge on countries' right to enforce their own labour standards, so there is no reason why UK labour standards, already some of the strongest in the world, would be lowered if we join the Agreement. As for concerns about lower labour standards potentially undercutting British workers, there are two mechanisms available for addressing issues between members. A member may request a labour dialogue with another member on any matter arising under the Labour Chapter. Outcomes may include the development and implementation of action plans or cooperative programmes, including capacity building to encourage or assist members to identify and address labour matters. Any breaches of the commitments in this Chapter are subject to dispute settlement procedures similar to those found in other chapters of the CPTPP, including the potential penalty of trade sanctions.<sup>107</sup>

## 3.2 The environment

Environmental groups have expressed fears that increased trade with countries far away from the UK will increase carbon emissions and threaten the country's Net Zero ambitions, and that acceding to CPTPP will water down our current environmental protections. But neither claim stands up to scrutiny.

Taking the first point, it makes superficial sense that trading more with countries further away will mean more emissions due to longer transportation distances. However, government analysis suggests that CPTPP membership would not lead to a significant increase in emissions or energy use.<sup>108</sup> Under official modelling, emissions would rise

<sup>105</sup> International Labour Organization, *Ratifications for Vietnam*. [Link](#).

<sup>106</sup> Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#).

<sup>107</sup> Government of Canada, *What does the CPTPP mean for labour?* [Link](#).

<sup>108</sup> DIT, *UK Accession to CPTPP: The UK's Strategic Approach*



by a negligible 0.025% by 2035, while emission intensity would decrease. This is due to expected changes to the composition of the economy. For example, accession is expected to reduce the relative importance of emission-intensive sectors, while less emission-intensive sectors are expected to grow faster than national output.<sup>109</sup> It is also the case that emissions during transportation are just one part of the overall picture: famously, an academic study found that lamb produced in New Zealand and exported to the UK actually had a smaller carbon footprint than similar meat produced here.<sup>110</sup>

**‘The UK government has committed in law that our existing standards and protections will remain in place, not least through the European Union (Withdrawal) Act 2018 which retains current environmental protections and standards’**

On the second point, the UK government has committed in law that our existing standards and protections will remain in place, not least through the European Union (Withdrawal) Act 2018 which retains current environmental protections and standards. Furthermore, as highlighted by the Dasgupta Review, the CPTPP includes a particularly large number of environmental provisions compared to other FTAs.<sup>111</sup> As with the Labour Chapter, CPTPP provisions prevent parties waiving, derogating from, or failing to enforce environmental laws with the aim of encouraging trade or investment. This includes recourse to the broader CPTPP dispute settlement mechanism if countries are not able to resolve the matter through consultation and cooperation.<sup>112</sup> All of these provisions help to guarantee that CPTPP members cannot gain a competitive advantage in trade by failing to enforce or lowering their environmental regulations.

### 3.3 The impact on agriculture

The National Farmers Union (NFU) has expressed concerns that a reduction in tariffs could lead to a surge in cheap imports which do not adhere to our high standards and would damage our domestic producers.

First, it is unlikely that UK markets will see a large rise in agri-food products being imported from CPTPP members. The simple matter of distance means that transportation costs will be higher exporting to the UK than many other CPTPP countries. CPTPP beef producers in particular have their eyes firmly set on the Asia-Pacific market, with demand in the region for meat increasing alongside rapid growth in the middle class. This increase in demand has pushed up meat prices in the region, with beef prices far higher in many Asian countries than in the UK. At \$21 per kilo, Japanese consumers pay nearly twice as much as those in the UK for the same cut of beef. Therefore, CPTPP producers will have very little interest in turning their backs on such a lucrative market and pivoting supply to the UK market where prices and thus profits will be lower.

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109 Ibid.

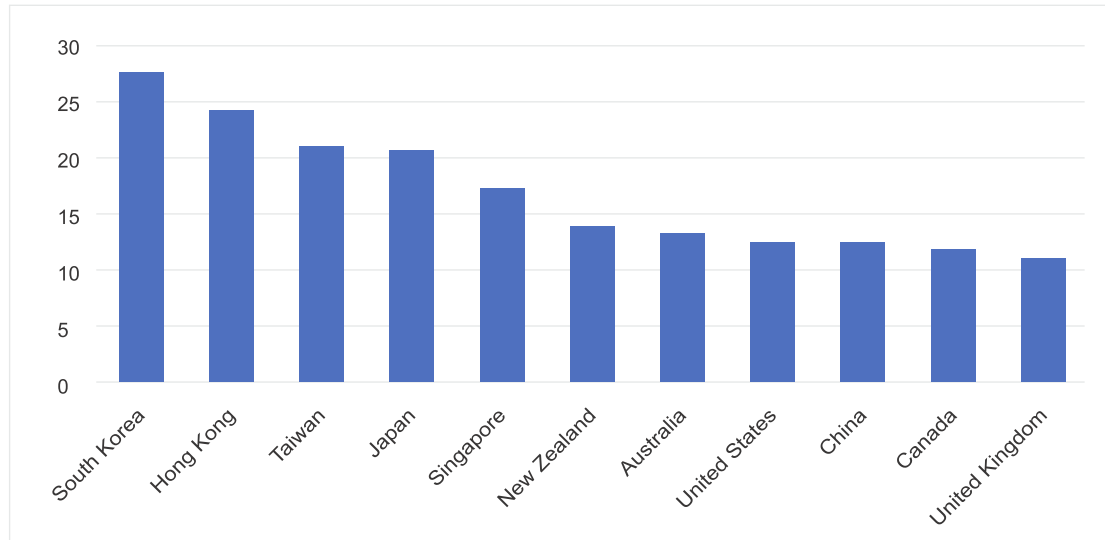
110 Caroline Saunders, Andrew Barber and Lars-Christian Sorenson, *Food Miles, Carbon Footprinting and their potential impact on trade*. [Link](#).

111 HM Treasury, *Final Report – The Economics of Biodiversity: The Dasgupta Review*. [Link](#).

112 Government of Canada, *What does the CPTPP mean for the environment sector?* [Link](#).



**Figure 10 – Price of Beef Round (1kg) (or Equivalent Back Leg Red Meat), (USD)<sup>113</sup>**



Instead of viewing CPTPP membership as a threat, UK producers ought to view it as an opportunity to expand into a growing market. Currently, only 9% of the UK's agricultural exports go to CPTPP members.<sup>114</sup> Yet the growing South East Asian economies present a huge opportunity which joining the CPTPP can help British farmers to grasp. Unlike the EU, where GDP growth is sluggish, the emerging middle class in the Asia-Pacific region is fuelling economic growth. As incomes increase, consumption of meat, dairy and other products is likely to rise, and UK producers could take advantage of this.

The NFU has also accepted that food safety is a key concern of consumers not just in the UK, but in many CPTPP members, particularly the South-East Asian economies which have been hit by scandals in the past.<sup>115</sup> This means not just that their products are safer to import for us, but that, thanks to the UK's high food standards, UK producers can demonstrate safe, traceable, and audited food supply chains, meaning 'Brand Britain' should have great potential to win market share. To assist with this, the British government should actively seek to promote 'Brand Britain' by building relationships between our exporters and key influencers as well as offer guidance to British producers wishing to expand into new markets.

As a member of CPTPP, the UK will gain preferential access where our producers currently face high tariff and non-tariff barriers. For example, despite having a bilateral trade agreement in place, UK beef and lamb is still unable to enter Vietnam due to complex barriers, which would be eliminated by our accession to CPTPP.<sup>116</sup> In turn, UK consumers will benefit from increased choice and lower food prices. Finally, CPTPP will also help us cope with seasonal shortages. Even without the pandemic-induced disruption to supply chains, there are some times in the year, such as Christmas, when there are shortages in the supply of specific agricultural products, such as particular cuts of lamb. Certain CPTPP members, being counter-seasonal, are able to supply these agricultural commodities to the UK, allowing UK consumers to enjoy food all year round at lower prices.<sup>117</sup> And of course, we can supply our products to them when their own seasons turn.

<sup>113</sup> Numeo, *Price Rankings by Country of Beef Round (1kg) (or Equivalent Back Leg Red Meat)*. [Link](#).

<sup>114</sup> Agriculture and Horticulture Development Board, *EU Exit Perspectives: Joining CPTPP – What could it mean for UK agriculture?* [Link](#).

<sup>115</sup> National Farmers Union, *Written Evidence for the International Trade Committee*. [Link](#).

<sup>116</sup> Ibid.

<sup>117</sup> Lords Select Committee on the European Union, *Oral evidence: UK-Australia Trade Negotiations*. [Link](#).





## 3.4 Food standards

Perhaps the most widely reported risk from CPTPP accession is the perception that it would lead to a lowering of food standards.

It is true that many CPTPP members use methods of production that are illegal in the UK. Critics have argued that these members will use the Agreement as a means of opening up exports in these sectors. However, concern about food standards has been grossly distorted by ill-informed scare stories which are often protectionism dressed up as a food-safety issue, with concerns over ‘hormone beef’ and ‘chlorinated chicken’ the most notorious.<sup>118</sup>

As with our environmental protections, the European Union (Withdrawal) Act 2018 means that the UK has retained protections for the environment, animal welfare, human, animal and plant life or health – which of course includes food. As a result, all imported food products will have to comply with UK import requirements. This is currently reflected in the agreement in principle with Australia, and the UK government could seek the same assurances when negotiating CPTPP.

**‘It is unlikely that the UK market will suddenly be flooded with ‘hormone beef’ or ‘chlorinated chicken’. As outlined above the Asia-Pacific is the priority for CPTPP producers like Australia. In fact, neither Australia nor Canada fills up its existing UK beef quota’**

Even without these assurances, it is unlikely that the UK market will suddenly be flooded with ‘hormone beef’ or ‘chlorinated chicken’. As outlined above, the Asia Pacific region is the priority for CPTPP producers like Australia. Second, the UK is already nearly self-sufficient in beef, with 81% of beef sold in the UK done so under a British label<sup>119</sup> and 93% of beef imports coming from just three EU countries.<sup>120</sup> Less than 1% of our beef is imported from Australia or Canada<sup>121</sup> – in fact the figures are so low that neither country fills up its existing quota.<sup>122</sup> The threats posed by chlorine-washed chicken are similarly unfounded. There are no actual health risks involved in the consumption of such chicken: even the European Food Safety Agency has ruled it safe for consumption.<sup>123</sup> UK consumers ingest far more chlorine drinking water than they ever would by eating chicken: indeed, UK salads are routinely chlorine-washed. If our consumers find the practice so objectionable, they will be free to vote with their wallets.

It is also important to point out that chlorine washed chicken is not necessarily the product of lower animal welfare standards. When it comes to broiler chickens, EU directives specify a maximum stocking density of 42kg/m<sup>2</sup>.<sup>124</sup> In contrast, Canada, which allows for chicken to be washed in chlorine, specifies a maximum stocking

118 RSPCA, Written Evidence. [Link](#).

119 National Beef Association, *Beef Statistics*. [Link](#).

120 Meat Management, *Beef imports into the UK drop by 3% in 2020*. [Link](#).

121 Authors' own calculations using data from the National Beef Association, [Link](#); Canada Beef Inc, [Link](#) and The Times, [Link](#).

122 Dominic Lawson, *A bogus beef with our Australian cousins*. [Link](#).

123 The European Food Safety Authority Journal, *Question No EFSA Q-2005-002*. [Link](#).

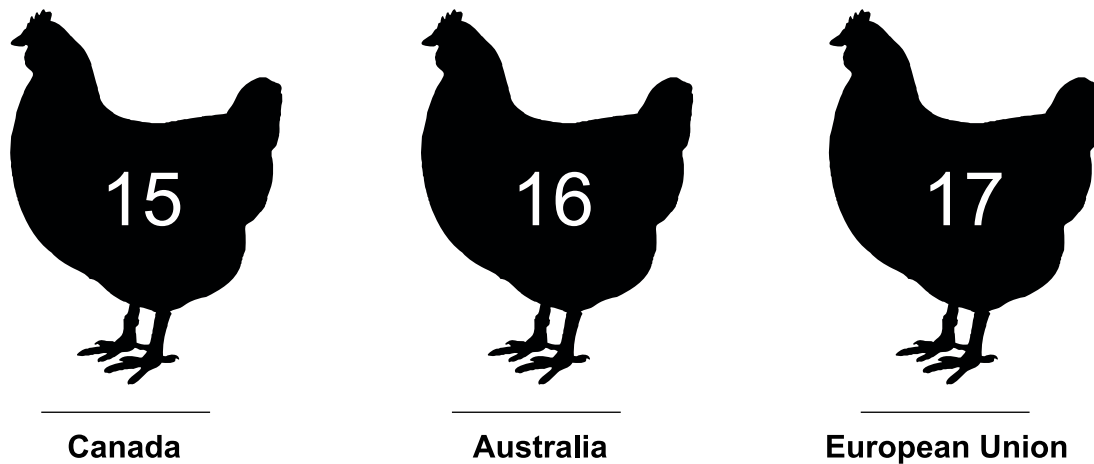
124 Eurogroup for Animals, *The Welfare of Broiler Chickens in the EU*. [Link](#).





density of 38kg/m<sup>2</sup>.<sup>125</sup> Meanwhile, Australia allows for a maximum stocking density of 40kg/m<sup>2</sup>.<sup>126</sup> With more birds crammed in per square metre, it can hardly be said that EU legislation provides higher welfare standards.

**Figure 11 – Maximum stocking density of chickens compared.**



*Number of birds per metre squared at time of slaughter. Calculations based on an average slaughter weight of 2.5kg.*

So long as consumers are able to make informed choices, for example via mandatory labelling or through the knowledge that certain retailers have pledged not to sell either chlorinated chicken or hormone beef, the consumer should be sovereign to choose for themselves. There will always be a market for locally produced, high quality, high welfare British foods. Furthermore, a fair competitive market, where UK consumers can choose which product they prefer, could help raise standards of food safety, not lower them.

### 3.5 Safeguarding the NHS

One of the most drearily predictable ‘controversies’ around CPTPP membership is the idea that joining the CPTPP might mean that the NHS is ‘on the table’ and that entering into free trade agreements will lead to increased NHS privatisation. However, this argument involves a complete misunderstanding of the starting point.

Both British and international private companies already provide services to NHS England. In the years prior to Covid-19, around a tenth of the budget for NHS services was spent on private providers.<sup>127</sup> The care purchased was of course still free to patients at the point of use, and contracting out only happens when help from the private sector is explicitly desired, for example to clear waiting lists or, as during the Covid-19 pandemic, to procure extra beds and ventilators.

CPTPP membership will not change this. It will remain up to the government of the day to ensure that decisions about public services are made domestically. No trade deal – whether the CPTPP or any other – will force the NHS to provide preferential access to foreign companies: foreign companies are already eligible to bid for the limited number of NHS clinical contracts in England, provided they meet UK requirements.

<sup>125</sup> National Farm Animal Care Council, *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys*. [Link](#).

<sup>126</sup> RSPCA, *Australian Meat Chicken Housing Systems*. [Link](#).

<sup>127</sup> Mark Dayan and Martha McCarey, *Will the NHS be on the table for a Pacific trade deal?* [Link](#).



CPTPP membership will only ensure that if the NHS puts out a tender, the UK government cannot discriminate against healthcare providers from fellow member countries who submit a bid. In other words, CPTPP does absolutely nothing to promote privatisation within the NHS. It just means that if and when the NHS does buy goods or services from the private sector, there will be more competition – which means a better service for patients and better value for the taxpayer.

This is not actually a controversial idea. Polling by Lord Ashcroft has found that nearly four fifths (79%) of the public agreed with the statement: ‘It is fine for the NHS to use private companies to provide services to patients as long as they meet NHS standards, the cost to the NHS is the same or lower, and services remain free at the point of use to patients’.<sup>128</sup> It is also worth noting this only applies to NHS England, for which there is an internalised market. NHS Scotland and NHS Wales do not have an internal market so there is nothing that needs ‘safeguarding’ to begin with.

**‘The UK has not included health services under its commitments to the WTO, and the government’s negotiating goals strongly imply that they will make the same commitments for CPTPP, stating that on investment it ‘will protect the UK’s right to continue to protect the NHS’.’**

However, should the government need to emphasise how it is ‘safeguarding’ the NHS, in the face of further bad-faith allegations, then it can highlight the CPTPP’s Procurement Chapter. This largely replicates the World Trade Organisation’s Government Procurement Agreement (GPA). The UK has not included health services under its commitments to the GPA, and the government’s negotiating goals strongly imply that they will make the same commitments for CPTPP, stating that on investment it ‘will protect the UK’s right to continue to protect the NHS’.<sup>129</sup> Therefore, excluding the NHS from CPTPP’s procurement provisions would be entirely possible as long as the UK holds to its recently stated commitments.

### 3.6 Intellectual property

The Intellectual Property Chapter of CPTPP sets out provisions that some are concerned might be incompatible with the UK’s participation in the European Patent Convention (EPC) and the European Patent Office (EPO). There are also fears that the requirements for a grace period and the (currently suspended) requirements for patent term adjustment are potentially inconsistent with the EPC.

Interest groups have warned that leaving the EPC would incur a number of quantifiable and unquantifiable losses, undermining the UK’s attractiveness as a centre for innovation with potentially severe consequences for the dynamism of the economy going forward. Most notably, IP provisions set out in the CPTPP will require changes to existing UK patent law, such as introducing a grace period of 12 months for certain pre-filing disclosures (PFDs) to be non-prejudicial when assessing the novelty of a later filed patent application. This is significantly different from the current grace period provisions in the EPC, which mostly prevent patent rights from being sought after an inventor has disclosed their invention.<sup>130</sup>

<sup>128</sup> Lord Ashcroft, *The People, the Parties and the NHS*. [Link](#).

<sup>129</sup> DIT, *UK Accession to CPTPP: The UK’s Strategic Approach*. [Link](#).

<sup>130</sup> Coreena Brinck, *The grace period provisions of the CPTPP do not necessarily mean the UK will have to leave the EPO*. [Link](#).



However, the grace period provisions of the CPTPP do not necessarily mean the UK will have to leave the EPO. Continuing UK membership in the EPO may depend on the extent to which any changes to UK patent law result in courts differentiating between European patents validated in the UK and national patents filed at the UK Intellectual Property Office (UKIPO). Case law takes time to develop. There is also the possibility that the EPO could adopt a similar grace period, in which case the UK should definitely be able to remain a member.<sup>131</sup>

The EPO has, after all, looked at adopting a similar grace period in the past and it is possible that the adoption of a UK grace period in line with the CPTPP could motivate it to adopt a similar provision.<sup>132</sup> In short, the UK could lead the way for the EPO to adopt the same grace period provisions and create internationally harmonised global patent systems, which would be especially true if the US were to join CPTPP.

**‘The UK could lead the way for the European Patent Office to adopt the same grace period provisions and create internationally harmonised global patent systems, which would be especially true if the US were to join CPTPP’**

It should also be noted that even if the UK were to fall foul of EPC rules, there is no mechanism for a country to be expelled.<sup>133</sup> Other EPO member states could do little about it except launch a formal complaints procedure that would ultimately end up in front of the International Court of Justice. That would be a long and painstaking process with no guarantee of securing an enforceable decision – but of course it would be better to work with fellow EPO members and avoid this outcome.

### 3.7 Recognition of Geographical Indications

Geographical Indications (GIs) are a type of IP protection granted to some types of products based on the specifics of where goods are produced.

GIs are protected in the EU to a much greater extent than in CPTPP member countries and concerns have been raised about how the UK will be able fulfil terms of the EU Withdrawal Agreement, which requires the UK to provide the same level of protection to products with characteristics linked with their place of production as in the EU. Some CPTPP members, most notably New Zealand, are averse to encouraging the wider use of GIs.

<sup>131</sup> Coreena Brinck, *UK plan to join CPTPP raises questions about European Patent Organisation membership*. [Link](#); It should also be noted that the EPO currently has two member states, Turkey and Estonia, who have retained 12-month grace periods for national patents which diverge from the EPC grace period provisions. However, they are expected to eventually harmonise their patent law with EPC provisions. UK patent law will clearly diverge from the EPC if it adopts the CPTPP grace period.

<sup>132</sup> The issue of whether the EPO should adopt a grace period was explored by the Tegernsee Process 2011-2015 which was composed of heads of delegations and representatives of Denmark, France, Germany, Japan, the UK, the USA, and the EPO, and their discussions can be found in the Report of the Discussions – EPO Symposium on Harmonisation: Tegernsee and Beyond. Following on from the work of this group, a Group B+ and B+ sub-group were set up. The B+ sub-group is composed of representatives from Australia, Canada, Denmark, Germany, Hungary, Japan, South Korea, Spain, Sweden, the UK, the USA and the EPO. Their Response Document to an earlier IT3: Elements Paper discusses in detail the benefits and challenges of using grace periods and covers many of the implications mentioned above.

<sup>133</sup> European Patent Office, *Information from the Boards of Appeal – Presidium, business distribution and texts relating to proceedings*. [Link](#).



In fact, fulfilling this should not be a problem, as the Intellectual Property Chapter explicitly provides for members that already use GIs to continue to do so.<sup>134</sup> Additionally, some members, notably Canada, Mexico, Chile and Peru, also have side instruments which ensure recognition of a number of negotiated GIs.<sup>135</sup> The UK could seek to negotiate similar such instruments for British GIs if it proves necessary.

### 3.8 GDPR

There has been concern that the CPTPP's approach to digital data is not compatible with the UK's desire for a long-term deal with the EU on data. The EU's GDPR regime requires companies to store personal data only in the EU or countries deemed to have an adequate level of protection, but this kind of forced data localisation is prohibited by the CPTPP.

**‘In June 2021, the EU formally recognised the UK’s data protection standards as adequate and this will allow data to continue to flow seamlessly between the UK and the EU for the next five years’**

In June 2021, the EU formally recognised the UK's data protection standards as adequate and this will allow data to continue to flow seamlessly between the UK and the EU for the next five years.<sup>136</sup> This approval from the EU came despite the knowledge that the UK intends to join CPTPP, which implies that the EU, for now at least, does not view CPTPP membership as necessarily being incompatible with the EU's data regime.

The Information Commissioner's Office has also stated that it believes CPTPP data regimes can be compatible with GDPR.<sup>137</sup> It is worth noting that the UK already has data adequacy agreements with three CPTPP countries – Canada, Japan, and New Zealand – and is seeking similar agreements with Australia and Singapore.<sup>138</sup>

Whilst there may not technically be an issue in this area, it is possible that the lingering politics of Brexit leads to the EU treating the UK differently, especially in the context of existing EU concerns about the UK's approach to privacy and personal data. In the long term the UK may well need to decide whether to continue with EU-style data protection or adopt more liberal and competitive regulations.

### 3.9 Investor-State Dispute Settlement

Like many trade agreements, the CPTPP contains provisions for an Investor-State Dispute Settlement (ISDS) system. Critics of the ISDS mechanism contained within the CPTPP claim that such systems favour the claimant private investor over the defendant state, or that they encourage frivolous claims to be made against state parties. However, these claims do not reflect the reality.

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134 Government of Canada, *CPTPP Text Chapter 18: Intellectual Property*. [Link](#).

135 Government of Canada, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – Side instruments involving Canada*. [Link](#).

136 Department for Digital, Culture, Media & Sport, *EU adopts 'adequacy' decisions allowing data to continue flowing freely to the UK*. [Link](#).

137 Information Commissioner's Office, *The Information Commissioner's response to the International Trade*. [Link](#).

138 DCMS, *UK unveils post-Brexit global data plans to boost growth, increase trade and improve healthcare*. [Link](#).



On the first charge, that ISDS processes favours the claimant private investor over the defendant state, the data shows the opposite. In her ground-breaking empirical study on investment treaty arbitration,<sup>139</sup> Professor Susan D. Franck demonstrates that of 52 tribunal awards, 30 – more than half – were in favour of the state party. These numbers demonstrate that there is no evidence that the UK government would be systematically disadvantaged in ISDS disputes. The results also show that the tribunal awards are not so one-sided that they would discourage investors from engaging in the process altogether if they have legitimate grievances.

On the second charge, that ISDS processes encourage frivolous claims, the increasingly recognised concept of cost-shifting has come to present a major disincentive against that particular strategy.<sup>140</sup> By gradually introducing into the realm of international law the notion of the losing party bearing more of the financial burden than the successful party, this incentivises parties only to resort to legal means if they have a reasonable chance of winning their case.

**‘The average cost for the respondent in International Centre for Settlement of Investment Disputes (ICSID) arbitrations over a period of five years was calculated to be just under \$5m dollars per case’**

It is also important to recognise that the alternative approach to settling disputes between the private and state sectors would involve resorting to the domestic court process, a far more expensive and time-consuming route. The average cost for the respondent in International Centre for Settlement of Investment Disputes (ICSID) arbitrations over a period of five years was calculated to be just under \$5m per case<sup>141</sup> – a significantly lower amount than if the parties brought the case through the court system. Given the UK’s standing as a top-tier capital importer, retaining investment while safeguarding our legal exposure should be a top priority. Seeking side instruments with the other state parties to the CPTPP would not aid in that venture. On the contrary, barring the UK from utilising ISDS within the framework of the CPTPP, as some critics seem to be demanding, would take away the fairest, quickest and most affordable system available for settling disputes.

If investors and businesses do not feel they have an accessible, affordable, reliable and fair mechanism for getting legal redress to unfair treatment they will be less likely to invest and take advantage of the opportunities from trade and investment across the world. Investing in less developed parts of the world where returns can be high is already often a high risk venture, depriving them of the ability to gain compensation for mistreatment as rapidly as possible threatens to tip the scales and make many firms and investors opt to invest in less risky opportunities or perhaps not invest at all. This is important not just for investors but for the wider economy, since less investment and missed opportunities means lower growth and poorer countries going forward.

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139 Susan Franck, *Empirically Evaluating Claims About Investment Treaty Arbitration*. [Link](#).

140 David Collins, *The UK Should Include ISDS in its Post-Brexit International Investment Agreements*. [Link](#).

141 Ibid.



## 3.10 Sovereignty

Finally, some have argued that the UK, having taken back control of its laws and sovereignty from the EU, is now seeking to give these powers away again, this time through CPTPP.

But as highlighted above, there is a fundamental difference between the CPTPP approach and that of the EU. CPTPP members largely seek to liberalise regulatory barriers through equivalence rather than the harmonisation approach of the EU. Under the CPTPP's approach, each member state will usually retain its own unique rules and standards, but these are recognised as equivalent to the rules and standards in other member countries and vice versa.<sup>142</sup> While member countries do of course have to follow the terms of the agreement, there won't be a stream of new 'CPTPP regulations' imposed over time, in the same way as EU directives were.<sup>143</sup>

**‘Under the CPTPP’s approach, each member state will usually retain its own unique rules and standards, but these are recognised as equivalent to the rules and standards in other member countries and vice versa’**

Furthermore, the CPTPP doesn't have anything like the same institutional framework of commission, parliament and judiciary, which drives forward the development of regulations and rules in the EU. There is no parliament or a version of the ECJ, with disputes between parties being settled via an ad hoc arbitration panel without the power to impose fines or harsh legal penalties. While there is a CPTPP commission, it is a completely different beast to the EU's, being merely a twice-yearly gathering of representatives from member countries to discuss the operation of the agreement and procedure for admitting new members.

Finally, in contrast to the hassle and heartache of negotiating our exit from the EU, there is a clear and easy exit provision in the treaty which allows countries to walk away should they so wish.<sup>144</sup> In short, member countries of the CPTPP bind their hands and give up sovereignty only to the extent that they see clear benefits from doing so, and any further losses would only occur by their explicit agreement in a future update to the terms of the CPTPP.

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<sup>142</sup> James Caldecourt and Amanda Tickel, *CPTPP: What is it and does it matter?* [Link](#).

<sup>143</sup> Institute for Government, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*. [Link](#).

<sup>144</sup> CPTPP, *Preamble*. [Link](#).





## 4. Building On CPTPP

### 4.1 Expanding CPTPP

CPTPP was always designed to expand. Indeed, in 2020 the government of Japan went so far as to express an aspiration that expanding the agreement, together with the entry into force of RCEP, could lead to a ‘Free Trade Area of the Asia-Pacific’.<sup>145</sup> The UK has a proud history of championing the expansion of multilateral agreements and forums, from NATO to the Commonwealth, as well as existing strong links with countries in the region outside of the Agreement, such as South Korea and Taiwan. This is experience we would be able to bring to bear as members of CPTPP if we sought to champion the Agreement’s further expansion.

‘CPTPP was always designed to expand. Indeed, in 2020 the government of Japan went so far as to express an aspiration that expanding the agreement, together with the entry into force of RCEP, could lead to a ‘Free Trade Area of the Asia-Pacific’

So which other countries are considered future members of CPTPP? In short, there are the two economic superpowers of the 21st Century – the United States and China – as well as an assortment of smaller ‘Pacific Tiger’ powers, including South Korea, Taiwan and Thailand. While some in Brussels are urging the EU to consider following the UK’s lead and seeking accession to the bloc, such an application would be very unlikely, given the European approach to digital trade is significantly more restrictive than CPTPP’s.<sup>146</sup>

#### 4.1.1 – The United States and China

When it comes to the United States and China, there are distinct hurdles to accession for both countries, but they also share a common challenge: the willingness of existing CPTPP countries to reshape the deal. The agreement’s provisions on accession are clear that aspirant economies must ‘comply with all of the existing rules contained in the CPTPP’, suggesting little wiggle room for renegotiating existing terms.<sup>147</sup> While smaller economies are less likely to be fazed by a ‘take it or leave it’ approach, the world’s largest economies will be more reluctant to constrain themselves by rules they have not directly designed.

#### The USA

In the short-term, US membership of CPTPP is unlikely. While President Biden and his administration are aware that backing out of TPP has allowed China greater scope to set the rules of the road for world trade<sup>148</sup>, the protectionist streak in American public opinion which forced the withdrawal from the original agreement has not abated.

<sup>145</sup> Andrew Tillett, *Australia welcomes China interest in joining TPP*. [Link](#).

<sup>146</sup> EU Reporter, *Former trade commissioner says EU should join Trans-Pacific Partnership*. [Link](#); Lowy Institute, *The Missing Anchor*. [Link](#).

<sup>147</sup> CPTPP, *Annex – Accession Process*. [Link](#).

<sup>148</sup> Council on Foreign Relations, *The Presidential Candidates on the Trans-Pacific Partnership*. [Link](#).



When the US withdrew from TPP, the remaining 11 countries did agree to include in the successor treaty a number of provisions requested by the Americans during the negotiations, but to freeze them.<sup>149</sup> The hope at the time was that this would make it easier for the US to rejoin the agreement – but experts have warned that in order to secure American buy-in (and given the change in ruling party in Washington), existing CPTPP members would likely need to go beyond this and offer improved terms in a whole host of areas.

**‘When the US withdrew from TPP, the remaining 11 countries did agree to include in the successor treaty a number of provisions requested by the Americans during the negotiations, but to freeze them’**

Biden has, in particular, called for stronger environmental and labour protections within CPTPP. The latter would be particularly difficult because it would require Malaysia and Vietnam to accelerate reforms to their labour markets.<sup>150</sup> Other areas where greater reforms could be required include pharmaceutical patents, financial services and currency provisions.<sup>151</sup> Biden has also stated he will not sign any new trade deal until after he has secured major investments in workers and infrastructure, which are his flagship policies.<sup>152</sup>

Even were such renegotiations successful, the President would need bipartisan support to get the agreement through Congress. That has become even more difficult following the expiration of the US Trade Promotion Authority powers in July, which means new trade agreements will require a two-thirds majority rather than a simple majority to get through Congress.

Despite these difficulties, Japan in particular is still holding out hope, with its Foreign Minister expressing an expectation in February 2021 that Biden would lead America back to the agreement.<sup>153</sup> The Asia Society Policy Institute has argued that Japan, as a leading member of CPTPP and a close ally of Washington, can play a key role in helping to bridge gaps between the United States and other members of the agreement, should the Americans seek to return to the agreement.<sup>153</sup> Given our strong relationship with the United States and many of the countries within CPTPP, we could be well placed to support those efforts if our own application is successful.

## China

The situation with China is, in many ways, the mirror image of America’s. The US was one of the architects of CPTPP, but does not currently want to join. China, by contrast, has already lodged its own application – even though CPTPP embodies a very different approach to trade.<sup>155</sup>

There are three main barriers to China’s entry to the agreement. First, there are the high standards of CPTPP in areas such as state-owned enterprises, workers’ rights, and digital trade. Much as Bill Clinton spoke of the aspiration that accession to the

149 Australian Government, *CPTPP suspensions*. [Link](#).

150 Jeffrey Schott, *Opinion: Japan needs US to return to CPTPP to expand trade pact*. [Link](#).

151 Jeffrey Schott, *Rebuild the Trans-Pacific Partnership back better*. [Link](#).

152 Council on Foreign Relations, *The Presidential Candidates on the Trans-Pacific Partnership*. [Link](#).

153 Daisuke Akimoto, *Japan Expects Biden to Rejoin the TPP*. [Link](#).

154 Nikkei Asia, *Can Biden return the US to TPP? Does it matter?* [Link](#).

155 Eleanor Olcott, *China seeks to join transpacific trade pact*. [Link](#).





WTO would ‘move China faster and further in the right direction’ on global rules, there was a hope during the TPP talks that China would be incentivised to join the agreement and meet its high standards.<sup>156</sup> But China has been repeatedly accused – in particular by the United States – of failing to meet the standards of the WTO.<sup>156</sup> Hopes that it would abide by the even more stringent rules of CPTPP have therefore faded. Japan’s economy minister Yasutoshi Nishimura was decidedly lukewarm in his welcome for China’s application, stating the ‘need to carefully assess whether China is prepared to meet [CPTPP’s] very high standards.’<sup>158</sup> But this is not just about trading standards. From its tearing up of the Sino-British Joint Declaration on Hong Kong to its violations of the Universal Declaration of Human Rights in Xinjiang, China has shown itself to be an unreliable global player in terms of adhering to the rules-based international order. Japan’s deputy finance minister responded to China’s application by stating the country is ‘far removed from the free, fair and highly transparent world of TPP’ and that ‘chances that it can join are close to zero.’<sup>159</sup>

**‘Australia’s trade minister Dan Tehan has said that Australia will oppose China’s bid to join CPTPP until it ends its trade strikes against Australian exports and resumes minister-to-minister contacts with its government’**

China’s turn to ‘wolf warrior’ diplomacy has also alienated many of the CPTPP countries who would need to agree to the country’s accession. Recently, Beijing has picked fights with a number of CPTPP members, including Canada, Malaysia and Vietnam.<sup>160</sup> Most significantly, China’s relations with Canberra have reached a nadir after it responded to Australia’s call for an inquiry into the origins of the Covid pandemic with discriminatory tariffs.<sup>161</sup> Australia’s trade minister Dan Tehan has said that Australia will oppose China’s bid to join CPTPP until it ends its trade strikes against Australian exports and resumes minister-to-minister contacts with its government.<sup>162</sup>

Of course, China is a valued trading partner for the existing CPTPP members, many of whom are also – as mentioned above – part of its lower-standards RCEP trading zone. But it seems unlikely that the country will be able to join CPTPP unless Beijing shifts course markedly in terms of the way China’s economy works and its approach to human rights and world affairs.

Some experts have suggested that China could attempt to bypass the high standards barrier to membership by seeking national security exemptions from certain standards, allowed for under Article 29.2 of the agreement, or by proposing a lengthy transition period for fulfilling new obligations.<sup>163</sup> But the success of any such attempts to circumvent the agreement’s high-standard entry requirements seem unlikely. If the UK

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156 Bill Clinton, *Full Text of Clinton’s Speech on China Trade Bill 2000*. [Link](#).

157 United States Trade Representative, *2020 Report to Congress On China’s WTO Compliance*. [Link](#).

158 Financial Times, *China’s request to join transpacific pact will be judged on merit, say US allies*. [Link](#).

159 Reuters, *China applies to join Pacific trade pact to boost economic clout*. [Link](#).

160 BBC, *Canadian spy trial in China ends without verdict*. [Link](#); Joseph Sipalan, *Malaysia to summon Chinese envoy over ‘suspicious’ air force activity*. [Link](#); and Nikkei Asia, *Vietnam expands maritime militia off southern coast*. [Link](#).

161 Daniel Hurst, *Australia insists WHO inquiry into Covid origin must be robust, despite China tensions*. [Link](#).

162 The Guardian, *Australia to oppose China’s bid to join trade pact until it halts strikes against exports*. [Link](#).

163 Stephen Olson, *The conventional wisdom on China and the CPTPP is wrong*. [Link](#) Hinrich; CPTPP, *Chapter 29 Exception and General Provisions*. [Link](#); Jeffrey Schott, *Opinion: Japan needs US to return to CPTPP to expand trade pact*. [Link](#).



becomes a member of CPTPP, it should be clear that we are committed to maintaining CPTPP as a high-standards agreement alongside our new partners.

#### 4.1.2 – The Pacific Tigers

##### Taiwan

Taiwan announced its accession bid a week after China, spurred into action by concerns that Beijing's potential membership would make its own impossible.<sup>164</sup>

In 2020, Taiwan released a statement detailing progress on its efforts to prepare for accession, highlighting that it has engaged with and sought support for its application from all existing CPTPP members and is reforming its legal system to meet CPTPP requirements on intellectual property rights.<sup>165</sup> This suggests Taiwan is further along with its accession process than China, but Beijing's economic clout and a desire to appease the Chinese Communist Party could yet see Taiwan's membership vetoed by one of the 11 existing members.

**‘There is now speculation in the Taiwanese media that Peru, which is seeking to expand its trade ties with China, could veto Taiwan's application’**

Beijing has already released a statement in response to Taiwan's CPTPP bid, claiming that 'Taiwan is an inalienable part of China' and that it is 'firmly opposed' to 'Taiwan's accession to any agreements or organisations that are of an official nature'.<sup>166</sup> Even before Taiwan's application, the Peterson Institute for International Economics in Washington argued that its accession to CPTPP would mean picking a fight with Beijing that signatory members would not consider worth having.<sup>167</sup>

There is now speculation in the Taiwanese media that Peru, which is seeking to expand its trade ties with China, could veto Taiwan's application.<sup>168</sup> However, others, such as the Canadian Global Affairs Institute, have argued that given CPTPP's status as a multilateral agreement, and with Beijing's relations with most of the 11 nations already at a low, there may be little goodwill to be lost by admitting Taiwan.<sup>169</sup> Japan, Australia and Canada are reportedly particularly keen on securing Taiwan's accession.<sup>170</sup>

There is no doubt that Taiwan would be a welcome addition to CPTPP if the diplomatic difficulties could be overcome. A single firm in Taipei – the Taiwan Semiconductor Manufacturing Company – makes almost all of the world's most sophisticated microchips, fitted in all sorts of electronic devices, from the phones in our pockets to the cars on our streets.<sup>171</sup> As the Manohar Parrikar Institute in India has argued, this, together with Taiwan's high environmental standards and worker rights, means that 'as bolstering

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164 Katherine Hille and Edward White, *Taiwan follows China with bid to join transpacific trade pact*. [Link](#).

165 China Trade Monitor, *Taiwan Applies to Join the CPTPP: Government Statements, Potential Trade Issues, and Geopolitical Context*. [Link](#).

166 ABC News, *Taiwan asks to join trade group, says China might interfere*. [Link](#).

167 Jeffrey Schott, *Japan needs US to return to CPTPP to expand trade pact*. [Link](#).

168 Kelvin Chen, *US hopeful Taiwan can join CPTPP*. [Link](#).

169 Canadian Global Affairs Institute, *Challenges and prospects for the CPTPP in a changing global economy: Taiwanese accession and Canada's role*. [Link](#).

170 Calvin Chen, *US hopeful Taiwan can join CPTPP*. [Link](#).

171 Yang Jie, Stephanie Yang and Asa Fitch, *The world relies on one chip maker in Taiwan, leaving everyone vulnerable*. [Link](#).



the resiliency of supply chains becomes a priority for most CPTPP states and they consider strategies to reduce dependency on China, Taiwan can fill a crucial gap'.<sup>172</sup>

Given the uncertainty as to whether Taiwan would be able to join CPTPP, the UK should redouble bilateral trade talks with Taipei, just as the Biden Administration is doing, in order to explore what more can be done to diversify the UK's high-quality manufacturing supply chains alongside our joining CPTPP.<sup>173</sup>

### **Ecuador**

Taiwan is not the only smaller economy that has applied for CPTPP membership, with Ecuador notifying the group of their ambition to join in December. That said, there are questions as to whether the country will be able to meet the stringent market liberalisation requirements of the bloc. The application is part of a wider ambition to open the country up to free trade after a previous government's anti-market reforms, which included limiting the country's free trade agreements to a handful of countries. As part of their new agenda, Ecuador is also seeking to join the Pacific Alliance - a Latin America trade bloc including CPTPP members Mexico, Chile, and Peru - and bilateral agreements with countries including the United States, Japan, and South Korea.<sup>174</sup>

### **South Korea**

Given the size of South Korea's economy, its strong digital sector and standards, and the country's key role in producing much of the world's semiconductors, it would be an invaluable addition to CPTPP.

It is therefore no surprise then that, with the exception of the UK, of all the other countries seeking to join CPTPP, South Korea has made the most progress. After analysing the macroeconomic benefits of membership and beginning to overhaul their institutions and laws to meet CPTPP standards, the government announced in December that they would apply to join the agreement. They are expected to make an official bid shortly.<sup>175</sup>

**‘Many of the provisions of TPP were based upon the South Korea-US trade deal, meaning Seoul already meets the standards of the agreement in most areas’**

As the Peterson Institute has noted, many of the provisions of TPP were based upon the South Korea-US trade deal, meaning Seoul already meets the standards of the agreement in most areas.<sup>176</sup> The country began the process of canvassing support for accession among the existing members of CPTPP in April 2021.<sup>177</sup>

The main barrier to South Korea's accession to CPTPP is its historic grievance with Japan. Issues of contention include Japanese compensation for forced labourers and so-called 'comfort women' during their occupation of Korea in the early 20th century, as well as territorial disputes.<sup>178</sup> These historic tensions contributed in 2019 to an ongoing trade dispute over export controls, which resulted in South Korea pausing its

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172 Jagannath Panda, *The Tokyo-Taipei calculus: Will Taiwan soon join the CPTPP?* [Link](#).

173 United States Trade Representative, *United States and Taiwan Hold Dialogue on Trade and Investment Priorities*. [Link](#).

174 Nikkei Asia, *Ecuador applies for CPTPP membership to diversify trade*. [Link](#).

175 Hankyoreh, *As UK joins CPTPP hopefuls, S. Korea hurries to prepare application*. [Link](#); Japan Times, *South Korea to apply for CPTPP free trade pact membership*. [Link](#).

176 Jeffrey Schott, *Japan needs US to return to CPTPP to expand trade pact*. [Link](#).

177 South Korean Government, *Malaysia discuss further economic cooperation*. [Link](#); Jung Suk-ye, *Malaysia Expected to Vouch for South Korea for CPTPP Membership*. [Link](#).

178 Troy Stangarone, *After the latest forced labor court ruling, where do Japan-South Korea relations stand?* [Link](#); Justin McCurry, *South Korea-Japan ties sour amid fresh military drills near disputed islands*. [Link](#).



efforts to join CPTPP.<sup>179</sup> More recently, the two countries had a diplomatic spat at the G7 summit, with Japan opposing the UK's decision to invite the Koreans, and Japanese Prime Minister Yoshihide Suga refusing to hold direct talks with South Korean President Moon Jae-in.<sup>180</sup>

**‘It seems unlikely that the United States will be returning to lead the agreement any time soon, nor will its leadership be replaced by China’**

These diplomatic tensions are certainly significant, but may not be an insurmountable obstacle to South Korean accession to CPTPP. In spite of their ongoing disputes, both countries are members of RCEP. As a historic ally of both South Korea and Japan, as a member of CPTPP, the UK could potentially play a role in helping smooth over tensions between the two sufficiently to enable South Korea's accession.

### **Thailand**

Thailand is also considering accession: over the last few years, the Thai government has launched internal reviews of whether the country should formally seek accession, but the decision has been delayed several times, largely due to the domestic unpopularity of the reforms required to meet CPTPP's high standards.<sup>181</sup> In response to China and the UK launching accession bids, the Thai government has said it will carefully reassess the benefits and risks of joining the Agreement.<sup>182</sup>

Areas of specific contention include the impact of intellectual property provisions on the agricultural and pharmaceutical sectors. On agriculture, CPTPP membership requires alignment with the standards of the International Convention for the Protection of New Varieties of Plants of 1991. Under this Convention, farmers purchasing commercial seeds may not save seeds from their harvest for use in the next planting season, a requirement which is expected to damage small-scale Thai farmers.<sup>183</sup> On pharmaceuticals, there are concerns that the provisions on compulsory licensing would make it more difficult for domestic companies to manufacture patented products.<sup>184</sup>

### **The Philippines**

The Philippines has also expressed interest in the agreement and is in the process of informal talks with CPTPP members.<sup>185</sup> However, as the Center for Strategic and International Studies warned in 2015 during the TPP negotiations, accession would require action on ‘a number of protectionist measures and instructions, including some in the constitution, against foreign imports and investment’.<sup>186</sup> As a result, accession for the Philippines seems unlikely in the short term.

### **Indonesia**

Indonesia is another country that could seek accession to CPTPP. In 2018, the country's Vice President said that Indonesia was ‘studying the conditions, the possibility’ of joining the trade agreement, given its potential for reducing tariffs.<sup>187</sup> Indonesia has not

179 Jung Suk-ye, *South Korea stopped discussing its CPTPP membership*. [Link](#).

180 Bloomberg, *Japan-South Korea spat at G7 highlights Biden's challenge in building united front against China*. [Link](#).

181 Kornchanok Raksaseri, *Trade pact faces day of reckoning*. [Link](#).

182 Phusadee Arunmas, *Thailand called upon to reassess impact of CPTPP*. [Link](#).

183 ISEAS-Yusof Ishak Institute, *Thailand's new CPTPP opportunity*. [Link](#).

184 Asia Pacific Foundation of Canada, *Thailand considering joining CPTPP*. [Link](#).

185 Elijah Felice Rosales, *Philippines sets sights on CPTPP*. [Link](#).

186 Murray Hiebert, *Building a more robust US – Philippines alliance*. [Link](#).

187 Shotaro Tani, *Indonesia making preparations to join TPP*. [Link](#).



recently reiterated this interest, suggesting accession is not currently a priority, but the country did launch trade talks with Canada in June 2021 which could help to smooth the process of any future application.<sup>188</sup>

#### 4.1.3 – A coalition of advanced economies

To conclude, it seems unlikely that the United States will be returning to lead the agreement any time soon, nor will its leadership be replaced by China. By definition, then, CPTPP looks set to remain a coalition of advanced economies, such as Japan, Australia, and Singapore, rather than a bloc led by one of world's economic superpowers.

This presents interesting opportunities. While American membership of CPTPP would make it far easier for signatory countries to influence global rules, there are benefits to its remaining outside the agreement. Without America, CPTPP nations can push high standards globally without their stance being portrayed as just another front in the growing US-China rivalry.

Admitting a greater number of advanced economies to the club, such as South Korea and Taiwan, would help cement high standards across the Indo-Pacific, even without American leadership.

Leaving aside the geopolitical benefits, expanding CPTPP would benefit the economy too. The static modelling done by the UK Government shows that expanding the CPTPP to include South Korea and Thailand would raise GDP in the long term by £5.5 billion compared to the modelled increase of £1.8 billion if the UK accedes to CPTPP in its current form. The really big gain would come if the US joined the CPTPP before the UK managed to agree a bilateral FTA with Washington, which would in the long term increase GDP by almost £20 billion.<sup>189</sup>

The UK should therefore work with the rest of CPTPP to, as the Australian Prime Minister Scott Morrison has said, make the agreement 'such a powerful force for open trade and investment that the US', in the future, 'will join without reservation.'<sup>190</sup>

**Figure 12 – Summary of potential scenarios: CPTPP in 2025**

CPTPP + UK in 2025	Maximum expansion scenario (minus China)
UK	Korea
	Thailand
	Taiwan
15.7% world GDP	Philippines
	United States
	UK
	Indonesia
	Ecuador
	43.8% world GDP

*Based on forecasts from IMF's World Economic Outlook<sup>191</sup>*

188 Shotaro Tani, *Indonesia and Canada to launch economic partnership talks*. [Link](#).

189 Department for International Trade, *UK Accession to CPTPP: The UK's Strategic Approach*. [Link](#); see sensitivity analysis on page 65. Figures assume bilateral FTAs are signed with Australia and New Zealand but not with the US. If the UK does agree a bilateral FTA with the US on similar terms to the CPTPP then the direct benefits of accession will obviously be smaller. Having said this, we have already highlighted how government modellers themselves explicitly highlight the inherent weaknesses of their modelling and that it likely understates the benefits of joining, especially given longer-term changes and trends.

190 Australian Government, *UK Policy Exchange Virtual Address Transcript*. [Link](#).

191 International Monetary Fund, *World Economic Outlook Database, April 2021: Gross domestic product, current prices*. [Link](#).



## 4.2 CPTPP+ Partnerships

Setting aside the potential for CPTPP to help set global rules and strengthen our partnerships with the countries involved, perhaps the greatest geopolitical benefit of the CPTPP agreement lies in its potential as a platform for greater action.

**‘The New Zealand government has expressed its aspiration that DEPA ‘could influence wider international rules on digital trade’ including feeding into the e-commerce negotiations at the WTO’**

There is little appetite at present for revising the treaty itself, with signatory countries focused on expanding CPTPP’s membership to new countries, as well as negotiating separate multilateral and bilateral trade agreements.

That said, the provisions of CPTPP were always envisaged as a floor, not a ceiling. As a result, the base agreement is increasingly being buttressed by a series of add-on initiatives, such as the Digital Economy Partnership Agreement (DEPA) between New Zealand, Chile and Singapore. This goes beyond the provisions of CPTPP in a number of areas including digital identities, digital inclusivity and ethical artificial intelligence governance frameworks.<sup>192</sup> As a result, DEPA helps establish greater interoperability between countries in how they deal with these issues.

The New Zealand government has expressed its aspiration that DEPA ‘could influence wider international rules on digital trade’ including feeding into the e-commerce negotiations at the WTO.<sup>193</sup> Despite only entering into force in January 2021, Canada has already launched informal talks with the three signatory countries regarding their own potential accession.<sup>194</sup> Singapore has also negotiated a similar agreement with Australia and launched negotiations for separate digital trade agreements with the UK and South Korea – both likely to be members of CPTPP in the near future.<sup>195</sup> Moreover, with CPTPP membership currently a political impossibility for the United States, exploring involvement in DEPA could provide the Biden Administration with a way to benefit from, and support, stronger digital trade standards even from outside CPTPP.

So rather than see CPTPP membership as an end in itself, we should use accession as a platform on which to build a series of new, add-on ‘CPTPP+ Partnerships’. These could go a long way towards tackling some of the thorniest geopolitical problems facing the UK and the West, from critical mineral resilience to telecommunications security.

### 4.2.1 – Critical minerals

New CPTPP+ partnerships on critical minerals could further boost the extraction and processing of these minerals within signatory countries. There are three key areas where there is scope for additional cooperation on critical minerals – transparency, finance and research.

<sup>192</sup> Government of Chile, *What is the Digital Economy Partnership Agreement*. [Link](#).

<sup>193</sup> Government of New Zealand, *Digital Economy Partnership Agreement: National Interest Analysis*. [Link](#).

<sup>194</sup> Government of Canada, *Canada’s possible accession to the Digital Economy Partnership Agreement*. [Link](#).

<sup>195</sup> Singapore Government, *Digital Economy Agreements*. [Link](#).





First, a new partnership enhancing and harmonising transparency obligations for critical mineral supply chains could help incentivise the use of critical minerals extracted from CPTPP countries over low-standards countries with poor worker welfare and environmental standards, such as the Democratic Republic of Congo. While it would be unlikely to win the support of some countries with developing mining sectors within CPTPP, such as Vietnam, it could get the backing from more developed nations. For example, in July 2021 the Australian Government launched a \$3 million blockchain pilot for critical minerals which will be used to create a ‘digital certification’ for critical minerals throughout the supply chain from extraction to processing and export to global markets, helping to boost transparency.<sup>196</sup> An agreement focusing on enhancing transparency could also involve the United States. In June 2021, the Biden Administration published the findings of its Supply Chain Review, which recommended that the United States ‘work with allies and partners and strengthen global supply chain transparency’ for critical minerals.<sup>197</sup>

**‘The UK could seek to establish a new CPTPP+ research partnership to help explore ways to reduce reliance on critical minerals for green technology’**

Second, more can be done to unlock private investment in mining. The same report from the Biden Administration also suggested that the Export-Import Bank of the United States ‘provide loans or loan guarantees to support the export of US mining equipment and engineering services’ in order to help ‘the sustainable production and processing of critical minerals and other materials in US allies and partners’.<sup>198</sup> Just as the G7 is seeking to mobilise private-sector capital into developing countries through its Build Back Better World initiative,<sup>199</sup> interested CPTPP nations could set up a new Indo-Pacific initiative to help mobilise private investment into mining and processing projects within CPTPP.

Third, the UK could seek to establish a new CPTPP+ research partnership to help explore ways to reduce reliance on critical minerals for green technology. CPTPP nations are home to a number of world-leading universities that specialise in battery technology, such as Tokyo Metropolitan University and the University of Queensland. Working in partnership with the UK’s own centres of research excellence, universities across CPTPP could help deliver the next great leap forward in battery design, bypassing the need to import materials like cobalt from the Democratic Republic of Congo.

#### **4.2.2 – Telecommunications**

Telecommunications is another area in which the UK and its allies could benefit from a CPTPP+ partnership. Given the base agreement’s world-leading digital standards, the grouping of countries would be an ideal platform for developing future telecommunications security standards. It is notable that many of its signatories, including Australia and Japan, have refused to use Huawei for their 5G rollout due to security concerns.

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196 Australian Government, *Funding to demonstrate Blockchain technology’s potential to reduce compliance burden*. [Link](#).

197 The White House, *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth*. [Link](#).

198 Ibid.

199 The White House, *President Biden and G7 Leaders Launch Build Back Better World Partnership*. [Link](#).



Lord Livingston's Telecommunications Diversification Taskforce, which reported to the Government in April 2021, recommended that the UK set up a new international Digital Infrastructure Recommendations and Standards Alliance (DIRSA). Livingston suggested that DIRSA could seek to 'coordinate, influence and develop guidance for recommendations and standards within the relevant bodies' relating to the 'security, resilience, openness and interoperability of telecoms radio access equipment'.<sup>200</sup>

**‘Given the strengths of CPTPP countries in digital infrastructure, if the UK decides to proceed with the recommended DIRSA, it should seek to involve as many of the CPTPP countries as possible’**

Given the strengths of CPTPP countries in this area, if the UK decides to proceed with the recommended DIRSA, it should seek to involve as many of the CPTPP countries as possible. Indeed, coordinated action in this area is becoming all the more necessary with China increasingly pushing its 'New Internet Protocol' proposals at the UN's International Telecommunications Union, which could result in a centralised, authoritarian approach to international standards on internet governance.<sup>201</sup>

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200 Department for Digital, Culture, Media and Sport, *Telecoms Diversification Taskforce: findings and report*. [Link](#).

201 Madhumita Murgja and Anna Gross, *Inside China's controversial mission to reinvent the internet*. [Link](#).





# Conclusion

This report has highlighted the benefits brought by membership of CPTPP but also the challenges faced.

With a seat at the table of a new trading bloc in a region in which the UK has strong diplomatic, defence and economic ties, there is a huge opportunity for the UK to benefit – especially since this area is home to the world's fastest-growing economies.

With the international landscape more divided than at any point in the last 40 years, and the world economy recovering from an awful pandemic, it will be through international trade and cooperation that the great global recovery takes place. Initiatives and agreements such as CPTPP will help to strengthen existing ties, develop new relationships and build resilience to weather future storms.

**‘CPTPP is not the summit of the UK’s trade ambitions, but it will be the best example of the success that the UK can have outside of the European Union, and how we can help create a truly Global Britain’**

The Secretary of State for International Trade, Anne-Marie Trevelyan, has ambitiously declared that the ‘rest of the world’ is in her sights for new trade deals. Accession to CPTPP would be a major coup for the UK’s trading ambitions as well as demonstrating that we are an outward-looking, globally focused nation.

It is true that the Gross Value Add of UK membership to CPTPP is relatively limited, according to the Government’s modelling. But these numbers are not full forecasts, and do not reflect the development of existing agreements or future membership. Just as the benefits of NAFTA grew year on year from its creation, so too will those of CPTPP.

The UK has already surpassed the expectation of many in the signing of new trade agreements. The pace and speed at which we sign more is likely to continue unabated. Accession to CPTPP, if it happens in 2022 as hoped for, will be the jewel in the crown of trade deals.

It will bring with it growth, jobs, investment and greater opportunities for the UK economy. It will develop and enhance our diplomatic and defence networks. It will diversify our supply and demand chains. It will offer greater variety and trade harmonisation on a level previously unseen. It will allow the UK to play a greater role in a region that is only likely to become more integral to our growth and development.

CPTPP is not the summit of the UK’s trade ambitions, but it will be the best example of the success that the UK can have outside of the European Union, and how we can help create a truly Global Britain.



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