



Department for  
International Trade



**UK Accession to  
CPTPP: The UK's  
Strategic Approach**



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# Chapter 1: Strategic Case

## 1. Executive Summary

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- 1.1 Britain will shortly begin negotiations to join one of the largest free trade areas in the world; worth £9 trillion in GDP in 2019<sup>1</sup>, spanning Asia Pacific and the Americas, and including some of the world's biggest current and future economies.
- 1.2 Accession could see 99.9% of UK exports being eligible for tariff-free trade with CPTPP members.<sup>2</sup> Joining would secure lower tariffs for exports such as whisky and cars, which are in high demand in the Pacific region - 65% of the world's 5.4 billion middle class consumers are expected to be in Asia by 2030.<sup>3</sup> With CPTPP countries projected to account for 25% of global import demand for meat products by the end of the decade, this could for example mean more British beef and lamb to Vietnam and Mexico.<sup>4</sup>
- 1.3 CPTPP also greatly benefits Britain as the world's second-largest services exporter. It makes travel easier for business people moving between CPTPP countries, and goes further in areas of key UK interest, with advanced provisions that facilitate digital trade, modern rules on data that will help the UK's cutting-edge tech sector go global and enable more financial and professional services markets to be opened up.
- 1.4 Joining CPTPP puts Britain at the heart of a dynamic group of countries, as the world economy increasingly centres on the Pacific region. And as these economies grow, it is even more important that the UK is in a free trade agreement with them, so that we benefit from this growth. UK exports to current CPTPP countries are already set to increase by 65% by 2030, equating to £37 billion.<sup>5</sup> Joining CPTPP is expected to boost this growth even further, which means supporting more UK jobs.
- 1.5 The more CPTPP expands, the greater the benefits to the UK. And expansion is in its DNA – economies including the Philippines, Thailand, Taiwan, and Republic of Korea have all expressed an interest in joining. That's why we want a seat at the table now, as the first new member. Then we can help shape its future development as it grows.
- 1.6 CPTPP has strong rules against the unfair trade practices used by some countries, such as giving unreasonable advantages to state-owned enterprises, restricting imports for protectionist reasons, discriminating against foreign investors and unduly forcing companies to hand over their private information. These strong rules benefit British business. The UK joining CPTPP will help strengthen the international consensus against such practices.
- 1.7 CPTPP has high environmental, labour and other standards. Its rules commit members to, for example, have a minimum wage, allow the freedom of association, protect the marine environment and, crucially, to enforcing their own laws in such areas. CPTPP members then hold each other accountable for meeting these rules. CPTPP also affirms members' rights to regulate in their national self-interest, rather than forcing harmonisation on its members. This fits perfectly with Britain's strong rule of law and our need to set our own standards and regulations.

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<sup>1</sup> Global GDP is from IMF World Economic Outlook, April 2021 (accessed May 2021), and consumer markets is from the World bank development indicators (accessed May 2021).

<sup>2</sup> DIT analysis. Methodology and data sources described in the scoping assessment.

<sup>3</sup> 13 Kharas, H. (2017) 'The Unprecedented Expansion of the Global Middle Class', Global Economy and Development at Brookings, Brookings Institution [https://www.brookings.edu/wp-content/uploads/2017/02/global\\_20170228\\_global-middle-class.pdf](https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf) The global middle class is defined as households with per capita income between \$10 and \$100 a day in 2005 PPP terms.

<sup>4</sup> Calculations by volume of lamb, beef, poultry and pig meat from the OECD-FAO Agricultural Outlook 2020-2029. Dataset includes all CPTPP countries except Singapore and Brunei

<sup>5</sup> DIT analysis. Methodology and data sources described in the scoping assessment.

## 2. Creating opportunities and supporting jobs throughout the UK

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- 2.1 CPTPP members' economies accounted for £110 billion worth of UK trade in 2019 and the 2016-2019 annual growth in UK trade with CPTPP members was, on average, 8% a year.<sup>6</sup>
- 2.2 UK business and consumers have a growing desire to trade with this region, and accession will help us further increase trade with these economies, and enable the UK to build back better by bringing more opportunities for our businesses and supporting jobs for our people.
- 2.3 There are significant potential benefits for UK business and consumers from accession to CPTPP. No model can capture the full range of real-world potential benefits and impacts. CPTPP is a strategically significant expanding agreement where UK exports to members are already set to increase 65% by 2030 (from £57 billion to £94 billion). Static economic modelling suggests that there could be an increase in UK GDP of £1.8 billion in the long run.<sup>7</sup> However, this increase is not an economic forecast: it shows the added growth over and above future trends.<sup>8</sup>
- 2.4 Accession will only build on this and provide greater options for business through increased and more secure access to a diverse range of markets. Increased access would help UK companies source competitive imports and bring benefits for the UK in terms of higher wages, which could increase by an additional £800million in the long run, and improved productivity.<sup>9</sup>
- 2.5 We currently have bilateral FTAs with seven out of the eleven CPTPP signatories, but as the table below shows, the CPTPP provisions go beyond the provisions of those agreements, which largely replicate the terms of EU FTAs, in many areas. However, accession to CPTPP also offers something fundamentally different, creating the opportunity to continue widening our trading links over time across Asia-Pacific and the Americas as new members join, diversifying our supply chains and bolstering our economic resilience.

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<sup>6</sup> ONS UK Trade all countries, non-seasonally adjusted, July to September 2020

<sup>7</sup> DIT analysis described in the scoping assessment.

<sup>8</sup> DIT analysis described in the scoping assessment.

<sup>9</sup> DIT, Scoping Assessment for UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The long run is generally assumed to mean 15 years from accession to the agreement.

### Areas where CPTPP goes further than existing bilateral FTAs

	AUS <sup>1</sup>	BRU	CAN <sup>2</sup>	CHL	JPN	MY	MX <sup>3</sup>	NZ <sup>4</sup>	PR	SG	VN
National Treatment and Market Access for Goods											
RoO and Origin Procedures											
Textiles and Apparel											
Customs											
Trade Remedies											
SPS											
TBT											
Investment											
Services											
Financial Services											
Temporary Entry for Business Persons											
Telecommunications											
Electronic Commerce											
Government Procurement											
Competition											
State Owned Enterprises											
IP											
Labour											
Environment											
Cooperation and Capacity Building											
Competitiveness and Business Facilitation											
Development and Women's Economic Empowerment											
SMEs											
Regulatory Coherence											
Transparency and Anti-corruption											
Dispute settlement											

1, 4 – We are in the process of negotiating new FTAs with Australia and New Zealand

2, 3 – We will soon be commencing new negotiations for new FTAs with Mexico and Canada.

2.6 The government is committed to using our trade policy to create local jobs in all parts of the UK. Capturing the benefits of global trade opportunities will be vital in supporting job creation, wage growth and levelling up the economy across the UK. Our analysis shows that every nation and region of the UK is expected to benefit from UK accession to CPTPP, building on the strong appetite that already exists, with each region of the UK exporting over £1 billion worth of goods to CPTPP members in 2019.<sup>10</sup> This includes £3.1 billion worth of exports from the East Midlands, £2.4 billion from Scotland, and £2 billion from the North West.<sup>11</sup>

### 2.7 Removing Barriers to Trade in Goods

2.7.1 Almost 90% of world growth is expected to be outside the EU over the next 5 years and 65% of the world's 5.4 billion middle class consumers are expected to be in Asia by 2030.

<sup>10</sup> DIT, Scoping Assessment for UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

<sup>11</sup> ONS, UK regional trade in goods statistics: fourth quarter 2020

- 2.7.2 CPTPP member countries will be an important component of that growing global economy. The consumer preferences of this increasingly important middle class will dovetail with goods and services that Britain excels at producing. The CPTPP grouping includes a blend of advanced and emerging economies and is already an important source of demand for high quality British products now – with an estimated 100 million people with incomes in line or greater than the UK average in 2019<sup>12</sup> – and that will grow as some of the emerging economies within its membership grow rapidly.<sup>13</sup>
- 2.7.3 Demand for imports from members is projected to rise by two thirds by 2030, to just under \$6 trillion.<sup>14</sup> As the members become richer, that demand will have increasing focus on the high-value goods and services that the UK excels at producing.
- 2.7.4 The expanding middle class creates huge opportunities for British firms selling quality and iconic products, as well as professional, business, and financial services, to aspirational consumers around the globe. This includes the British brands that have done well in the Pacific region already like Deliveroo, Diageo and Standard Chartered.
- 2.7.5 There is also growing appetite amongst these consumers for more high-quality meat products, for example, with agri-food imports for CPTPP growing at twice the rate of the EU. With CPTPP countries projected to account for 25% of global import demand for meat products by the end of the decade, this could also mean more British beef and lamb seen in supermarkets across Asia Pacific and the Americas.
- 2.7.6 Accession could also see 99.9% of UK exports being eligible for tariff-free trade with CPTPP members and a reduction in other barriers to trade across four continents including:
- A faster or greater reduction of tariffs on key goods like cars to Canada, cheese to Chile, textiles to Vietnam and beverages to Malaysia.
  - Rules of origin that allow inputs from any member country within CPTPP to count as ‘originating’. 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. For example, the UK automotive sector, which employs 164,000 people, exported £3 billion in cars to the 11 CPTPP member countries in 2019.<sup>15</sup> Our economic analysis suggests that accession could increase exports in the automotive sector. Cars made in the UK would for example be able to use more Japanese or Mexican parts when exporting to CPTPP members and still qualify for lower tariffs or vice versa.<sup>16</sup>

## 2.8 New opportunities for UK services businesses

- 2.8.1 As the world’s second largest services exporter, the opportunities for UK start-ups and established firms alike will increase as services continue to become more global.<sup>17</sup> A modern trade agreement like CPTPP, which sets ambitious rules for services trade between members, can help UK companies looking to grow their businesses in this region. Services sectors such as transport and delivery would also support the growth in goods trade between continents.
- 2.8.2 Joining CPTPP will also provide legal certainty for UK service suppliers, who exported £28.8bn worth of services to CPTPP members in 2019.<sup>18</sup> Membership will tackle barriers which prevent or hinder UK companies providing services in these markets and ensure they are treated no less favourably than local firms. These include:
- A reduction in barriers to investments which will create new opportunities for UK investors looking to invest in the region and protect £107bn worth of existing UK investment in CPTPP member markets.<sup>19</sup>
  - Easier travel for UK business people between CPTPP members through clearer visa requirements and application processes.
  - CPTPP’s dedicated financial services chapter also has provisions which open up financial services markets between members while ensuring CPTPP members can regulate their own markets appropriately.

12 Defined as the approximate number of people with per capita income above \$40k per year (in nominal terms) by combining estimates of income distributions within each country with GDP per capita and population in 2019. Source: IMF WEO, UN World Income Inequality Database.

13 Kharas, H. (2017) ‘The Unprecedented Expansion of the Global Middle Class’, Global Economy and Development at Brookings, Brookings Institution [https://www.brookings.edu/wp-content/uploads/2017/02/global\\_20170228\\_global-middle-class.pdf](https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf) The global middle class is defined as households with per capita income between \$10 and \$100 a day in 2005 PPP terms.

14 DIT analysis described in the scoping assessment

15 BEIS, [Business population estimates 2020](#) and ONS, [UK trade: January 2021](#).

16 DIT, Scoping Assessment for UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

17 The World Bank, [Service exports \(BoP, current US\\$\)](#). In 2019, the UK were the second largest services exporter behind only the US.

18 ONS, UK total trade: all countries, non-seasonally adjusted

19 DIT calculations using ONS Foreign Direct Investment involving UK companies data. An ONS FDI ad-hoc data release is used to provide the latest FDI data for CPTPP where it is unavailable in the main ONS release.

- 2.8.3 Digitally delivered services from the UK to CPTPP were worth £18.7 billion in 2019.<sup>20</sup> CPTPP sets modern rules for digital trade across all sectors of the economy supporting UK businesses seeking new opportunities in member markets. The comprehensiveness and depth of CPTPP's Electronic Commerce chapter provides an excellent platform for the UK to help shape the emerging digital trading rulebook with influential partners and support British businesses of all sizes. Of our bilateral agreements with CPTPP members, only the comprehensive digital provisions the UK agreed Japan last year compare with those in CPTPP.
- 2.8.4 CPTPP, unlike EU deals with the other members, includes provisions that support free and trusted cross-border data flows by addressing unjustified barriers to data flows and restricting unnecessary data localisation, whilst ensuring the UK can maintain high standards of protection for individuals' personal data. Secure and reliable exchange of data across borders is relevant to any business that engages in cross-border transactions, for example using the internet to produce and deliver goods and services. This reduces hidden costs of trade for UK business – a significant barrier for SMEs.

## 3. Championing rules-based free and fair trade

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### 3.1 A dynamic agreement for a dynamic region

- 3.1.1 Accessing to the CPTPP supports a core objective of the government's March 2021 Integrated Review, which committed to pursuing deeper engagement in the Indo-Pacific in support of shared prosperity, security, and regional stability. The Indo-Pacific is the world's growth engine: home to half the world's people; 40% of global GDP<sup>21</sup>; and some of the fastest-growing economies and at the forefront of new global trade arrangements. It will also be the crucible for many of the most pressing global challenges – from climate and biodiversity to maritime security and geopolitical competition linked to rules and norms. Accessing to the CPTPP will help the UK engage more deeply with the region, from a trade and wider foreign policy perspective.
- 3.1.2 CPTPP already covers important and influential countries in the Indo-Pacific and the Americas, and it is an agreement designed to expand. If it grew to include the UK, Taiwan, Thailand, and Republic of Korea, for example, it would cover over 19% of 2019 global GDP.<sup>22</sup> This could rise further if the other countries that have expressed public interest in accession also joined. This expansion would see CPTPP's modern trade rules become applied more broadly, amplifying its impact globally.
- 3.1.3 Potential expansion also means that now is the right time for the UK to join. As a CPTPP member, the UK would have the ability to consider the application of aspirant economies. We would only ever support applicants who meet CPTPP's high standards on rules-based free and fair trade.

### 3.2 Promoting and protecting our high standards

- 3.2.1 Accession to CPTPP would help to secure our future place in the world in a network of countries committed to free and rules-based trade. It would send a powerful signal that the UK as an independent trading nation will continue to champion free and fair trade, fight protectionism, and remove barriers to trade at every opportunity.
- 3.2.2 CPTPP will bring us together with a group of economies promoting free trade and high standards, in a region where the contest between rules-based trade and unfair practices is particularly intense. CPTPP contains, for example, strong intellectual property protections, provisions that support free and trusted cross-border data flows and measures to tackle the market-distortive practices of State-Owned Enterprises.
- 3.2.3 Joining CPTPP also gives the UK a new and powerful means of engaging countries with a combined population of 500 million<sup>23</sup> on trade-related issues such as development, women's economic empowerment, environment and climate change and labour standards.
- 3.2.4 CPTPP has mechanisms such as a Committee on Development which focuses on promoting inclusive economic growth for all members, a Committee on the Environment which supports the implementation of environmental provisions including cooperation, and a Labour Council which supports the implementation of labour provisions, which

<sup>20</sup> DIT Calculations using ONS 'Trade in services by modes of supply, UK: 2019'; The data also does not include data on Brunei, Peru, and Vietnam. Note that this data is experimental, and methodology used to compile the data are subject to future improvements.

<sup>21</sup> World Bank, World Development Indicators, 2019 data, accessed April 2021

<sup>22</sup> IMF World Economic Outlook, April 2021

<sup>23</sup> IMF World Economic Outlook, April 2021



ensure protections relating to freedom of association, minimum wages, and elimination of forced and child labour. These mechanisms work alongside the CPTPP Commission to uphold the obligations of signatories as well as to promote priority issues in these areas and we hope to work in partnership with business, NGOs, and trade unions to maximise these opportunities.

- 3.2.5 As with other trade agreements, accession to CPTPP will not come at the expense of other key Government policies. Protecting the NHS is a fundamental principle of our trade policy. Our commitment to this will not change during our negotiations to accede to CPTPP. Our position is definitive: the NHS, its services and the price it pays for medicines are not on the table. They are not, and never will be, for sale to the private sector, whether overseas or domestic.
- 3.2.6 Similarly, British agri-food produce is renowned for its quality and is highly competitive in the global marketplace. We want trade deals that open new opportunities to export it to some of the world's biggest consumer markets in Asia-Pacific and the Americas. But this will never come at the expense of our high standards. The UK's accession to CPTPP will be on terms which are right for UK companies, consumers, and farmers as well as ensuring our right to maintain our food safety, environmental protection, and animal welfare standards.
- 3.2.7 The government is committed to transparency, and we will ensure that parliamentarians, Devolved Administrations, UK citizens, and businesses have access to information on our trade negotiations. DIT will draw on the expertise of parliamentarians and will continue to provide them with regular open briefings on progress of negotiations and will engage closely with the International Trade Committee and the House of Lords International Agreements Committee. In addition, the Trade and Agriculture Commission will provide independent advice, which will be laid before Parliament, providing a layer of additional independent scrutiny of the final deal for Parliamentarians and stakeholders. This will ensure Parliament is appropriately involved as we deliver our new independent trade policy.

## 4. Structure of this document

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- 4.1 The outline approach published in Chapter 2 sets out the UK's overall objectives for these accession negotiations. These objectives are informed by one of the biggest consultations ever undertaken with the UK public, businesses and civil society, covering trade with the US, Australia, New Zealand, and our potential accession to the CPTPP. Our response to the consultation on CPTPP can be found in Chapter 3, and DIT's Scoping Assessment for UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in Chapter 4.

# Chapter 2: Outline Approach

## Overall objectives

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- Agree the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on terms and conditions that are compatible with the UK's broader interests, domestic priorities, and national interest.
- Deepen the UK's access to a group of 11 economies with a shared commitment to lowering trade barriers and raising global standards, including fast-growing markets and projected major economies of the future such as Mexico, Malaysia, and Vietnam. Through this deeper access, create new opportunities for UK businesses, supporting jobs and driving economic growth at home.
- Send a powerful signal to the rest of the world that the UK as an independent trading nation will continue to champion free and fair trade, fight protectionism, and remove barriers to trade at every opportunity.
- Support our strategic priorities on trade and innovation, through established CPTPP co-operation mechanisms and institutional structures. Implement a regional trade policy that responds to market developments and strengthens supply and value chains that facilitates trade and investment.
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection and net zero commitment, labour protections, animal welfare and food safety standards.
- Protecting the National Health Service (NHS) is a fundamental principle of our trade policy, and our commitment to this will not change during our negotiations to accede to CPTPP. The UK will ensure that the terms we sign up to uphold the government's manifesto commitment that the NHS, its services, and cost of medicines are not on the table.

The following sections set out some of the key CPTPP provisions in each area of the agreement and how the UK might benefit from them.

## 1. Trade in Goods

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### 1.1 Goods Market Access

- 1.1.1 Ambitious tariff liberalisation made by CPTPP members that remove tariffs on 95% of the goods traded between them.
- 1.1.2 A single set of rules of origin that define whether a good is "originating", which could help UK exporters access the preferential tariffs provided by CPTPP.
- 1.1.3 Rules of origin requirements that allow content from any CPTPP member to count as 'originating', which could help diversify our supply chains and increase our economic resilience.

### 1.2 Customs and Trade Facilitation

- 1.2.1 CPTPP provisions support UK objectives in facilitating efficient and transparent customs procedures that minimise costs and administrative burdens for businesses as well as keeping processes predictable at the border. Provisions on customs administration and trade:
  - Set a 48-hour target for the release of goods once received by customs authorities.
  - Support the automation of customs paperwork.
  - Ensure mechanisms for review of customs decisions.
  - Enhance protection of trader information.
  - Enhance cooperation between CPTPP members' customs agencies.

### 1.3 Technical Barriers to Trade (TBT)

- 1.3.1 CPTPP provisions in this area facilitate greater transparency and information-sharing among Parties supporting UK objectives by helping ensure that Parties are better informed about the development of technical regulations in other Parties, and better able to communicate with each other once these technical regulations are in place.
- 1.3.2 Unlike EU membership, CPTPP provisions do not require regulatory harmonisation, and nor do they reduce the ability for the UK to set its own regulations.
- 1.3.3 This chapter could make it easier for UK manufacturers to export to CPTPP members, by:
- Promoting information exchange, helping to ensure businesses are better informed of how UK trade interests might be affected by new proposals for technical regulations and Conformity Assessment Procedures.
  - Promoting cooperation in regulatory practices, which is expected to help ensure that UK trade is not interrupted by burdensome regulatory changes.
  - Encouraging transparency and openness in the development of new technical regulations and standards.
  - Facilitating trade by providing mechanisms for Parties to address specific trade issues, with the aim of reducing or eliminating unnecessary Technical Barriers to Trade.
- 1.3.4 There are seven sectoral annexes: wine and distilled spirits, ICT, pharmaceuticals, cosmetics, medical devices, proprietary formulas for pre-packaged foods, and organic products, which aim to further reduce barriers to trade and could therefore deliver additional benefits for UK exporters of these products.

### 1.4 Sanitary and Phytosanitary Standards (SPS)

- 1.4.1 CPTPP provisions on SPS measures help ensure market access gains are not undermined by unjustified restrictions. These provisions retain the rights of members to regulate for their own appropriate levels of protection, which includes their right to impose restrictions on unsafe goods in order to protect human, animal, and plant life and health.
- 1.4.2 We will ensure that accession negotiations with CPTPP members support UK objectives on upholding high levels of public, animal, and plant health, including food safety. We will not sign trade deals that compromise our high environmental protections, animal welfare and food standards. We are a world leader in these areas and that will not change.

## 2. Trade in Services

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### 2.1 Modern rules for services

- 2.1.1 CPTPP contains modern rules governing trade in services, including key UK exports such as professional and business services and financial services. These modern rules remove barriers to market access and ensure UK services and service suppliers will be treated no less favourably than local services and service suppliers as well as those from any other CPTPP member or third country.
- 2.1.2 CPTPP could support progressive liberalisation over time enabling UK services suppliers to benefit from improved market access conditions after accession.
- 2.1.3 Membership could also facilitate further liberalisation through the recognition of qualifications.

### 2.2 Public Services

- 2.2.1 We will ensure accession negotiations support UK objectives on the NHS and protect the right to regulate public services, including public service broadcasters.
- 2.2.2 We will ensure decisions on how to run public services are made by UK Governments, including the devolved administrations (DAs), and not our trade partners.
- 2.2.3 Protecting the NHS is a fundamental principle of our trade policy. The NHS, its services and the cost of medicine are not on the table. Our commitment to this will not change during our negotiations to accede to CPTPP.

## 2.3 Business Mobility

- 2.3.1 CPTPP provisions support UK objectives by facilitating easier travel for business people between CPTPP members through clearer visa requirements and application processes. This could increase opportunities for UK service providers and investors to operate in CPTPP markets.

## 2.4 Financial Services

- 2.4.1 CPTPP's high standard chapter on financial services could expand opportunities for UK financial services and ease frictions to cross-border trade and investment.
- 2.4.2 This chapter provides additional legal certainty for industry and opens up financial services markets between members while ensuring that CPTPP members retain the ability to regulate financial markets and institutions for legitimate public policy purposes, and to take emergency measures in the event of crisis.
- 2.4.3 It includes provisions that help encourage more dynamic business models, such as provisions on the performance of back-office functions, restrictions on residency requirements, and measures that help liberalise cross-border trade.

## 2.5 Digital Trade (E-Commerce)

- 2.5.1 CPTPP contains cutting-edge provisions which maximise opportunities for digital trade across all sectors of the economy. These provisions:
  - 2.5.2 Facilitate the free flow of data and include provisions to prevent unjustified data localisation requirements, whilst committing all parties to provide a legal framework for the protection of personal data.
  - 2.5.3 Enable the UK to maintain its high standards of data protection, as set out in the Data Protection Act 2018 and UK GDPR.
  - 2.5.4 Support the reduction or abolition of business and consumer restrictions relating to accessing CPTPP markets.
  - 2.5.5 Ensure customs duties are not imposed on electronic transmissions.
  - 2.5.6 CPTPP promotes a world-leading eco-system for digital trade that supports businesses of all sizes across the UK.
  - 2.5.7 We will ensure that through accession negotiations with CPTPP that justified scrutiny of software is possible where necessary, including to ensure that the government maintains its ability to protect users from emerging online harms.

## 2.6 Telecommunications

- 2.6.1 CPTPP provisions support UK objectives by promoting regulatory transparency, non-discriminatory treatment and fair access to telecommunications networks and infrastructure, which enable effective market access and competition for UK suppliers operating in the CPTPP member countries.
- 2.6.2 CPTPP includes provisions requiring member states to work cooperatively to promote reasonable international roaming rate, securing greater accessibility and connectivity for UK consumers and businesses across CPTPP member countries.

## 2.7 Investment

- 2.7.1 CPTPP provisions support UK objectives by reducing barriers to overseas investment, making it easier for UK investors to establish and operate investments in CPTPP members.
- 2.7.2 The Investment chapter provides investors with guarantees on the treatment they will receive when accessing and operating in CPTPP member markets, and a modern, transparent mechanism to seek independent legal redress should they not receive this treatment.
- 2.7.3 We will protect the UK's right to regulate in the national interest, to achieve public policy objectives and, as stated above, to continue to protect the NHS.
- 2.7.4 The agreement provides protections for the UK's right to regulate for public policy purposes, and the UK reaffirms its right to regulate in the public interest, including for public health objectives.

## 2.8 Intellectual Property (IP)

- 2.8.1 CPTPP builds on the multilateral IP framework and sets coherent and consistent IP standards and rules across the region, benefitting businesses and consumers. These standards represent a baseline on which parties can build, and the UK's accession to CPTPP will not limit our ability to seek more ambitious trade agreements with others, including those that are CPTPP members.
- 2.8.2 The UK's IP regime achieves an effective balance between rewarding creators and innovation and reflecting wider public interests such as ensuring access to and use of IP on reasonable terms. We will ensure that the terms of UK accession to CPTPP are consistent with the UK's IP interests. This includes not doing anything which increases medicine costs for the NHS or is inconsistent with the UK's obligations under the European Patent Convention (EPC).

## 3. Competition

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- 3.1 The ambitious provisions in CPTPP support UK objectives by providing effective competition law and enforcement that promotes open and fair competition for firms at home and in CPTPP member countries, including the protection of consumers from deceptive and fraudulent commercial activities.
- 3.2 They provide for transparent and non-discriminatory competition laws, with strong procedural rights for businesses and people under investigation.

## 4. State Owned Enterprises (SOEs)

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- 4.1 This chapter provides for open and fair competition by ensuring SOEs do not receive certain trade distortive subsidies and SOEs and designated monopolies do not discriminate in their purchase and sale of goods and services. This will help UK firms operating in CPTPP member countries to compete fairly with SOEs.
- 4.2 We will ensure that the small number of UK SOEs, particularly those providing public services, can continue to operate as they do now.

## 5. Government Procurement

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- 5.1 CPTPP provisions support UK businesses operating in CPTPP member markets by ensuring they receive fair and non-discriminatory treatment when competing for the procurement opportunities covered by each party's schedules.
- 5.2 The government Procurement chapter reflects our WTO commitments, and provides for the transparency and accessibility of procurement information, tackling corruption and facilitating participation of SMEs in government procurement.
- 5.3 We will ensure appropriate protections remain in place for key public services such as NHS health and care services and broadcasting.

## 6. Disputes

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- 6.1 The state-to-state dispute settlement mechanisms support UK objectives with mechanisms that promote compliance with the agreement, that ensure state-to-state disputes are dealt with consistently, fairly and in a cost-effective, transparent, and timely manner whilst providing predictability and certainty for businesses and stakeholders.

## 7. Remedies

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- 7.1 The CPTPP Trade Remedies chapter supports UK objectives by facilitating trade liberalisation whilst providing a safety net for UK businesses against injury caused by dumped, subsidised or unexpected surges of imports of goods.
- 7.2 CPTPP reaffirms our WTO commitments, and provides for the application of anti-dumping, countervailing, global safeguard, and transitional safeguard measures in a transparent, efficient, impartial, and proportionate manner.

## 8. Small and Medium Enterprises (SMEs)

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- 8.1 CPTPP supports UK objectives by helping UK SMEs to seize the opportunities of trade through its dedicated SME chapter, which:
  - Creates a free and publicly accessible website to ensure SMEs have easy access to the information necessary to take advantage of trade opportunities created.
  - Facilitates co-operation between the UK and CPTPP members through a dedicated SME committee that reviews the operation of the SME chapter and provides recommendations to help SMEs access and fully benefit from the opportunities created by CPTPP.

## 9. Sustainability

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- 9.1 CPTPP members reaffirm their commitments to international environmental and labour standards and make commitments in relation to the protection of the ozone layer, biodiversity, forestry, fisheries, as well as on workers' rights including on freedom of association and elimination of forced and child labour. Additionally, CPTPP requires members to adopt and maintain regulations in accordance with international standards governing acceptable conditions of work, including on minimum wages.
- 9.2 CPTPP provisions support UK objectives by prohibiting Parties from waiving, derogating from, and failing to enforce, environment and labour laws to encourage trade or investment. These provisions ensure CPTPP members must maintain standards on these important issues.
- 9.3 The UK's ambition is to be a constructive member of CPTPP and participate enthusiastically in its sustainability-related fora, using stakeholders' expertise. As part of this, the UK will work with partners to support our mutual objectives to tackle climate change, including our commitments under the Paris Agreement.

## 10. Transparency and anti-corruption

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- 10.1 CPTPP will provide certainty for UK businesses and investors through promoting existing transparency provisions in legislative and administrative decision-making, particularly with regards to the publication of measures (such as laws and regulations) affecting trade and investment, public consultation, and the right of appropriate review of these measures.
- 10.2 CPTPP provisions support UK objectives by addressing the trade distorting effects of corruption on global trade and fair competition. CPTPP requires members to criminalise corrupt behaviour affecting international trade or investments.
- 10.3 The UK will not be signing up to any provision that would have an impact on the cost of medicines on the NHS.

## 11. Good Regulatory Practice and Regulatory Co-operation

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- 11.1 The UK seeks to benefit from CPTPP provisions which reduce regulatory obstacles and facilitate market access for UK business and investors in CPTPP members. Parties commit to cooperating on issues of core Good Regulatory Practice through mechanisms like information exchanges, dialogues, or strengthening cooperation between the Parties' regulatory agencies.

## 12. Trade and Development

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- 12.1 The CPTPP Development chapter is a leading example of how development commitments and cooperation provisions can be included within a regional trade agreement. It provides scope for a range of potential joint development activities, while setting out high level aims and mechanisms for cooperation.
- 12.2 The UK's ambition is to be a constructive member of CPTPP, helping to maximise the development benefits of the agreement for all members, including developing countries in the Indo-Pacific region. This will support UK development objectives.

## 13. Trade and Women's Economic Empowerment

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- 13.1 The UK values the Women and Economic Growth article of CPTPP as a way to improve women's ability to fully access the benefits of this agreement.
- 13.2 The UK's ambition is to be a constructive member of CPTPP and will seek additional opportunities to advance women's economic empowerment through its cooperation and capacity building provisions.

## 14. General Provisions

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- 14.1 CPTPP contains a standard set of institutional and other provisions, exceptions, that facilitate the efficient operation and implementation of the agreement and give the Parties flexibility to protect legitimate domestic priorities.

## 15. Territorial Application

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- 15.1 CPTPP will apply to all four constituent nations of the UK, taking into account the effects of the Protocol on Ireland/Northern Ireland to the EU Withdrawal Agreement.
- 15.2 We will seek appropriate coverage of the agreement to the Crown Dependencies and Overseas Territories

# Chapter 3: Public consultation on potential UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership: Government response

## Introduction

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### 1. Consultation background

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- 1.1 On 20 July 2018, the Department for International Trade (DIT) launched a public consultation seeking views on the potential accession to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The public consultation closed on 26 October 2018 after 14 weeks.
- 1.2 There were 149,968 responses received in total on this consultation. 149,558 individual responses were submitted by campaigning groups; of these, 52,396 respondents included specific individual comments in addition to the campaign's proposed template response. The remaining 410 non-campaign respondents were categorised into five groups: (1) individuals – 196 responses, (2) businesses – 62 responses, (3) business associations – 36 responses, (4) non-government organisations (NGOs) – 27 responses, (5) public sector bodies – 7 responses.
- 1.3 You can read a full breakdown of responses in our [summary of responses](#), including those by specific campaign groups. Respondents identified a wide range of priorities for CPTPP accession and their feedback was summarised and grouped according to the 15 policy areas outlined in the consultation.
- 1.4 The issues raised by campaign responses have been responded to in our [summary of responses](#) published 18 July 2019. They are also addressed in the relevant chapter sections in this document, as well as the cross-cutting section that follows. These responses focused on protection for the NHS, worker and labour standards, food safety standards, the inclusion of ISDS and the importance of transparency and scrutiny.
- 1.5 This document sets out the government's response to the [public consultation](#) on CPTPP accession negotiations. All points raised were analysed and continue to inform the government's overall approach to our future trading relationship with CPTPP, including our approach to negotiating a future Free Trade Agreement. Details that might prejudice the government's negotiating position are not included in this response. We will continue to draw on consultation responses to inform the government's policies during negotiations.
- 1.6 The government is committed to pursuing a trade policy which is inclusive and transparent. Furthermore, we will continue to engage as collaboratively as possible with a wide range of stakeholders as we look ahead to commencing negotiations.
- 1.7 Since the launch of the consultation on CPTPP, the Department for International Trade has continued to develop its approach to stakeholder engagement to ensure that the Department maintains a consistent dialogue with stakeholders. We have already engaged hundreds of



businesses, NGOs and trade unions and the overwhelming majority of these stakeholders have shown support for accession. We will continue to work with stakeholders to understand concerns and ensure that our negotiations benefit businesses and consumers across the UK.

- 1.8 The development of our Outline Approach to negotiations has taken into account this ongoing engagement with stakeholders. A policy response to the feedback gathered during the public consultation is provided below.

### 1.9 Policy response

1.9.1 This section contains the government's explanation of its policy in relation to the comments raised by respondents in the public consultation on trade negotiations as detailed in the CPTPP: [summary of responses](#) document, outlining the government's position on each of the 15 policy areas covered and how this has informed the negotiating objectives set out in [Chapter 2](#).

1.9.2 The public consultation on CPTPP: [summary of responses](#) document contains a full summary of what respondents said regarding the policy areas below. Relevant page numbers for that document are included in each of the corresponding policy sections.

1.9.3 The policy areas are:

- Tariffs
- Rules of origin (RoO)
- Customs procedures
- Services
- Digital
- Product standards, regulation and certification
- Sanitary and phytosanitary (SPS) measures
- Competition
- Government (public) procurement
- Intellectual property (IP)
- Investment
- Sustainability
- Trade remedies
- Dispute settlement
- Small and medium-sized enterprise (SME) policy
- Other policy issues raised by respondents

## 2. Tariffs

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- 2.1 Overall, respondents were generally receptive with many perceiving that potential CPTPP accession could lead to the lowering or removal of tariffs. Some respondents expressed concern that UK tariff reductions could increase competition and risk compromising standards.

### 2.2 Policy explanation

2.2.1 CPTPP removes tariffs on 95% of goods traded between members and reduces other barriers to trade across four continents. The UK already has free trade agreements with some CPTPP members, but joining the free trade area, which covered almost £9 trillion of GDP in 2019, will improve access to members' markets for vital UK industries like food and drink and the automotive sector. It will also create new opportunities in forward-leaning areas like digital, data, and across services, ultimately creating high-value jobs across the United Kingdom and helping the country build back better from COVID-19.

## 3. Rules of Origin

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- 3.1 Overall, respondents highlighted as a priority the issue of compatibility with the future UK-EU relationship and pointed to the opportunity to simplify administrative processes around RoO. A minority of respondents raised concerns about non-CPTPP member countries circumventing RoO to gain preferential market access (through CPTPP members) to the UK.

### 3.2 Policy explanation

- 3.2.1 RoO are used to determine the 'economic nationality' of a good, and in FTAs their purpose is to ensure that it is the traders of the Parties to the agreement that benefit from tariff reductions. Where the UK also has a bilateral FTA in place with that partner, traders could choose which agreement they wish to trade under, and rules of origin may be a factor in that decision. The CPTPP RoO notably allow content from any country within CPTPP to count as 'originating', which could help UK exporters qualify for preferential tariffs. Access to preferential tariffs is facilitated by the fact that CPTPP allows traders to self-declare origin.
- 3.2.2 It is normal for different FTAs to contain different rules of origin, so there are no CPTPP and UK-EU TCA compatibility issues. The CPTPP RoO could help UK businesses diversify and expand supply chains across the CPTPP region in the future.
- 3.2.3 Under the agreement, only goods originating in CPTPP members as determined by the rules of origin would qualify for preferential access to the UK. HMRC has a strong track record in tackling all kinds of avoidance, evasion, and non-compliance, including ensuring that preferential origin is correctly claimed.

## 4. Customs procedures

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- 4.1 Overall, respondents raised wanting to keep trade as frictionless as possible with CPTPP members through streamlined customs procedures, including reducing border delays.

### 4.2 Policy explanation

- 4.2.1 The CPTPP provisions on customs administration and trade facilitation promote efficient and transparent customs procedures that minimise costs and keep processes predictable at the border. Measures aimed at improving the experience at the border for traders include setting an aim of 48-hours for release of goods once received by customs authorities; strengthening commitments on automation of customs paperwork; ensuring mechanisms for review of customs decisions and enhanced protection of trader information. Further, the agreement seeks enhanced cooperation between CPTPP members' customs agencies, in order to address barriers faced by UK exporters in CPTPP markets.

## 5. Services

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- 5.1 Respondents highlighted various priorities and concerns for services sectors, such as digital, legal, environmental, financial and public services, including the recognition of professional qualifications which are addressed in those sections.

### 5.2 Policy explanation

- 5.2.1 CPTPP sets modern rules governing trade in services, including key UK exports such as professional and business services and financial services. These modern rules remove barriers to market access and ensure UK services and service suppliers will be treated no less favourably than local services and service suppliers, as well as those from any other CPTPP member or third country. A professional services annex encourages recognition of professional qualifications, which could allow UK businesses to expand into the Asia-Pacific region and increase business opportunities in sectors such as legal services and engineering.
- 5.2.2 Protecting the National Health Service (NHS) is a fundamental principle of our trade policy. The government has been clear that when we are negotiating trade agreements, the NHS, its services and the cost of medicines are not on the table. Our commitment to this will not

change during our negotiations to accede to CPTPP. The government will also continue to ensure that decisions about public services are made by the UK Government and the Devolved Administrations, not by our trade partners.

- 5.2.3 CPTPP has a high standard chapter on financial services that provides bespoke consideration for this economically important sector. This agreement includes provisions that help encourage more dynamic business models, provide legal certainty for industry and that help liberalise cross-border trade in financial services. These are issues that can benefit the UK and provide a useful framework for UK financial services firms trading in the region. The chapter also protects the UK's ability to regulate financial markets and institutions for legitimate public policy purposes and can serve as a good foundation for dialogue on financial services issues.

## 6. Digital

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- 6.1 Overall, the most common digital theme raised in the feedback was data protection and data security measures between the UK and CPTPP. Respondents, in general, supported the prevention of data localisation and enabling cross border data flows.

### 6.2 Policy explanation

- 6.2.1 Acceding to CPTPP would demonstrate the UK's commitment to ambitious digital trade provisions which offer meaningful outcomes for UK businesses and consumers. The comprehensiveness and depth of CPTPP's E-Commerce chapter provides an excellent platform for the UK to help shape the emerging digital trading rulebook with influential partners and support businesses of all sizes across the UK. There are new opportunities for the UK, as the UK has currently only agreed such comprehensive digital provisions with Japan, out of all the members in CPTPP.
- 6.2.2 CPTPP supports the UK's commitment to facilitate the free flow of data whilst ensuring the UK's high standards of personal data protection are maintained. Indeed, the UK is committed to maintaining high standards of protection for personal data, including when it is transferred across borders. UK data protection standards - enshrined in the Data Protection Act 2018 and UK GDPR - will not be lowered as a result of the deal.
- 6.2.3 The inclusion of data flow provisions in trade agreements ensure that unnecessary restrictions are not placed on cross-border data flows, ensuring data flows support businesses and trade.
- 6.2.4 Nonetheless, under UK law, personal data cannot be sent outside of the UK unless the conditions for transfers in the UK GDPR are satisfied. There are a number of tools available for businesses to transfer personal data internationally, including adequacy and various transfer mechanisms, which ensure that data protection standards are not undermined. No provision in FTAs will circumvent this requirement.

## 7. Technical Barriers to Trade

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- 7.1 Respondents highlighted a variety of linked points. Many of these focused on the need for the UK to set its own regulatory frameworks, with a view to delivering high quality products for both consumption in the UK, and export overseas. The comments also reflected a desire to ensure that imports to the UK meet the UK's standards. The potential opportunity for the UK to influence the development of international standards was also frequently raised.
- 7.2 Some respondents referenced the role of international standards and technical regulations, and the role that they play in product compliance.

### 7.3 Policy explanation

- 7.3.1 CPTPP facilitates greater transparency and information-sharing among members, helping ensure that members are better informed about the development of technical regulations in other Parties, and better able to communicate with each other once these technical regulations are in place. For example, the treaty provides details regarding how members should notify proposals for new technical regulations and conformity assessment procedures, and how much notice other members can expect to see before these come into force.

- 7.3.2 For some named sectors, the TBT Chapter encourages collaboration through relevant international organisations, such as those aimed at global harmonisation, to help create greater coherence across regulatory activity in the given areas.
- 7.3.3 CPTPP provisions do not require regulatory harmonisation, nor do they reduce the ability for the UK to set its own regulations for public health, patients, consumers and the environment.
- 7.3.4 Any future trade deal, including CPTPP, must work for UK consumers and businesses, and the government is committed to upholding the UK's high regulatory standards (the minimum regulatory requirements that must be met to comply with the law). These minimum requirements are referred to informally as standards in that a regulation sets a specific level of attainment or standard that must be met.
- 7.3.5 The UK's reputation for quality, safety and performance is what drives demand for UK goods and is key to our long-term prosperity. The government has no intention of harming this reputation in pursuit of a trade deal.
- 7.3.6 The government recognises that standards play a key role in facilitating trade by linking companies into global supply chains and reducing technical barriers to trade. CPTPP would not force businesses to diverge from existing standards.
- 7.3.7 The terms 'standards' and 'technical regulations' are used frequently in trade agreements when addressing 'technical barriers to trade'. While the word 'standard' is used informally to mean a level of quality or attainment, in the context of trade agreements 'standards' have a formal technical meaning. 'Standards' in this sense are voluntary documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. While standards are voluntary, when cited in a government regulation, their use can become compulsory. Standards are not usually set or controlled by the government. 'Technical regulations' are mandatory requirements set out in the legislation and they are controlled by governments and legislators (UK and devolved parliaments). For regulated products and services, standards can be used to support compliance.
- 7.3.8 We are committed to ensuring that unnecessary barriers to trade can be reduced through accession to CPTPP. CPTPP provisions support members' participation in the development of technical regulations, standards, and conformity assessment procedures. For example, CPTPP is focused on enhancing transparency, regulatory cooperation and information exchange.

## 8. Sanitary and Phytosanitary (SPS) Measures

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- 8.1 Overall, the main perceived risk was of potential CPTPP accession leading to lowering of food standards. Respondents were concerned that if the UK were able to continue alignment with the EU on SPS measures, issues could arise from discrepancy in SPS measures between the UK and CPTPP members.

### 8.2 Policy explanation

- 8.2.1 The government notes the concerns respondents have regarding food safety and standards in negotiating accession to CPTPP. Maintaining safety and public confidence in the food we eat is of the highest priority and the government remains firmly committed to upholding our high food safety and animal welfare standards. We have ensured in law that the protections afforded by our existing standards remain in place. The European Union (Withdrawal) Act 2018 has retained protections for the environment, animal welfare, human, animal and plant life or health including food. This provides a firm basis for maintaining the same high level and full scope of protection for both domestic and imported products.
- 8.2.2 All agri-food products imported into the UK under existing or future free trade agreements will, as now, have to comply with our import requirements. This pledge extends to products imported into the UK under existing or future free trade agreements, including CPTPP.
- 8.2.3 We are committed to mutually beneficial economic arrangements with CPTPP members and are clear that the UK's potential accession must be right for UK companies, consumers, and farmers as well as ensuring food safety, environmental protection, and animal welfare standards. The CPTPP chapter on Sanitary and Phytosanitary measures commits Parties to ensure transparent, non-discriminatory rules based on science to

protect human, animal or plant life or health in their countries. The UK will ensure that accession negotiations with CPTPP are consistent with our domestic interests and the government's policies and priorities, and we have further outlined our position on food, animal, and environmental standards in our Outline Approach.

## 9. Competition

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- 9.1 Overall, most respondent groups elaborated on the impact of FTAs, including CPTPP, on competitiveness, not on competition policy or legal regimes. Respondents commented on the impact of the potential CPTPP accession on the competitiveness of UK products, with businesses and business association respondents providing comments on competition frameworks, legal regimes, potential barriers to market access and anti-dumping concerns.

### 9.2 Policy explanation

- 9.2.1 Although the terms 'competition' and 'competitiveness' are sometimes used interchangeably, they have distinct technical meanings. Competition policy covers the rules and regulations concerning the way businesses operate within a market and the enforcement of such rules. Competition laws, for example, typically cover anti-competitive agreements between firms, abuse of a dominant position and merger control. Competitiveness refers to the general ability of a firm to operate in a market compared to other firms that operate in the same market, or the strength of a whole industry or economy relative to another.
- 9.2.2 CPTPP's ambitious provisions support effective competition law and enforcement that promotes open and fair competition for firms at home and in CPTPP members, including the protection of consumers from deceptive and fraudulent commercial activities. It provides for transparent and non-discriminatory competition laws, with strong procedural rights for businesses and people under investigation.

## 10. Government Procurement

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- 10.1 Overall, respondents welcomed greater access for UK businesses to government procurement opportunities in other CPTPP members and wanted to see the removal of barriers and improved transparency of information. Some respondents noted that the UK has a relatively open domestic procurement market, but this is not always reciprocated with comparable levels of access in foreign markets. The protection of public services, including NHS health and care services, was a very high priority for all respondents.

### 10.2 Policy explanation

- 10.2.1 CPTPP ensures businesses receive fair and non-discriminatory treatment when competing for the procurement opportunities covered by each party's schedules.
- 10.2.2 The rules of CPTPP's procurement chapter for the most part reflect the WTO Agreement on Government Procurement (GPA), to which the UK is a party. CPTPP includes some countries that are not currently party to the GPA (Vietnam, Malaysia, Brunei, Peru, Chile, Mexico). The chapter also includes obligations on the transparency and accessibility of procurement information, tackling corruption and facilitating participation of SMEs in government procurement.
- 10.2.3 The UK's procurement market access offer will broadly be based on the principle of reciprocity and will reflect the extent that other CPTPP members are prepared to open their own procurement markets to UK businesses.
- 10.2.4 We will ensure appropriate protections remain in place for key public services such as NHS health and care services and broadcasting, and for issues of public interest such as national security and defence. These areas do not fall within the UK's obligations in the GPA, and similarly will not be included within our CPTPP procurement offer.

## 11. Intellectual Property

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- 11.1 Overall, the main feedback from stakeholders was on the need to protect UK IP standards, including copyright protection, effective enforcement against IP theft and the recognition of GIs. The importance of the UK's membership of the European Patent Convention and other international IP agreements was also highlighted by respondents. Many respondents called for the UK to negotiate stronger IP protection as part of its potential accession to CPTPP. Relevant comments on both GIs and copyright, safe harbours and algorithms were also raised in the consultation section on RoO and digital respectively but have been considered in this section.

### 11.2 Policy explanation

- 11.2.1 CPTPP provisions commit parties to a minimum level of IP standards. This is not uncommon in plurilateral trade agreements, which often seek to set a baseline on which parties can build, and the UK's accession to CPTPP will not limit our ability to seek more ambitious trade agreements with others, including those that are CPTPP members.
- 11.2.2 The UK's IP regime achieves an effective balance between rewarding creators and innovation and reflecting wider public interests such as ensuring access and use of IP on reasonable terms. During our accession negotiations, we will ensure that the UK maintains this effective balance.
- 11.2.3 The UK's standards of copyright protection are among the best in the world. We believe it is vital for right holders and consumers of copyright-protected material to be able to rely on an effective and balanced domestic framework; one that reflects the important principles enshrined in the network of relevant multilateral copyright agreements.
- 11.2.4 The government recognises the importance and value of the UK's participation in the European Patent Convention (EPC). We have no intention of leaving the EPC and this has not changed with our decision to accede to CPTPP. In CPTPP accession negotiations, we will ensure that the UK upholds its existing international obligations, including those of the EPC to which the UK is already party.
- 11.2.5 The government is committed to the transparent and effective administration and enforcement of IP rights. CPTPP contains modern and effective rules for the enforcement of IP rights, allowing UK businesses to seek redress across the region if their IP rights have been infringed.
- 11.2.6 The UK values Geographical Indications (GIs) and we launched our GI schemes on 1 January 2021. When negotiating accession to CPTPP we will ensure that UK GIs continue to be afforded high standards of protection. UK GIs are exemplars of our high-quality produce, and they protect some of our most famous food and drink names. Our GI scheme will also protect consumers from being misled about geographical origin of goods.
- 11.2.7 Protecting the National Health Service (NHS) is a fundamental principle of our trade policy. The government has been clear that when we are negotiating trade agreements, the NHS, its services and the cost of medicines are not on the table. Our commitment to this will not change during our negotiations to accede to CPTPP. The government will also continue to ensure that decisions about public services are made by the UK Government and the Devolved Administrations, not by our trade partners.

## 12. Investment

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- 12.1 Overall, responses were positive with many respondents identifying potential investment opportunities with CPTPP members, with some respondents identifying specific sectors. Many respondents provided views on the inclusion of the ISDS mechanism provided for in CPTPP. These views varied, with many business and business association responses providing comments in favour of investment protections and a supporting ISDS mechanism. These respondents were of the view that access to an ISDS mechanism is important to investors, as are the existence of clear and transparent investment rules in agreements. Individual and NGO respondents raised concerns about the impact of the ISDS mechanism included in CPTPP on the right of states to regulate in the public interest.

## 12.2 Policy explanation

- 12.2.1 The government recognises the importance of maintaining and increasing foreign direct investment from CPTPP members. UK investors who invest overseas are able to access new markets, increase their financial returns and contribute to both the UK and foreign economies. Foreign investment into the UK provides capital for major projects, helps to fund start-ups and generates economic growth.
- 12.2.2 CPTPP's provisions support fair and open competition and address barriers to UK investment across CPTPP economies, enhancing UK investors' access to CPTPP markets.
- 12.2.3 CPTPP's investment chapter also provides UK investors with guarantees on the treatment they will receive when accessing and operating in CPTPP markets. CPTPP includes an Investor-State Dispute Settlement (ISDS) mechanism to provide investors with an independent means of legal redress should they not receive this treatment. This mechanism is based on modern rules to ensure proceedings are transparent and cost-effective, and to safeguard states' right to regulate.
- 12.2.4 The government will ensure that CPTPP accession negotiations are consistent with the UK's interests and the government's policies and priorities. We will protect the UK's right to regulate in the national interest, to achieve public policy objectives and, as the government has made clear, to continue to protect the NHS.

## 13. Labour, Environment and Sustainability

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- 13.1 Overall, the key priorities which emerged from the responses include the need to ensure CPTPP's labour and environment chapters have effective enforcement mechanisms, and the importance of involving civil society during potential negotiations. Concerns were raised over perceived differences in labour and environmental standards between CPTPP member countries and the UK, and the potential impact of UK's accession to the CPTPP on people and businesses, particularly highlighting concerns that the UK's high labour and environmental standards could be compromised. Respondents also submitted comments on human rights, public health and quality of life in this section.

### 13.2 Policy explanation

- 13.2.1 CPTPP subjects the labour and environment chapters to the dispute resolution mechanism of the agreement. This means Parties can resort to this for non-compliance or violation of the terms in the FTA. This robust enforcement mechanism ensures that Parties can be held to account when they fail to uphold commitments made in the agreement.
- 13.2.2 CPTPP provisions prevent Parties waiving, derogating from and failing to enforce environment and labour laws to encourage trade or investment. This helps UK companies and employees by ensuring that CPTPP Parties cannot gain a competitive advantage in trade by failing to enforce or lowering their labour and environment laws.
- 13.2.3 The government shares the public's high regard for worker protections and has made clear that we will not compromise on these. CPTPP includes a range of high-standard commitments on labour, which allow the UK to maintain and protect the integrity of our world-leading labour standards.
- 13.2.4 The UK will remain a world leader in workers' rights and continue to advocate for the highest standards and working conditions. CPTPP raises labour standards by ensuring members adopt and maintain the internationally recognised labour rights enshrined in the 1998 International Labour Organisation (ILO) Declaration, to which the UK is a signatory, including on freedom of association and elimination of forced and child labour. Additionally, it requires members to adopt and maintain regulations in accordance with international standards governing acceptable conditions of work, including on minimum wages.
- 13.2.5 CPTPP includes a comprehensive environment chapter that covers a wide range of issues, including but not limited to invasive alien species, marine capture fisheries, biodiversity and conservation. CPTPP also affirms commitments to implementing Multilateral Environmental Agreements (MEA) to which we are party. CPTPP also recognises members' sovereign right to regulate for its own levels of domestic environmental protection. The UK's ambition is to be a constructive member of

CPTPP and participate enthusiastically in its sustainability-related fora, drawing on our stakeholders' expertise. As part of this, the UK will advocate for clean growth and cooperation in the global fight against climate change.

## 14. Trade Remedies

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- 14.1 Overall feedback from the consultation highlighted the desire for the UK to reaffirm WTO obligations. Respondents also noted the importance of the UK having the ability to impose bilateral (transitional) safeguard measures as well as the necessity of the UK agreeing greater transparency.

### 14.2 Policy explanation

- 14.2.1 The government views trade remedies as an important part of a rounded trade policy. They provide a safety net to protect domestic industries if injured by unforeseen import surges or certain aspects of unfair trading (dumping and subsidy) or injury caused by unforeseen surges in imports. Trade remedies are about restoring a fair competitive environment, applying measures that are at a high enough level to provide protection, but without harming our downstream users or consumers.
- 14.2.2 The CPTPP Trade Remedies chapter provides for reaffirmation of members' WTO commitments, and provides for the application of anti-dumping, countervailing, global safeguard, and transitional safeguard measures in a transparent, efficient, impartial, and proportionate manner. The Chapter also includes a non-binding annex which encourages greater transparency between members in the application of anti-dumping and countervailing measures.

## 15. Dispute Settlement

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- 15.1 Overall, respondents highlighted the importance of an effective dispute settlement mechanism and some indicated that the CPTPP dispute settlement mechanisms broadly delivered this. Respondents also highlighted the importance of transparency and timely dispute settlement.

### 15.2 Policy explanation

- 15.2.1 CPTPP has a state-to-state dispute settlement with mechanisms that promote compliance with the agreement, that ensure state-to-state disputes are dealt with consistently, fairly and in a cost-effective, transparent, and timely manner whilst providing predictability and certainty for businesses and stakeholders.

## 16. SMEs

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- 16.1 Overall, the recurring theme in the responses was the request for greater Government support and a streamlining of administrative processes. In general, this was due to concerns around SMEs' relative lack of resources compared to larger businesses.

### 16.2 Policy explanation

- 16.2.1 Trade barriers tend to disproportionately burden smaller firms that often have fewer resources to overcome them than larger companies.
- 16.2.2 We will seek to use CPTPP to secure the benefits of trade across the whole range of our economy, including small businesses and entrepreneurs.
- 16.2.3 UK accession to CPTPP, with its dedicated SME Chapter and SME-friendly provisions throughout the agreement, will simplify export processes and procedures – knocking down trade barriers that impede SMEs across the whole of the UK, already exporting goods and services to CPTPP members and providing a welcome economic boost to these businesses.
- 16.2.4 In 2019, each region and nation of the UK exports at least £1bn worth of goods to CPTPP and we are keen to strengthen and expand this relationship with accession to the agreement.



## 17. Cross-cutting issues

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- 17.1 The UK will ensure that accession negotiations with CPTPP are consistent with the UK's wider interests and the government's policies and priorities.

## 18. NHS

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- 18.1 Protecting the National Health Service (NHS) is a fundamental principle of our trade policy. The government has been clear that when we are negotiating trade agreements, the NHS, its services and the cost of medicines are not on the table. Our commitment to this will not change during our negotiations to accede to CPTPP.
- 18.2 The government will continue to ensure that decisions about public services are made by the UK Government and the Devolved Administrations, not by our trade partners.
- 18.3 During CPTPP accession negotiations, the UK will ensure that the terms we sign up to uphold our manifesto commitment that the NHS, its services, and the cost of medicines are not on the table.
- 18.4 Protecting public services, including the NHS, is of the utmost importance to the government.
- 18.5 The UK will ensure that accession negotiations with CPTPP are consistent with the UK's interests and the government's policies and priorities. We are publishing more detail on our approach to negotiations in our Outline Approach.

## 19. Creative Industries

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- 19.1 The government recognises the key role of the UK's audio visual (AV) and creative industries sectors to the UK economy and consumers. The government notes the strong case for ensuring these world-leading sectors are supported by CPTPP, including by ensuring the UK's audio visual model is protected.
- 19.2 The government recognises that the UK's position as a broadcasting hub has led to investment from across the world, providing benefits both to the UK and its partners. We are committed to maintaining and developing this position going forward.

## 20. Standards

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- 20.1 We will not sign trade deals that compromise our high labour standards, environmental protections, animal welfare and food standards. It is in our interests to be in an agreement with high standards, so that we can ask the same of other countries and get access to their markets. We are a world leader in these areas and that will not change.
- 20.2 We are committed to mutually beneficial economic arrangements with CPTPP members and are clear that the UK's potential accession must be right for UK companies, consumers, and farmers as well as ensuring food safety, environmental protection, and animal welfare standards.

## 21. Transparency and Scrutiny

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- 21.1 This Government is committed to transparency and we will ensure that parliamentarians, UK citizens and businesses have access to the information they need on our trade negotiations.
- 21.2 DIT is committed to drawing on the expertise of both Houses of Parliament and will continue to provide Parliament with regular updates and engage with the International Trade Committee to ensure Parliament is appropriately involved as we deliver our new independent trade policy.
- 21.3 Our robust and transparent scrutiny arrangements go further than many other Parliamentary democracies, with MPs able to block trade deals they do not agree with and fully scrutinise each deal, so the government is held to account.

## 22. Women's economic empowerment

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- 22.1 We recognise that gender equality is an important issue for the public and that women in particular can face barriers in accessing the opportunities of free trade.
- 22.2 The UK is committed to advancing women's economic empowerment through trade. We further recognise the importance of cooperating with our trade partners on this aim and value the provisions included in CPTPP to this effect. We will seek to build our evidence base on how the impacts of trade vary by gender, including by exploring options for conducting gender-focused trade analysis.

## 23. Human rights

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- 23.1 We recognise that respondents highlighted the protection of human rights more generally as a part of their concerns. We are clear that more trade does not have to come at the expense of human rights, and we continue to regularly engage on human rights issues with all CPTPP member countries. The UK has existing dialogues and exchanges on human rights with CPTPP members, through joint statements, ongoing diplomatic engagement, and other initiatives.
- 23.2 The UK has a strong history of protecting human rights and promoting our values globally. We will continue to encourage all states to uphold international human rights obligations and hold those who violate human rights to account. By having strong economic relationships with partners, we can have more open discussions on a range of issues, including human rights. The UK addresses, supports and engages on a broad range of human rights topics bilaterally and in multilateral fora.

## 24. Trade and development

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- 24.1 Some respondents raised issues that specifically addressed the government's commitment to support developing countries to reduce poverty through trade enshrined in the White Paper [Preparing for our future UK trade policy](#).
- 24.2 To further UK ambition to support free and fair trade, and to deliver on our public commitment to ensure our trade policies support development goals, we will assess the impacts of CPTPP on developing countries and consider measures to address risks and maximise opportunities for development.
- 24.3 The Development chapter in CPTPP provides a leading example globally of how development commitment and cooperation can be included within a trade agreement when parties are at different stages of development. It seeks to promote inclusive economic growth for all CPTPP members and captures provisions on Development, Women and Economic Growth and high-level provisions on Education, Science and Technology, Research and Innovation issues as aspects to achieve this.

## 25. Trade and Innovation

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- 25.1 Throughout the consultation, respondents raised cross-cutting issues that would benefit from UK involvement in CPTPP mechanisms and increased engagement with strategic partners. The UK is driving the consideration of the impacts of innovation on trade, ensuring the global trading system works for innovative businesses. CPTPP will provide opportunities for co-operation on trade and innovation.

## 26. Next Steps

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- 26.1 As we have been developing our independent UK trade policy, DIT continues to consult with stakeholders through both informal and formal mechanisms. These include dialogues with the Secretary of State for International Trade, ministers and officials.

- 26.2 Since the Notification of Intent in February, we have engaged hundreds of businesses, NGOs and trade unions, providing for very detailed public consultation on CPTPP. The overwhelming majority of these groups have shown support for accession.
- 26.3 To ensure that our new agreements and our future trade policy work for the whole of the UK and its wider UK family; Parliament, the Devolved Administrations (DAs), Crown Dependencies, UK Overseas Territories, local government, business, trade unions, civil society and the public from every part of the UK will have the opportunity to engage and contribute.
- 26.4 This will be delivered through a variety of ongoing engagement including:
- open public consultations, to inform our overall approach and the development of our policy objectives
  - use of the Strategic Trade Advisory Group (STAG), to seek informed stakeholder insight and views on relevant trade policy matters
  - use of Trade Advisory Groups (TAGs), to contribute to our policy development at a detailed technical level
  - engagement outreach events across the UK nations and regions
- 26.5 The STAG's principal purpose is for the government to engage with stakeholders on trade policy matters as we shape our future trade policy and realise opportunities across all nations and regions of the UK through high level strategic discussion. The STAG's remit extends across the breadth of trade policy, to find out more about current STAG members that information is [here](#).
- 26.6 The objective of the TAGs is to enable the government to draw on external knowledge and expertise to ensure that the UK's trade policy is backed up by evidence at a detailed level and is able to deliver positive outcomes for the UK. We will draw on the expertise of these groups to gather intelligence for informing the government's policy positions.
- 26.7 DIT is committed to ensuring we will have appropriate mechanisms in place during negotiations to inform the government's position. As we move forward, we will review our approach to engagement, and consider whether existing mechanisms are fit for purpose. We welcome further and ongoing feedback and input from stakeholders during this process.
- 26.8 The government is committed to ensuring that our trade policy is transparent and subject to appropriate parliamentary scrutiny. During negotiations, the government will publish regular updates on negotiations.
- 26.9 Through both Department-wide boards such as STAGs and TAGs, as well as engagement led at team level, DIT has continued to work with BROs, businesses, SMEs, civil society, and trade unions to inform its policy positions. This work greatly supplements the views provided to us through the consultation, and ensures the Department receives up-to-date perspectives as the UK's trade policy develops.
- 26.10 After launching our accession negotiations, we will continue to work closely with all our stakeholders, including the DAs, to ensure that our accession to CPTPP furthers the UK's key interests and brings benefits for the whole of the UK.
- 26.11 DIT has led a comprehensive programme of engagement with the DAs, CDs and OTs on the UK's trade policy. The Government is committed to delivering FTAs that will benefit all parts of the UK family.
- 26.12 The UK Government has built close working relationships with colleagues in Wales, Scotland and Northern Ireland at a Ministerial and Official level on trade matters. These discussions will continue to develop as the UK pursues an ambitious independent trade agenda.

# Chapter 4: CPTPP Scoping Assessment

Membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is central to the government's international trade strategy. Joining would bring extensive benefits to British business and consumers and strengthen the UK's status as an independent trading nation. The strategic case above sets out the expected strategic, economic and geo-political benefits of UK accession.

This scoping assessment sets out the economic benefits that we expect will result from UK accession and describes the economic impacts.

## Summary

There are **10 key points** to take away from the Scoping Assessment:

### The economic opportunities

**1. Joining CPTPP represents an opportunity for the UK to gain improved access to a large, dynamic, and growing free-trade area with a combined GDP of £9trn. This will rise as more economies join in the future.**

- Joining CPTPP would increase the UK's trade and investment opportunities by opening up dynamic markets, creating prosperity and growth.
- The agreement will help to shape the development of global trading rules and provide a framework for international cooperation in the strategically-important Pacific region and beyond. Researchers at the Peterson Institute for International Economics, for example, have suggested that CPTPP's benefits through economic integration and increased international cooperation "may prove to be its most valuable contribution in the long run."<sup>24</sup>
- The CPTPP agreement is designed to expand. Several other countries have expressed an interest in joining, which will expand the global influence of the agreement.
- Our modelling shows that expansion of the agreement would provide a further boost to the UK economy.
- The UK's accession to the agreement is likely to encourage other economies to join and provide the opportunity for the UK to influence the future expansion of the agreement.

**£11tr or 16%**

of global GDP represented by CPTPP signatories once the UK joins. Rising further as more economies join

**2. Our modelling shows that joining CPTPP is expected to boost UK trade, GDP and wages for UK workers. The boost to GDP would grow substantially as more economies join. However, these estimates are static and should be seen in the context of the wider dynamic benefits offered by accession, which are not fully captured.**

- The static modelling estimates UK trade with CPTPP members to increase by around £3.3 billion in the long run. This increase is not an economic forecast: it shows the extra growth over and above the strong underlying growth in UK trade with CPTPP members; UK exports have the potential to grow by 65% by 2030, not included in the static estimates.
- The static modelling shows that joining the agreement could increase UK GDP by an extra £1.8bn in the long run. The increase in take-home pay for workers is estimated to be equivalent to £800 million, compared to 2019 levels. The static estimates grow substantially as CPTPP membership grows. For example, the boost to UK GDP is estimated to treble if Thailand and South Korea join the agreement.

<sup>24</sup> Petri and Plummer (2016): Economic Effects of the Trans-Pacific Partnership - New Estimates. This study relates to "TPP" prior to it becoming CPTPP following US withdrawal.

- 21 sectors are expected to see a long-run expansion due to accession to CPTPP, with largest estimated increases in the motor vehicles and beverages sectors.
- The static CGE modelling is a standard approach which captures the economic changes resulting from reductions in existing trade costs using a snapshot of the world as it is now. It excludes a number of future trends that could mean that the UK and global economy look very different in the future, and which could increase the economic value of UK accession.
- In reality, the world is changing: the number of middle-class consumers in CPTPP member countries is expected to rise, driving a shift in consumption patterns towards high-value, luxury goods and services in which the UK has strengths.
- While the modelling provides an indication of the likely economic impacts, it does therefore not tell the whole story and should be understood in the context of underlying economic growth and other potential changes in the global economy. The static modelling estimates are not an economic forecast and they do not fully capture the full range of potential dynamic benefits to UK accession.
- For example, they do not include the value to UK businesses of improved resilience through more secure access to a diverse range of markets in the face of future regional or global economic shocks or of keeping markets open in the face of rising global protectionism elsewhere. Nor do the estimates take into account future underlying growth in the trading relationship between UK and CPTPP members.

**£3.3 bn**

estimated increase in UK trade with CPTPP signatories in the long run, based on the static modelling

### **3. CPTPP is a high standards agreement. Members are free to set their own regulations, with member countries holding each other accountable for meeting its rules.**

- We have an opportunity through CPTPP to strengthen the UK's position as a global service, digital and data hub to seize international opportunities and drive domestic growth and recovery.
- CPTPP can help to shape rules and open markets in industries and sectors where the UK enjoys competitive advantages, including digital and services.
- CPTPP is a deep and comprehensive FTA with modern provisions that covers goods, services (including digital trade, financial and professional business services) and investment. It also includes provisions relating to maintaining each member's regulatory coherence, labour standards and environmental protections.
- The agreement aims to maintain open markets and accelerate trade liberalisation among members. The UK will remain free to set its own standards and regulations.

### **Economic opportunities for businesses and consumers all over the UK**

#### **4. CPTPP members are strategically and economically important trade and investment partners with the UK; UK exports to the group have the potential to grow 65% in the years to come.**

- UK trade with CPTPP members has grown. In 2019, UK trade with CPTPP member countries totalled £110 billion, or 8% of UK trade with the world.<sup>25</sup> The UK exported goods and services worth £57 billion to CPTPP members in 2019.
- CPTPP countries' demand for goods and services is expected to grow significantly over the next decade, as their economies expand. According to PwC, four CPTPP economies; Vietnam, Malaysia, Mexico, and Australia are projected to be in the global top 20 for economic growth between 2020 and 2030. DIT's projections suggest the potential for UK exports to these countries to CPTPP members to increase by 65% by 2030 (from £57 billion to £94 billion).<sup>26</sup> This is before taking account of the boost to exports from UK accession.
- UK investors hold substantial investments in CPTPP economies. CPTPP countries accounted for 7% of total Foreign Direct Investment (FDI) stocks from the UK in 2019, worth £107 billion.<sup>27</sup>

**£110bn**

annual trade with CPTPP members in 2019

**65%**

projected growth in UK exports to CPTPP members by 2030, with potential to rise from £57bn in 2019 to **£94bn** by 2030

<sup>25</sup> ONS UK Trade all countries, non-seasonally adjusted, October to December 2020

<sup>26</sup> These estimates are constructed in three stages. First, nominal GDP growth in US dollar terms is projected forward for each country using the IMF's World Economic Outlook (April 2021) forecasts out to 2026 and then extrapolated forward using 2025-2026 growth rate as a proxy for trend growth. Second, nominal imports in 2019 - as measured by UNCTADStat's merchandise and services imports in US dollar terms - are assumed to grow in line with nominal GDP from 2020 onwards. Finally, it is assumed that UK market share in CPTPP remains constant.

<sup>27</sup> Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2018 to 2019. This data does not include values for Brunei, therefore, the value of FDI stocks from the UK in 2019 may be slightly higher than 7%.

## 5. CPTPP is more ambitious in a number of areas than the UK's existing bilateral agreements with CPTPP members

- CPTPP will improve upon existing preferential trading terms with CPTPP members and generate further economic opportunities in these markets, building on the existing FTAs that the UK has with current signatories of CPTPP.
- The services chapters of the agreement are one of its major accomplishments. The evidence suggests that CPTPP offers better market access than the UK's existing agreements with CPTPP members on services. The sector accounted for 42% of the UK's trade with CPTPP members in 2019.<sup>28</sup>
- On goods, UK accession to CPTPP could increase the proportion of UK goods exports eligible for tariff-free access to CPTPP countries from 85.4% to over 99%<sup>29</sup>. Examples of products where CPTPP offers greater liberalisation include machinery goods to Malaysia including nuclear reactors, electrical machinery and vehicles.
- CPTPP provides more business-friendly rules of origin, helping UK businesses to participate in integrated supply chains, and increase investment.

## 6. CPTPP membership is expected to support levelling up by benefitting every nation and region of the UK, with the greatest relative gains in the West Midlands, Scotland and Northern Ireland

- Our analysis shows that every nation and region of the UK is expected to benefit from UK accession to CPTPP, building on the strong trading relationships that already exist. Each region of the UK exported over £1 billion worth of goods to CPTPP members in 2019. This includes £3.1 billion worth of exports from the East Midlands, £2.4 billion from Scotland, and £2 billion from the North West.
- Boosts to the economies of the Wales (+£53m), Scotland (+£163m) and Northern Ireland (+£45m) reflect growth for the Beverages (including Scotch Whisky), Wholesale & retail trade (which could include food and service sectors), as well as public and business services sectors.

**£261m**

combined increase in output for Wales, Scotland and Northern Ireland

### Opportunities for investment and greater trade

## 7. Joining CPTPP has the potential to provide extensive opportunities for UK business and investors, including SMEs

- UK businesses are expected to benefit from an increase of £1.7bn billion in exports to CPTPP members and a £1.6bn increase in imports.
- UK business investment is expected to increase by £45 million per year, reflecting new business opportunities around the country.
- In addition, enhanced and more secure access to CPTPP markets could offer greater business resilience for UK businesses in the face of future regional or global shocks.
- The data suggests that 98% of businesses exporting goods in 2019 were Small and Medium-sized Enterprises (SMEs), accounting for 45% of total UK exports.<sup>30</sup>
- CPTPP includes an SME chapter, which includes commitments by members to transparency and the provision of SME-friendly support to maximise the potential gains under the agreement.

**£98%**

of businesses exporting goods from the UK in 2019 were SMEs

### Opportunities for consumers and workers

## 8. Joining CPTPP delivers benefits for UK consumers through increased consumer choice, better product quality and lower prices for imported goods.

- Modelling estimates suggest a £1.6bn increase in UK imports from accession over the long run, delivering benefits to consumers through increased consumer choice, better product quality and lower prices for imported goods.
- Household spending alone could increase by £684 million due to accession to CPTPP.
- In the absence of UK accession, an estimated £683 million worth of UK imports of final goods from CPTPP could continue to face tariffs each year. Tariffs apply on a range of products from vacuum cleaners from Malaysia to grapes from Chile.

**£684m**

Estimated increase in annual household spending on accession

<sup>28</sup> UK total trade: all countries non-seasonally adjusted, October to December 2020

<sup>29</sup> DIT analysis based on ITC 2014-16 import data from UK to all CPTPP members. The analysis compares the trade on tariff lines which are staged to 0 under CPTPP with those that are not staged to 0 under existing trade agreements.

<sup>30</sup> HMRC. 'Trade in Goods by Business Characteristics' 2019 (viewed February 2021).

## Playing an important role in global trade

### **9. Benefits beyond the UK**

- The modelling estimates suggest that UK accession to CPTPP will also benefit the UK's international partners. The majority of CPTPP members are estimated to see increases in GDP due to UK accession.
- Three lower or upper middle-income countries (Malaysia, Mexico and Vietnam) are expected to benefit from increases in GDP on UK accession.
- The CPTPP includes a dedicated development chapter, which aims to promote inclusive economic growth for all members.

### **10. Maintaining and protecting environmental and labour standards**

- CPTPP includes commitments on labour standards that allow the UK to maintain and protect its existing standards.
- These include clear commitments to maintain freedom of association and collective bargaining, eliminate forced and child labour and eliminate discrimination relating to employment.
- Beyond this, CPTPP also includes commitments to maintain practices governing acceptable conditions of work, for example, around minimum wages.
- CPTPP 's environment chapter aims to enhance the capacities of the CPTPP parties to address trade-related environmental issues.
- UK accession to CPTPP is not expected to have significant impacts on greenhouse gas emissions (CO<sub>2</sub> and Non-CO<sub>2</sub>) and energy usage.

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# Background

The Department for International Trade (DIT) is preparing for negotiations for the UK to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP is a Free Trade Agreement (FTA) establishing one of the largest Free Trade Areas in the world.

The aim of this Scoping Assessment is to provide a preliminary assessment of the potential long run economic impacts of UK accession to the CPTPP. The terms and conditions on which the UK might accede to CPTPP, such as market access commitments, will be subject to negotiations. Once the provisions of UK accession have been negotiated, the government will publish a full impact assessment.

## **A note on data and statistics**

The trade flow and GDP statistics for this scoping assessment are based on the period 2019. While data are available for trade in 2020 and early 2021, these data have not been used as the reference period because of the COVID-19-related impacts on UK and many of its trading partners. Technical annexes providing further detail on the analytical approach are available separately.

# The case for UK accession

## The CPTPP agreement

***CPTPP is a high standards agreement. Members are free to set their own regulations and environmental and labour standards with member countries holding each other accountable for meeting its rules.***

CPTPP is a deep and comprehensive FTA with modern provisions that covers goods, services (including digital trade, financial and professional business services). It further covers provisions which relate to regulatory coherence, labour standards and the environment.

The current membership includes 11 economies, located across the Asia-Pacific, Latin America and Caribbean, and North America. Of these, CPTPP has entered into force in the 7 countries that have ratified the agreement.<sup>31</sup>

CPTPP is expected to help build modern rules of trade for developed and developing countries. Deep provisions have been negotiated between the member countries. These include provisions to tackle complex and ever-changing trade patterns, such as the regionalisation of supply chains and the rise in e-commerce.

### Summary of CPTPP policy objectives

The agreement aims to:<sup>32</sup>

- Realise expeditiously the benefits of the Trans-Pacific Partnership (TPP) (agreed in Auckland 2016) and their strategic and economic significance,
- Contribute to maintaining open markets, increasing world trade, and creating new economic opportunities for people of all incomes and economic backgrounds,
- Promote further regional economic integration and cooperation between the parties,
- Enhance opportunities for the acceleration of regional trade liberalisation and investment,
- Promote international standards on human rights, labour practices and the environment, and
- Welcome the accession of other states to the agreement.

***CPTPP is more ambitious than the UK's existing bilateral agreements with CPTPP members on services, digital and goods trade.***

There are several areas of importance to the UK economy where CPTPP will improve upon existing preferential trading terms with CPTPP members and generate further economic opportunities in markets where existing FTAs that the UK has in place. The UK has existing or planned agreements in place with nine out of eleven CPTPP members.

<sup>31</sup> The term "CPTPP" members in this document refers to all 11 CPTPP signatories.

<sup>32</sup> CPTPP Text, New Zealand Foreign Affairs and Trade (2018): <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-text/>

<sup>33</sup> Trans-Pacific Partnership (TPP) was the name given to CPTPP prior to the withdrawal of USA

## On services

- The services chapters of the agreement have been described as one of its major accomplishments.<sup>34</sup> Services liberalisation accounts for a substantial proportion of the estimated gains from CPTPP in some analyses.<sup>35</sup>
- Services accounted for 80% of the UK's economic output and 42% of UK trade with current members of CPTPP in 2019, totalling £46 billion.<sup>36 37</sup>
- Externally commissioned research suggests that CPTPP offers better market access than the UK's existing agreements on services. The research compares the ambition of CPTPP against previous FTA's by sector. The approach and findings from the research are set out in annex 7 of the technical annexes.
- In most sectors, CPTPP provides greater commitments than those under the relevant EU bilateral agreements with each country, which in most cases have similar services provisions to those agreed between the UK and each member country. There are some instances where the bilateral agreement goes further than CPTPP. In these instances, businesses can choose to trade under the terms of the more ambitious agreement. Therefore, CPTPP provides greater ambition overall. For full details please see the technical annexes.
- Most of the increase in commitments comes from increased certainty, although there are a few examples of increased market access, such as sound recording in Vietnam and broadcasting in Peru.
- The interconnectedness of goods and services means that the benefits from the liberalisation of services trade are also likely to have significant spill over effects on goods and vice-versa.<sup>38</sup>

## On Digital

- The e-commerce chapter in CPTPP sets modern rules for digital trade across all sectors of the economy. The comprehensiveness and depth of CPTPP's e-commerce chapter provides an excellent platform for the UK to help shape the emerging digital trading rulebook and supporting businesses of all sizes across the UK. The chapter is well aligned with UK ambitions, including in its facilitation of the free flow of data whilst ensuring the UK's high standards of personal data protection are maintained.
- In 2019, UK trade of digitally delivered services, mode 1 services trade, with the world was worth £326 billion. In the same year, UK digitally delivered services trade with CPTPP 8 was worth £29 billion, which accounted for 28% and 64% of total trade and total services trade, respectively.<sup>39</sup> Since 2000, the numbers of internet users in CPTPP member countries increased by approximately 311 million, a near five-fold rise<sup>40</sup>. The increased importance of digitalisation may be further accelerated by COVID-19.
- Out of all the existing bilateral FTAs that the UK has agreed with CPTPP members, only the UK-Japan CEPA contains e-commerce provisions. The UK is currently negotiating digital trade chapters with Australia and New Zealand, as well as pursuing a Digital Economy Agreement with Singapore.
- Accession to CPTPP can therefore bring further opportunities in digital trade. Specific examples include: digital trade facilitation, business and consumer safeguards, and trusted cross-border data flows.

## On Goods

- Based upon recent patterns of trade and CPTPP tariff schedules, UK accession to CPTPP could increase the proportion of UK exports eligible for tariff-free access. The proportion is estimated to increase from an 85.4%<sup>41</sup> to 99.9%, once staging is complete and subject to meeting rules of origin requirements.<sup>42</sup> Examples of products where CPTPP offers greater liberalisation include machinery goods to Malaysia including nuclear reactors, electrical machinery and vehicles. For detailed analysis of the tariff schedules see technical annex 8.
- Accession to CPTPP offers the potential for improved access to some additional tariff rate quotas, support reduction in non-tariff barriers, and provide access to separate rules of origin. This benefits UK exporters by giving them different options for how to qualify for tariff-free market access.
- Accession to CPTPP would also create opportunities to increase imports from CPTPP members, thereby increasing the geographical diversity of import supplies. Imports can benefit consumers and businesses through generating lower prices, higher quality, and increased choice.

34 World Bank (2017): Services in the Transpacific partnership- what would be lost, see executive summary and introduction. Note this paper is focused on TPP prior to the withdrawal of the US.

35 IBID

36 ONS Index of Services, November 2020 (House of Commons Library, Service Industries: Key Economic Indicators 15<sup>th</sup> January 2021). And [UK total trade: all countries non-seasonally adjusted, October to December 2020](#)

37 [UK total trade: all countries non-seasonally adjusted, October to December 2020](#)

38 Bas, M 'Does services liberalization affect manufacturing firms' export performance? Evidence from India', 2013. Journal of Comparative Economics & Beverelli, C, Fiorini, M and Hoekman, B 'Services Trade Restrictiveness and Manufacturing Productivity: The Role of Institutions', 2013. Journal of Comparative Economics.

39 DIT Calculations using ONS 'Trade in services by modes of supply, UK: 2019' ; The data also does not include data on Brunei, Peru, and Vietnam. Note that this data is experimental, and methodology used to compile the data are subject to future improvements.

40 World Bank (2020) 'World Development Indicators, Individuals using the Internet (% of population)'

41 Assuming no FTA with Australia and New Zealand, or 97.8% assuming there were already FTAs with Australia and New Zealand that liberalize all UK exports.

42 DIT analysis based on ITC 2014-16 import data from UK to all CPTPP members. The analysis compares the trade on tariff lines which are staged to 0 under CPTPP with those that are not staged to 0 under existing trade agreements or WTO MFN rates.

## The trade and investment relationship with CPTPP members and future growth

***CPTPP signatories represent strategically and economically important trading partners with the UK, with UK exports to the group set to grow strongly in the years to come.***

As a group, CPTPP members have been significant and growing trading partners for the UK. In 2019, UK trade with CPTPP member countries was worth £110 billion in total. CPTPP–UK trade represented around 8% of total UK trade and 15% of non-EU trade in 2019 and has grown by an average of 8% per year between 1999 and 2019.<sup>43</sup> Within CPTPP, Japan and Canada are the UK's largest trading partners (representing around 27% and 21% respectively of the total trade with CPTPP countries), followed by Australia and Singapore (see table 1).

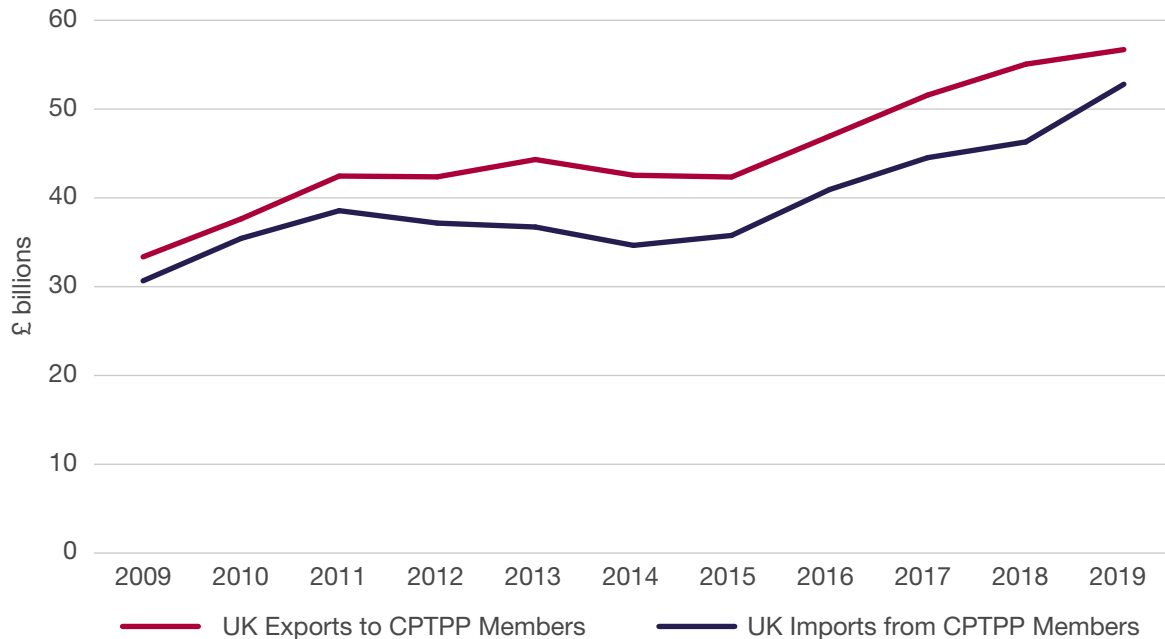
**Table 1: Total UK Trade with Current CPTPP Members, 2019**

Country	Goods Exports (£m)	Services Exports (£m)	Goods Imports (£m)	Services Imports (£m)	Total Trade (£m)	Proportion of UK-CPTPP trade
Australia	4,521	7,765	3,934	2,592	18,812	17%
Brunei	59	33	7	0	99	0%
Canada	5,737	5,698	8,359	3,015	22,809	21%
Chile	726	386	859	127	2,098	2%
Japan	6,821	6,869	9,724	5,768	29,182	27%
Malaysia	1,397	1,139	2,044	399	4,979	5%
Mexico	1,480	1,036	1,620	1,000	5,136	5%
New Zealand	874	673	879	325	2,751	3%
Peru	176	73	469	88	806	1%
Singapore	5,531	4,763	2,918	3,816	17,028	16%
Vietnam	635	324	4,648	215	5,822	5%
<b>CPTPP Total</b>	<b>27,957</b>	<b>28,759</b>	<b>35,461</b>	<b>17,345</b>	<b>109,522</b>	<b>100%</b>
<b>CPTPP as a % of Total UK Trade</b>	<b>7%</b>	<b>9%</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>	<b>-</b>

Source: DIT calculations using ONS, UK total trade: all countries, non-seasonally adjusted, October to December 2020. Note a "-" is used when there is no data available.

UK Trade has grown with CPTPP member countries between 2009 and 2019 (Figure 1) and, since 2000 trade growth has been strongest with Vietnam, Chile, Singapore, and Mexico.

<sup>43</sup> ONS (2019), 'UK total trade: all countries, non-seasonally adjusted', October to December 2020

**Figure 1: UK Trade (goods and services) with CPTPP member Countries 2009-2019**

Source: ONS, UK total trade: all countries, non-seasonally adjusted, October to December 2020, nominal values

### Future growth

Projections for 32 countries are available from PwC's 'World in 2050: How will the global economic order change?' report. These suggest that four CPTPP economies, Vietnam, Malaysia, Mexico, and Australia, may be in the top 20 for economic growth between both 2020-2030 and 2020-2050, ranking 1<sup>st</sup>, 9<sup>th</sup>, 11<sup>th</sup>, and 20<sup>th</sup> respectively (table 2)<sup>44</sup>. Additionally, three of the economies that have expressed interest in joining CPTPP were projected to be in the top 20 countries for GDP growth: Indonesia, Colombia, and Thailand, ranking 10<sup>th</sup>, 12<sup>th</sup>, and 19<sup>th</sup> respectively.

The Centre of Economics and Business Research (CEBR) also recently released GDP projections up to 2035 that take Covid-19 impacts into account. In 2020 four CPTPP economies rank in the top 20 globally (Australia, Canada, Japan, and Mexico). Their 2035 projections show that the same countries, with the addition of Vietnam are projected to rank in the top 20 globally<sup>45</sup>.

### UK exports to the group have the potential to grow by around 65% by 2030

UK trade with CPTPP countries has the opportunity to grow as demand from these countries expands. Based on a simple assumption that the share of imports in GDP remains constant over the decade, nominal import demand from these countries will expand by more than half to over \$5.7 trillion by 2030 (Table 2).<sup>46</sup> Assuming the UK were able to maintain its market share over the period, that would suggest exports to the region would increase by almost two thirds in nominal terms from £57 billion to £94 billion – an increase of £37 billion. This is before considering any additional exports that would come about with the deeper trade relationship CPTPP accession would bring.

44 DIT calculations using PwC (2017), The world in 2050: How will the global economic order change Link available at <https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html>. It must be noted here that these forecasts were calculated before the Covid -19 pandemic.

45 CEBR (2020), World Economic League table, 2021, accessed January 2021 and link available at <https://cebr.com/reports/world-economic-league-table-2021/>

46 These estimates are constructed in two stages. First, nominal GDP growth in US dollar terms is projected forward for each country using the IMF's World Economic Outlook (April 2021) forecasts out to 2026 and then extrapolated forward using 2025-2026 growth rate as a proxy for trend growth. Second, nominal imports in 2019 - as measured by UNCTADStat's merchandise and services imports in US dollar terms - are assumed to grow in line with nominal GDP from 2020 onwards.

**Table 2: Estimated global import demand from CPTPP countries out to 2030<sup>47</sup> and scenario for increase in UK exports to CPTPP**

Country	Overall import demand by CPTPP members in 2019 (\$bn)	Estimated level of import demand by CPTPP members in 2030 (\$bn)	Estimated increase in import demand for CPTPP members by 2030 (%)	Scenario for level of UK exports to CPTPP members by 2030, if UK maintains market share (£bn)	Scenario for increase in UK exports to CPTPP members by 2030, if UK maintains market share (£bn)
Australia	293.1	508.2	73%	21	9
Brunei	6.9	8.9	29%	0	0
Canada	579.0	996.3	72%	20	8
Chile	84.0	146.4	74%	2	1
Japan	924.5	1,313.4	42%	19	6
Malaysia	248.5	514.6	107%	5	3
Mexico	503.7	706.6	40%	4	1
New Zealand	56.7	102.9	82%	3	1
Peru	53.1	80.0	51%	0	0
Singapore	558.3	836.4	50%	15	5
Vietnam	272.2	677.6	149%	2	1
<b>CPTPP Total</b>	<b>3,579.9</b>	<b>5,891.4</b>	<b>65%</b>	<b>93</b>	<b>37</b>

Source: IMF WEO, National Statistical Offices, World Bank, DIT calculations. Country totals may not sum to CPTPP total due to rounding.

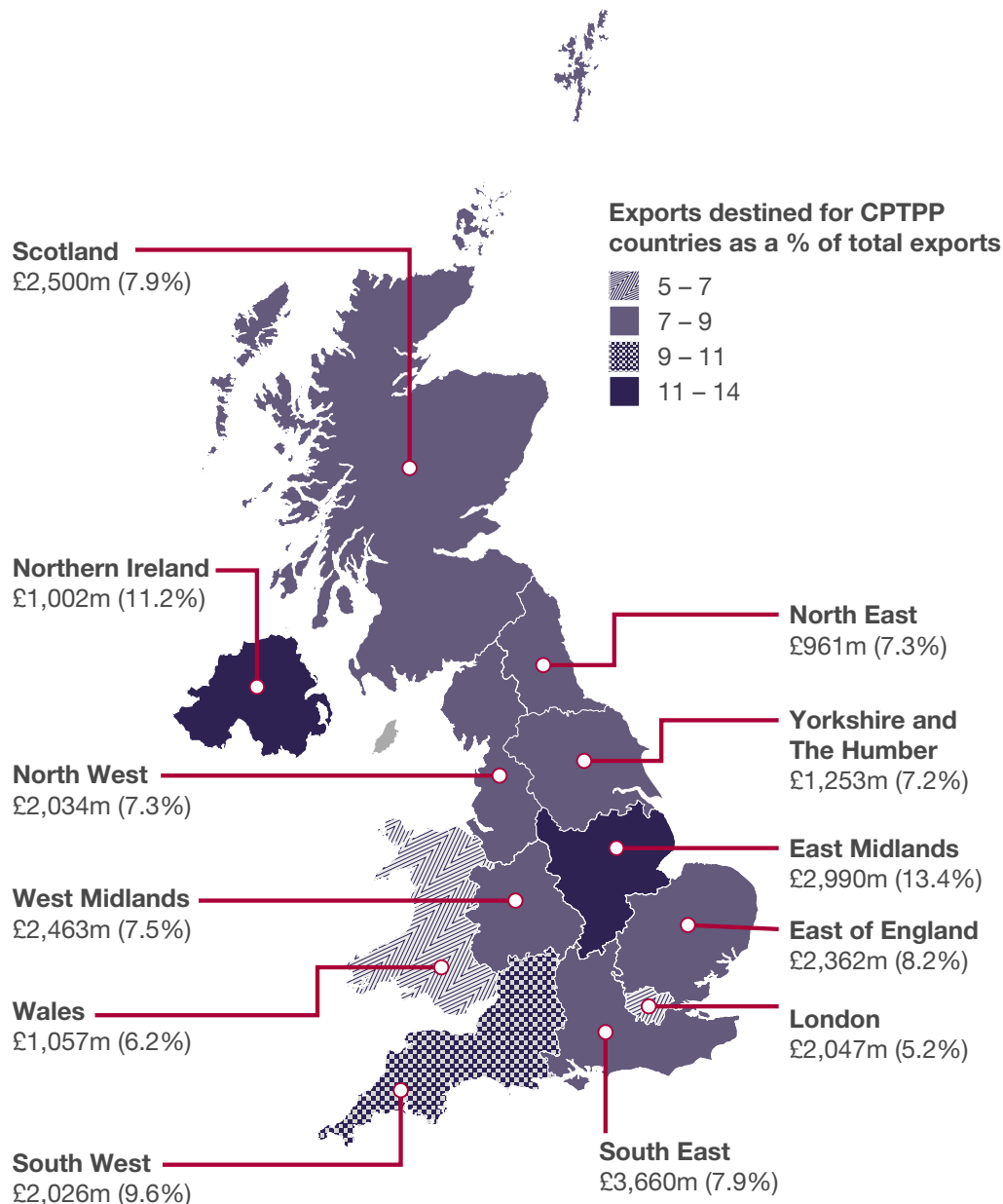
***CPTPP member countries are important export partners for all UK countries and regions.***

All UK countries and regions exported at least £1 billion worth of goods in 2019.<sup>48</sup> Between 2017 to 2019 CPTPP members were the export destination of between 5% (London) and 13% (East Midlands) of different UK regions' goods exports. Figure 2 sets out the reliance of UK regions on CPTPP countries as an export partner for goods trade.

<sup>47</sup> Note: These estimates are constructed in two stages. First, GDP growth for each country is projected forward using IMF World Economic Outlook (April 2021) forecasts out to 2026 and then extrapolated forward using 2025-2026 growth rate as a proxy for trend growth. Second, nominal imports as a share of GDP – derived from World Bank data – is assumed to be constant and aligned with the 2015-19 average.

<sup>48</sup> Data sourced from HMRC Regional Trade Statistics March 2021, accessed April 2021. Please note this trade is recorded on a physical movement basis and the figures are estimates. Data at a regional level is unavailable for Brunei.

Figure 2: Exports of goods to CPTPP members by UK region, average for 2017-2019<sup>49</sup>



Source: HMRC Regional Trade Statistics Q4 2020.

***CPTPP members are an important destination and source for international investment to and from the UK***

UK investors hold substantial investments in CPTPP economies, and investors from CPTPP member countries hold large investments in the UK. CPTPP countries accounted for 7% of total UK FDI stocks in 2019, worth £107 billion. On average, this grew by around 7% per year over 2015 to 2019 (table 3).<sup>50</sup> Around 8.6% of foreign investments into the UK originated from CPTPP member countries over 2015 to 2019, worth £115.4 billion on average. This also grew by around 11% per year on average over this period.<sup>51</sup> Japan was the largest contributor to growth in inward FDI and Canada for outward FDI.

<sup>49</sup> Data is only available for 10 CPTPP countries, this data set excludes Brunei. Note: 5% of total exports to CPTPP countries are not allocated to a region. Please note these figures are estimates.

<sup>50</sup> Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2018 to 2019.

<sup>51</sup> Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2018 to 2019.

**Table 3: UK FDI Stocks in CPTPP Countries (£billions)**

Country	2015	2016	2017	2018	2019	2015-2019 Average
Australia	28.25	41.05	33.44	41.01	37.29	36.21
Brunei	-	-	-	-	-	-
Canada	17.21	26.90	27.84	28.69	32.09	26.55
Chile	1.27	1.30	1.05	1.12	1.31	1.21
Japan	4.50	4.32	6.94	7.38	5.22	5.67
Malaysia	3.21	3.42	3.25	3.08	3.80	3.35
Mexico	7.35	7.53	8.76	8.97	10.67	8.66
New Zealand	1.07	0.87	0.83	1.12	0.95	0.97
Peru	-	-	-	0.21	0.34	0.27
Singapore	18.70	10.70	7.85	11.29	13.74	12.46
Vietnam	-	-	-	0.51	1.51	1.01
CPTPP Total	81.56	96.09	89.96	103.39	106.92	96.36
World Total	1083.98	1274.60	1369.14	1453.07	1498.23	1335.80
CPTPP Share of World Total	7.5%	7.5%	6.6%	7.1%	7.1%	7.2%

Source: ONS (2020): Foreign direct investment involving UK companies: outward (accessed February 2021) and Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2018 to 2019. Note a "-" is used when there is no data available.

## The economies of CPTPP members and potential expansion

***Joining CPTPP represents an opportunity for the UK to join a large, dynamic, and growing free trade area with economies currently representing around 13% of global GDP and rising further as more economies join in future***

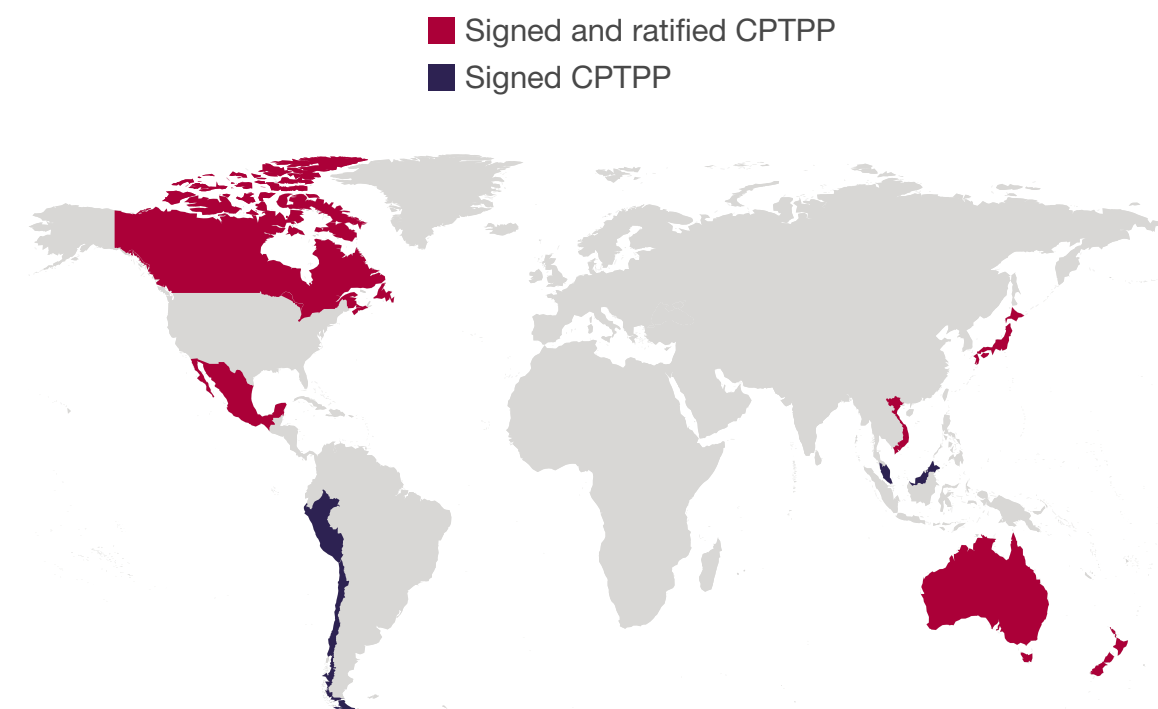
The current 11 members of CPTPP span the Asia-Pacific, Latin America and Caribbean and North America. They represented 13% of global GDP in 2019 and consumer markets worth around £5 trillion in 2018.<sup>52</sup> The 11 members are Japan, Canada, Australia, Mexico, Singapore, Malaysia, Vietnam, Chile, Peru, New Zealand, and Brunei Darussalam (Figure 3).

If the UK acceded to the agreement, the coverage of global GDP would rise to around 16%.<sup>53</sup>

<sup>52</sup> Global GDP is from IMF World Economic Outlook, April 2021 (accessed May 2021), and consumer markets is from the World bank development indicators (accessed May 2021).

<sup>53</sup> DIT Calculations using GDP expressed in nominal terms. 2019 estimates, IMF: 'World Economic Outlook Database', April 2021 (viewed May 2021)



Figure 3: Infographic of current CPTPP membership<sup>54</sup>

The individual economies of the 11 CPTPP members are diverse, with GDPs ranging from £11 billion (Brunei) to £4,033 billion (Japan), and populations varying from 0.46 million (Brunei) to 127 million (Mexico) in 2019 (table 2).<sup>55</sup> Some of the countries' economies are predominantly service based such as Singapore, and to a lesser extent Australia, Japan, Chile, and Mexico, whereas the Malaysian and Vietnamese economies have considerably higher concentrations of agricultural production.<sup>56</sup>

Table 4: Key Statistics on CPTPP members

Country	GDP (2019) in £ billions	Share of World GDP (2019)	Population (Millions 2019)	GDP per capita (2019) in £ per person	Human Development Index (2019) <sup>57</sup>
Australia	1,090	1.59%	25.6	42,663	0.94
Brunei	11	0.02%	0.5	22,963	0.84
Canada	1,364	1.99%	37.5	36,346	0.93
Chile	219	0.32%	19.1	11,449	0.85
Japan	4,033	5.89%	126.2	31,961	0.92
Malaysia	286	0.42%	32.5	8,784	0.81
Mexico	994	1.45%	126.6	7,852	0.78
New Zealand	165	0.24%	5.0	33,030	0.93
Peru	181	0.26%	33.2	5,450	0.78
Singapore	293	0.43%	5.7	51,419	0.94
Vietnam	258	0.38%	96.5	2,675	0.70
CPTPP total	8,893	13.0%	508.3	17,497 <sup>58</sup>	-

Source: IMF World Economic Outlook, April 2021, and United Nations Human Development index, December 2020. Note that a "-" is used when there is no data available.

<sup>54</sup> These maps are for illustrative purposes and the borders do not necessarily indicate UK policy

<sup>55</sup> GDP expressed in nominal terms. 2019 estimates, IMF. 'World Economic Outlook Database', April 2021 (viewed May 2021)

<sup>56</sup> World Bank Group. 'World Bank Development Indicators' (viewed December 2020)

<sup>57</sup> United Nations, Human Development Index 2019, accessed May 2021.

<sup>58</sup> Average of GDP per capita for CPTPP 2019.

### Potential expansion of the agreement

CPTPP is designed to expand, with the CPTPP commission outlining an accession process in 2019.<sup>59</sup> Although the UK has no position on the merits of any other economies' accession aspirations, if more economies joined CPTPP it would further increase its economic importance. The UK is one of several economies to formally announce an interest in accession. If it grew to include the UK, Taiwan, Thailand, and Republic of Korea it would rise to cover over 19% of 2019 global GDP. This could rise further if other economies joined that have publicly expressed interest in potential accession in the future.

Expansion of CPTPP is likely to raise the global influence of the agreement in helping to shape the future of the global trading system. The modelling exercise in the following section shows that expansion of the agreement would also provide a further boost to the economic gains from UK accession.

The UK's accession to the agreement is likely further to increase the economic and global importance of the agreement, raise the economic incentives for other economies to join and to provide the opportunity to influence the future expansion of the agreement.

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<sup>59</sup> CPTPP Accession Process set by the CPTPP Commission, available here: <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-text-and-resources/> and joint statement on accession: <https://www.mfat.govt.nz/assets/Trade-agreements/CPTPP/CPTPP-Joint-Statement-3rd-Commission-Meeting.pdf>

# Quantifying the economic impacts of UK accession

***Our modelling estimates show that joining CPTPP is estimated to boost UK trade, GDP and wages for UK workers. In our static estimates indicate that accession could provide a £3.3bn boost to trade with CPTPP members as well as a £1.8bn increase to UK GDP and an £800m boost to take-home pay for UK workers.***

***This modelling is not a forecast and does not capture the full range of benefits offered by UK accession, including dynamic effects such as the benefits for digital and data and services sectors, where provisions were found to be among the most valued part of the USMCA. Nor does it include the impact of cementing access to markets in which the UK is expected to see underlying growth of 65 per cent in its exports by 2030. To explore how we might improve our analysis to present this wider story and to improve our modelling toolkit, DIT last year set up an independent modelling review led by Prof Tony Venables.***

***These impacts on UK GDP are estimated to grow substantially as the agreement grows.***

***21 UK sectors are expected to see a long-run expansion following accession to CPTPP as businesses take advantage of enhanced and more secure access to CPTPP markets. The largest estimated increases are in the motor vehicles and beverages and tobacco sectors.***

***CPTPP membership is estimated to benefit every nation and region of the UK, with the greatest relative increases in output in the West Midlands, Scotland and Northern Ireland.***

The scale of economic impacts is estimated using the government's Computable General Equilibrium (CGE) model, a standard technique used internationally to assess the effects of trade agreements. This provides a stylised model of the world economy capturing links between countries and sectors within those countries.<sup>60</sup> It estimates the impact on trade and the economy of removing trade barriers, over and above underlying growth in trade and economic activity.

The CGE modelling is 'static', in the sense that it captures the economic changes resulting from reductions in existing trade costs using a snapshot of the world as it is now. This means that the modelling does not take into account future trends which mean that the UK and global economy could look very different in the future. It means that the static modelling estimates are not an economic forecast and they do not fully capture the full range of potential dynamic benefits to UK accession. For example, they do not explicitly include the value to UK businesses of improved and more secure access to a diverse range of markets in the face of future regional or global shocks or rising global protectionism. Nor do they take into account future underlying growth in the trading relationship between UK and CPTPP members.

More information on the modelling specification and approach is set out below and in annexes 1 and 2.

<sup>60</sup> Results from the CGE modelling exercise are not directly comparable to results presented in previous scoping assessments, as a different model specification has been used in this case.

## Modelling assumptions and technical limitations

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In the modelling the impacts of accession are assessed against a “core baseline”. This assumes that the UK joins CPTPP 11 having already secured bilateral FTAs with Australia, New Zealand, and the US. For the purpose of the modelling, these bilateral agreements are assumed to be equivalent in terms of tariff and non-tariff trade cost reductions to the CPTPP agreement.<sup>61</sup> This ensures that the modelling does not “double count” the benefits from accession to CPTPP and the bilateral agreements.

The impacts of alternative baseline assumptions, as well as various scenarios for the future expansion are shown in the sensitivity section. The expansion scenarios all raise the estimated gains from UK accession.

The modelling for this scoping assessment assumes the UK’s tariffs applied on imports from CPTPP countries are fully removed in the majority of sectors and reduced by 75% in some UK sectors. These sectors are consistent with those set out in the Australia, New Zealand, and US scoping assessments: paddy/processed rice, wheat, cereal grains, vegetables and fruits, sugar (incl. sugar cane and beet), bovine cattle, sheep and goats, milk and dairy products, bovine meat products.

The tariffs on UK exports to CPTPP countries are assumed to be fully removed in most sectors and reduced by 85% in agricultural sectors except for Beverages and Tobacco and Other Food sectors. The overall level of liberalisation, as expressed by the percent of implied tariff revenue loss, is assumed to be the same for CPTPP and the UK.

For non-tariff trade costs affecting goods, trade cost reductions are assumed to be in line with the reductions estimated from previous deep trade agreements. For the most part, this means that UK accession does not generate additional liberalisation over and above the existing bilateral relationships.<sup>62</sup>

For reductions in regulatory restrictions on services trade brought about by UK accession, DIT’s commissioned research points to several sectors in several CPTPP member countries where the CPTPP agreement offers greater or more binding commitments than are offered by the existing agreements. The available evidence shows that the binding commitments on services trade provide greater certainty to service suppliers and boost services trade.<sup>63</sup> The LSE research is used to identify sectors in particular markets where CPTPP generates additional binding, over and above that offered by the existing agreement, and therefore offers additional trade cost reductions in those countries.

Figures 4 and 5 summarise the assumed reductions in tariffs and NTMs in the core baseline for imports to the UK and exports from the UK. The charts show that:

- The reduction in trade costs on UK exports is estimated to come primarily from countries that the UK does not yet have an existing FTA with.
- There is assumed to be no reduction in trade costs on UK trade with Australia and New Zealand.
- Reductions in trade costs are driven predominantly by decreases in NTMs and regulatory restrictions to services rather than the reductions in tariff barriers.

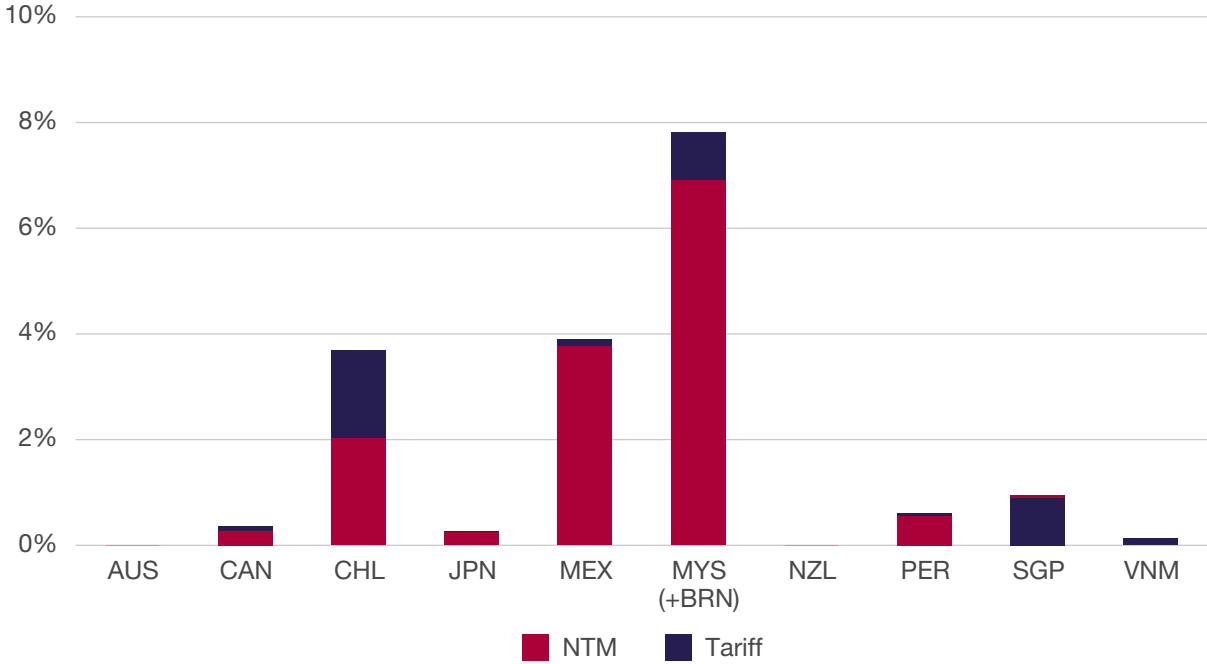
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<sup>61</sup> This implies that there is no further trade liberalisation vis-à-vis Australia and New Zealand as a result of UK accession to CPTPP.

<sup>62</sup> The exceptions are Mexico and Chile, where the Desta database scores the EU-FTAs with these countries as being less deep than CPTPP

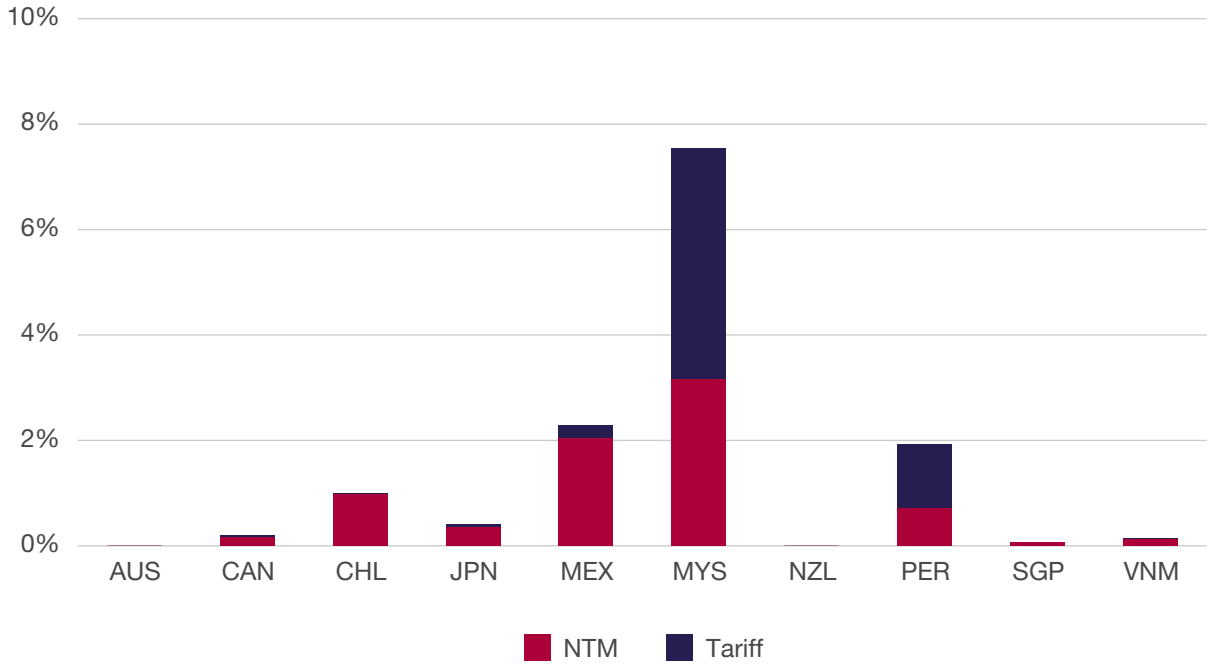
<sup>63</sup> Ciuriak et al (2020): The effect of binding commitments on Services trade.

**Figure 4: Tariff and NTM changes applied to UK imports (trade weighted, percentage point)**



Source: DIT estimates

**Figure 5: Tariff and NTM changes applied to UK exports to respective CPTPP members (trade weighted, percentage point)**



Source: DIT estimates

**Technical limitations of the modelling**

The static modelling is subject to a range of technical limitations. These include:

**Data**

The modelling uses the widely used GTAP dataset.<sup>64</sup> The latest available GTAP dataset draws on data from 2014. This means that changes in the pattern of trade between 2014 and today are not fully reflected in the estimates.

<sup>64</sup> GTAP is a global network of researchers and policy makers conducting quantitative analysis of international policy issues. The consortium produces a consistent global economic database which is widely used to study prospective international economic policy.

### Comparative statics approach

The modelling is based upon a so-called comparative statics approach, which compares the level of economic variables such as GDP, trade and wages before and after the effects of the agreement have worked through the economy. The estimated changes are in addition to any long-term underlying growth. In this context, the long run impacts are typically assumed to a period of around 15 years.

This means that the modelling does not fully capture the impacts of, for example,

- Future growth in the size of the CPTPP 11 economies or future growth in the relative importance and integration of the UK and CPTPP economies.
- Future policy choices which influence the value of the agreement.
- The future effects of global trends such as the rise of global value chains, the increasing importance of services trade, changing demographics, technological advancement, and economic development.
- The full range of potential for the so-called 'dynamic effects' resulting from increased trade on the long run growth rate of productivity in the economy.
- The impact of on-going or recently concluded negotiations that the UK is not party to, including the RCEP agreement.
- the value of increased resilience for UK exporters in the face of regional or global shocks owing to options provided through enhanced and more secure access to a diverse range of markets.

The net effect of future trends on the estimated impacts of the agreement is uncertain. The limitations mean that the modelling approach does not necessarily fully capture the complete range of potential dynamic impacts arising from trade agreements.

### The full employment closure rule for the labour market

The full employment closure rule is a common technical assumption employed in CGE modelling. This reflects the fact that in the long run there is no effect on the labour supply and economy returns to equilibrium employment levels. The employment closure rule means that the overall level of employment in the long-run (once the economy has adjusted to the agreement) is not affected by the FTA. This is consistent with the evidence that FTAs do not raise the long-run level of employment and means that workers experience gains due to increases in wages due to higher productivity and by moving across sectors.

## The macroeconomic impacts

Results from modelling the UK's accession to CPTPP show long-term increases in the UK's GDP, trade, welfare, and wages. The long run generally is assumed to mean approximately 15 years from the implementation of the agreement. The results are summarised in Table 5.

**Table 5: Summary of UK macroeconomic impacts, long run change on baseline<sup>65</sup>**

UK Macroeconomic impacts	Scenario 1 - Current CPTPP Membership
	£ Change (Static CGE modelling)
Change in GDP	£1.8 billion
Change in UK exports to CPTPP	£1.7 billion
Change in UK imports from CPTPP	£1.6 billion
Change in total UK exports	£2.0 billion
Change in total UK imports	£1.7 billion
Change in wages	£0.8 billion
Change in welfare	£1.2 billion

Source: DIT modelling, central estimates and ranges for welfare and GDP impacts, values in 2019 terms using data from ONS.

The point estimates are subject to a high degree of uncertainty. The ranges for the impacts on GDP and welfare are shown in figure 6.

<sup>65</sup> As explained in the text, the static modelling does not fully capture the full range of potential benefits

**Figure 6: Long run impact on welfare and GDP**



Source: DIT CGE modelling (2020).

### Static modelling suggests the impact on UK GDP grows substantially as CPTPP expands

A key benefit of CPTPP is the potential for its membership to grow in the future. Our modelling quantifies the impact of two illustrative expansion scenarios; CPTPP 13 (CPTPP 11 + Thailand + South Korea) and CPTPP 14 (CPTPP 13 + USA).

There are a number of countries that could have been included in this assessment. This is not indicative of actual future CPTPP membership and does not reflect UK government policy reflect UK government policy, and these scenarios are included for illustrative purposes.

The results from modelling the UK's accession across these scenarios show that expansion provides a boost to the estimates of the long run increases in the UK's GDP, trade, welfare, and wages. This is set out in table 6 below. **For example, as CPTPP expands to include Thailand and South Korea, the impact on UK GDP rises from +1.8bn to +£5.5bn.**

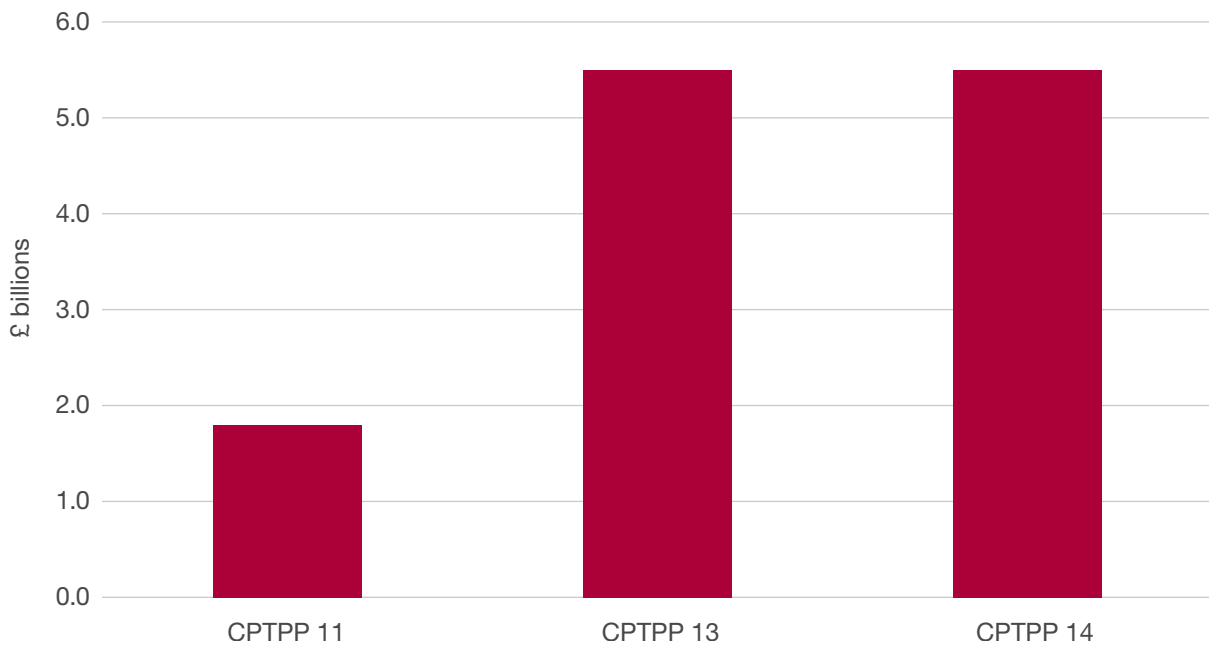
All three scenarios assume a baseline where the UK has already secured an FTA with the US. Therefore, UK GDP does not increase further between CPTPP 13 and CPTPP 14 when the US accedes to CPTPP. In the case where US joins the agreement and the UK does not have a bilateral agreement, UK GDP is estimated to increase by £19.7bn in the long run.

**Table 6: Summary of UK macroeconomic impacts, long run change on baseline, from static modelling**

Results from CGE model	Scenario 1 - Current CPTPP Membership	CPTPP 13 (CPTPP 11 + Thailand + South Korea)	CPTPP 14 (CPTPP 11 + Thailand + South Korea + USA)
	£ Change (CGE Modelling)	£ Change (CGE Modelling)	£ Change (CGE Modelling)
Change in GDP	£1.8 billion	£5.5 billion	£5.5 billion
Change in UK exports to CPTPP	£1.7 billion	£2.5 billion	£1.2 billion
Change in UK imports from CPTPP	£1.6 billion	£3.8 billion	£1.8 billion
Change in total UK exports	£2.0 billion	£4.0 billion	£3.9 billion
Change in total UK imports	£1.7 billion	£3.1 billion	£3.1 billion
Change in welfare	£1.2 billion	£4.1 billion	£4.1 billion
Change in wages	£0.8 billion	£1.9 billion	£1.9 billion

Source: DIT modelling, central estimates and ranges for consumer welfare and GDP impacts, values in 2019 terms.

Figure 7 sets out the estimated impact of UK accession to CPTPP on GDP under expansion scenarios.

**Figure 7: Accession to CPTPP impact on the UK's long run GDP**

Source: DIT CGE Modelling (2020)



## The sectoral impacts

***Our modelling shows that 21 UK sectors are expected to see a long-run expansion due to accession to CPTPP, with the largest estimated increases in the motor vehicles and beverages and tobacco sectors.***

The static modelling shows that overall UK output—measured on a GVA basis—is estimated to increase because of UK accession to CPTPP.<sup>66</sup> This is over and above the underlying future growth of the economy which is not captured in the static modelling.

As a result of UK accession, some sectors are expected to grow relative to other sectors of the economy as UK businesses take advantage of enhanced and more secure access to CPTPP markets, improved access to imported inputs and as they respond to increased competition from international markets. This raises the share of UK output that is accounted for by those faster-expanding sectors.

This is reflected in the modelling as more resources and investment, such as capital and labour, move into these sectors with higher returns, expanding output overall. As a result, some sectors account for a smaller proportion of the expanded output of the economy than would have otherwise been the case. The static modelling does not take account of expected underlying growth in the UK economy: in general all sectors are likely to be larger than they are today.

The static estimates show that the economic gains are broadly distributed across sectors, with very minor changes to the sectoral composition of the UK economy. In the static modelling, the impact of UK accession increases the GVA of 21 out of the 23 sectors. The impacts on the share of GVA accounted for by each sector are set out in table 7.<sup>67</sup>

The largest estimated percentage increases in GVA are seen in beverages & tobacco, and the manufacture of motor vehicles, as businesses expand to take advantage of lower trade barriers to access CPTPP markets.

In the static modelling, the shift in resources to sectors with higher expected returns as a result of CPTPP means lower GVA than would otherwise have been the case in the semi-processed food and manufacture of electronic equipment sectors, which see their GVA very slightly smaller than would otherwise have been the case (the difference is less than 0.5%).

These small changes do not affect the share of output accounted for by those sectors at 2 decimal places (table 7). The static modelling is not a sector forecast and does not imply that those sectors contract in comparison to today's levels. It means that they grow, but grow less strongly than they otherwise would have as other sectors expand at a marginally faster rate and, at the margins, the economy reorientates to take advantage of new opportunities provided by UK accession. This may lead some realignment at the margins where some people leave slower growing areas to take advantage of higher wage and new opportunities in faster growing sectors.

<sup>66</sup> GVA is an alternative measure of economic output to GDP. At a sector level, it is the output of that sector minus the value of intermediates that have been used to produce the goods and services in that sector. At the national level, GVA is also the equivalent of the value of GDP plus government subsidies, minus taxes.

<sup>67</sup> The sectoral pattern of changes to GVA can depend on a variety of effects. These include the scale of assumed trade cost reductions in each scenario, the existing sector trade flows, the relative competitiveness of the sector in relation to trade partners, and the reliance on other sectors' products in their own production.

Table 7: Changes in Share of UK Output by Sector (GVA, Long Run % Change on baseline)

Sector	Description	Sector GVA share in the baseline <sup>68</sup>	Sector GVA share under CPTPP 11 <sup>69</sup>
<b>Agri-Food</b>	Agriculture, forestry, and fishing	0.64%	0.64%
	Beverages and tobacco products	0.62%	0.63%
	Processed foods	1.06%	1.06%
	Semi-processed foods	0.39%	0.39%
<b>Industry</b>	Chemical, rubber, plastic products	2.86%	2.86%
	Energy	2.70%	2.70%
	Manufacture of electronic equipment	1.08%	1.08%
	Manufactures	2.33%	2.33%
	Manufacture of motor vehicles	0.89%	0.89%
	Manufacture of machinery and equipment	1.91%	1.91%
	Manufacture of other transport equipment	0.59%	0.59%
	Manufacturing n.e.c	0.91%	0.91%
	Paper and printing products	0.89%	0.89%
	Textiles and wearing apparel	0.62%	0.62%
<b>Services</b>	Business services	14.90%	14.89%
	Communications	5.97%	5.97%
	Construction	6.85%	6.86%
	Financial services	5.66%	5.66%
	Insurance	1.48%	1.48%
	Other services (transport, water, dwellings)	14.41%	14.41%
	Personal services	3.76%	3.76%
	Public Services	15.71%	15.71%
	Wholesale and Retail Trade	13.77%	13.77%

Source: CGE Modelling Results, rounded to 2 decimal places.

68 DIT Calculations using DIT CGE Modelling results (2020).

69 DIT Calculations using DIT CGE Modelling results (2020).

## The impacts on UK nations and regions

***CPTPP membership is estimated to benefit every nation and region of the UK, with the greatest relative output gains in the West Midlands, Scotland and Northern Ireland***

International evidence suggests that trade agreements and trade liberalisation more generally have the potential to affect various regions within an economy differently.<sup>70</sup> This is primarily because trade agreements affect sectors differently and the sectoral composition of output and employment vary systematically across regions.

Based upon the pattern of estimated sectoral GVA changes, the results suggest that the UK accession to CPTPP could increase GVA in all regions. The largest relative impacts are in Northern Ireland, Scotland, and the West Midlands.

In line with the sectoral estimates and regional concentration of sectors, the main drivers of the estimated expansion in West Midlands are Manufacture of motor vehicles, Wholesale & retail trade, and Business services. In Scotland it is largely due to expansions in Beverages and Tobacco, Public services, and Business services. While for the increase in GVA in Northern Ireland, the main drivers are expansions in Beverages and Tobacco, Public Services, and Wholesale & retail trade.

Table 8 presents point-estimates for changes in GVA for each region.

**Table 8: Indicative change in regional value added on UK accession to CPTPP-11, 2017 current prices**

UK Region	Indicative GVA Impact, £ million
North East	48
North West	146
Yorkshire and The Humber	98
East Midlands	89
West Midlands	177
East of England	129
London	362
South East	215
South West	106
Wales	53
Scotland	163
Northern Ireland	45

Note: For modelled results in percentage terms see technical annex 3.

Source: DIT Calculations (2021) using Business Register and Employment Survey, 2017 (ONS, NISRA) and Regional GVA, 2017 (ONS).

These monetised value estimates should be interpreted as indicative magnitudes, not precise estimates. For example based on nominal levels of GVA in 2017 the West Midlands could see an increase in GVA in the order of around £177 million. This is based on a modelled increase of 0.13% (see annex 3).

Our modelling does not provide these estimates directly since the CGE model only produces impacts at the whole economy level. The approach used to provide the point-estimates and limitations are set out in annex 3.

The long-run impact of increased trade liberalisation on regions is subject to a high degree of uncertainty due to the mobility of firms across regions. For example, evidence shows businesses in similar fields tend to concentrate in a particular region as this may generate knowledge spill overs or easier access to inputs and workers. For example, car production is highly concentrated in the Midlands or the North East of England. Reduction in trade costs could further incentivise this type of local concentration of businesses.<sup>71</sup>

In addition, regional comparative advantages can change significantly over time resulting in changes to the sector make-up of different regions. This means that the location of production for various sectors may evolve significantly over the 15-year time horizon for the economic modelling.

<sup>70</sup> See, for example: OECD. 'Making Trade Work for All' 2017 (viewed December 2018) and IMF, World Bank Group and WTO. 'Making Trade an Engine of Growth for All' 2017 (viewed December 2018), for an overview of the international evidence.

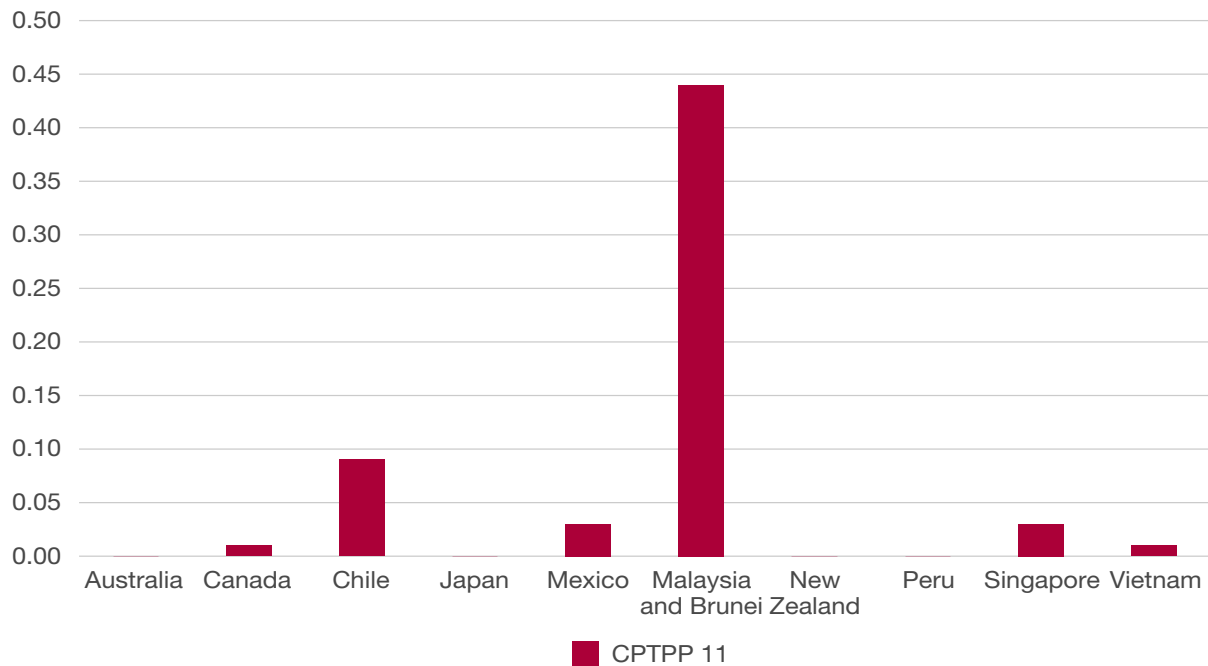
<sup>71</sup> Winners and losers from international trade: what do we know and what are the policy implications, UKTPO (2019).

## Macroeconomic impact on CPTPP countries, countries not party to the agreement and developing countries

UK accession to CPTPP is estimated to increase GDP in the majority of CPTPP member countries. No member is worse-off because of UK accession. Malaysia is expected to see the largest percentage increase in GDP.

The scale of impact depends upon the scale of liberalisation between the UK and each country. Therefore, where the UK has already signed a bilateral agreement prior to UK accession, the macroeconomic impacts on the partner economy are likely to be small. This is set out in figure 8, below.

**Figure 8: Macroeconomic impact resulting from UK accession to CPTPP, % real GDP change<sup>72</sup>**



Source: DIT CGE Modelling 2021

Table 9 shows that the estimated impacts on third countries are small. These are expressed in percentage terms for ease of comparison. It shows that for most countries, regions or territories in the model, there is estimated to be a small decrease in GDP relative to the baseline. In the static modelling, Least Developed Countries (LDCs) are estimated to see a negligible increase in GDP relative to the baseline, whereas Pacific Island economies could be around 0.01% smaller relative to the baseline<sup>73</sup>.

**Table 9: Macroeconomic impact resulting from UK accession to CPTPP-11, % real GDP change**

Third Country Name	% real GDP change from UK accession
South Korea	-0.00
Least Developed Countries	0.00
Pacific Islands	-0.01
EU 27	0.00
Rest of the World	0.00
Thailand	-0.01
USA	0.00

Source: DIT CGE Modelling 2021, results rounded to two decimal places

While the impact of the UK's accession to CPTPP on GDP in developing countries is likely to be negligible, developing countries with a high share of trade with the UK and CPTPP member countries are most likely to be impacted.

<sup>72</sup> In the modelling Brunei has been merged with Malaysia, which is why Brunei is not included below.

<sup>73</sup> The static modelling does not fully capture the full range of potential impacts.

Table 10 presents developing countries' dependency on the goods trade between the UK and current CPTPP members.<sup>74</sup> The analysis highlights the Pacific Islands as the region most likely to be affected by the UK acceding to CPTPP. This is likely due to the geographic closeness of the Pacific Islands to CPTPP members and the long-standing relationship between the Pacific Islands and the UK.

**Table 10: Developing countries' share of goods trade with the UK and current CPTPP members<sup>75</sup>**

<b>High Dependency</b>	Belize, Bolivia, Cambodia, Cook Islands, East Timor, Fiji, Guyana, Indonesia, Kiribati, Liberia, Marshall Islands, Nauru, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu
<b>Low dependency</b>	Afghanistan, Angola, Armenia, Bhutan, Cape Verde, Chad, Congo, Dem. Rep., Eritrea, Eswatini, Guinea, Lesotho, Mali, Moldova, Niger, Occupied Palestinian Territories, South Sudan, Sudan, Syrian Arab Republic, Tajikistan, Tunisia

Source: DIT calculations using data from Comtrade

CPTPP includes a development chapter, which aims to promote inclusive economic growth for all CPTPP members. The chapter captures provisions on Development, Women and Economic Growth and high-level provisions on Education, Science and Technology, Research, and Innovation issues as aspects to achieve this. The Chapter is supported by a committee with the function of facilitating activities that aim to maximise the development benefits of the agreement for all parties.

<sup>74</sup> The direction of the impact depends on a variety of factors, including the extent to which FTA partners compete in each other's markets with third countries.

<sup>75</sup> 114 countries have been included in the analysis. Countries are listed in alphabetical order. High refers to the top 20 countries with the greatest share of goods trade with the UK and CPTPP member countries. The highest value recorded was for Papua New Guinea, where 55% of goods trade in 2017-2019 was with the UK(1%) and CPTPP (54%). Low refers to the bottom 20 countries. The lowest value recorded was for Tajikistan, where less than 1% of goods trade in 2017-2019 was with the UK or CPTPP.

# Impacts on Businesses, Consumers and Workers

***UK businesses of all sizes – including Small and Medium-sized enterprises (SMEs) - should benefit from the opportunity to expand into CPTPP markets, in terms of increased exports or higher returns from business investment in CPTPP member countries.***

***Lowering tariffs and NTMs through accession to CPTPP will benefit consumers directly through increased consumer choice, better product quality and lower prices for imported goods.***

***Workers of all skill types are expected to benefit from increased take-home wages.***

***A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups, and those who report having a disability are disproportionately concentrated in sectors that have lower benefits.***

## Businesses

**UK businesses of all sizes – including Small and Medium-sized enterprises (SMEs) - may benefit from the opportunity to expand into CPTPP markets.**

Accession to CPTPP could positively impact on businesses in the UK, through increased exports, improved access to imports of intermediate goods used in production and investment growth.

Enhanced and more secure access to a diverse range of CPTPP markets also offers UK businesses more options in terms of export destinations, providing greater flexibility to pivot exports and sources of inputs towards different markets in the face of future regional or global shocks.

Existing exporters and importers could benefit from the new trade opportunities offered by tariff liberalisation and reductions in non tariff barriers. Firms that do not currently export may also be more incentivised to do so. On the import side, UK accession is estimated to expand access to cheaper and increased varieties of imported inputs. Greater access to global supply chains is an important source of competitive advantage for businesses.

In some sectors, businesses may experience greater competition from imports from CPTPP exporters. The evidence shows that competition from trade can promote business innovation and growth. Some businesses may expand, creating more jobs, but some businesses, may be adversely affected due to the increased competition.

Our modelling points to enhanced export opportunities for UK businesses. We estimate a £1.7bn long term increase in exports to CPTPP countries and £2.0 billion long term increase in UK exports to the world resulting from increased competitiveness. By expanding their exports, businesses can increase their output and turnover, benefit from economies of scale which lower their operating costs and raise profitability. In turn, this can help them attract investment and expand further.

Our modelling estimates a £45 million long term increase in annual business investment in the UK. The increase in investment in the CGE modelling is driven by the estimated increase in the return to capital.

Businesses can benefit from the reduction in UK tariffs on imported intermediates from CPTPP countries. In the absence of UK accession, an estimated £450 million worth of UK imports of intermediate goods from CPTPP would face tariffs each year, with the figure set to grow as imports grow in future.<sup>76</sup>

<sup>76</sup> Estimate based on the UKGT schedule and ONS import data for 2017/18 from all CPTPP members excluding Australia and New Zealand to the UK on tariff lines which are not either MFN 0 or staged to 0 under existing FTAs. The extent of tariff reductions resulting from accession will depend upon the negotiated outcome.

## Small and medium-sized businesses (SMEs)

SMEs play an integral role in engaging with the international economy.<sup>77</sup> They are increasingly international traders in their own right. The data suggest that 98% of businesses exporting goods in 2019 were SMEs, accounting for 45% of total UK exports.<sup>78</sup> Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

Non-tariff measures (NTMs) to trade addressed in FTAs may have a greater impact on SMEs than on larger businesses. This is because SMEs may have more limited financial and human resource capacities than larger businesses. They may be less equipped to overcome the challenges posed by different regulatory frameworks, have less access to information to help them navigate through trade regulations and absorb the financial risks associated with international trade. This means that FTA provisions which reduce the fixed costs of exporting can provide particular benefits for SMEs. This can raise the number of smaller firms which find it profitable to export, helping to spur innovation and increase productivity.

CPTPP includes an SME chapter, which includes commitments by partner countries to transparency and provision of SME-friendly advice and support to maximise the potential gains under the agreement.

The distribution of SMEs varies across the 23 sectors presented in the CGE modelling exercise (technical annex 4).

While micro, small and medium businesses account for around 52% of total UK business turnover, SMEs represent just 33% of the total turnover in the 2 sectors where GVA is estimated to contract relative to underlying expected output growth. SMEs are marginally over-represented in expanding sectors (representing for 53% of turnover in these sectors).

## Consumers

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### Lowering tariff and NTMs through accession to CPTPP could benefit consumers directly through increased consumer choice, better product quality and lower prices for imported goods.

Lower consumer prices for a given quality of product (known as quality-adjusted prices), can result from reductions in tariffs and regulatory restrictions which reduce the costs associated with the cross-border trade. Consumers can also benefit indirectly from the lower costs and greater variety of imported intermediate goods that are used by firms to produce final consumption goods and services.

As a result of higher real wages for workers, the modelling estimates show that annual real consumer expenditure in the UK (a component of GDP) increases by £684 million over the long term.

Annual UK imports from CPTPP members are estimated to increase by £1.6bn over the long term.

Consumers could also benefit from lower tariffs on imported goods from CPTPP. In the absence of UK accession, an estimated £683 million worth of UK imports of final goods from CPTPP could face tariffs each year, with the figure set to grow as imports grow in future.<sup>79</sup>

## Workers

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Workers can benefit from FTAs in several different ways. Where FTAs can boost productivity within firms and sectors, and across the economy, this is likely to increase employment opportunities and worker incomes. Where FTAs lower consumer prices, this is likely to benefit workers in the form of higher real wages, meaning that they can purchase more even if wages were constant.

### Gains through increased wages

Our modelling estimates that UK accession increases the long run level of real wages (nominal wages adjusted for the impact of inflation) by £800m. The increase in wages is estimated to benefit workers of all skill types included in the model, including managers, technicians, clerks, service workers and labourers. Labourers are estimated to see the largest increase in proportionate terms.

### Gains through changes to the share of employment across sectors

The static modelling shows only a marginal shift in the distribution of employment across sectors over the long-term as employment in some sectors grows faster than others due to accession. (Table 11). Over the decade or so following accession, the modelling suggests that some workers respond to the new

<sup>77</sup> Small and Medium Enterprises (SMEs) are defined as: Firms employing fewer than 50, and fewer than 250 employees, respectively; or Firms not exceeding either (a) £44 million in annual turnover or (b) an annual balance-sheet total of £38 million.

<sup>78</sup> HMRC. 'Trade in Goods by Business Characteristics' 2019 (viewed February 2021), this count included the unknown category which may include SMEs and firms with over 250 employees.

<sup>79</sup> Estimate based on the UKGT schedule and ONS import data for 2017/18 from all CPTPP members excluding Australia and New Zealand to the UK on tariff lines which are not either MFN 0 or staged to 0 under existing FTAs. The extent of tariff reductions resulting from accession will depend upon the negotiated outcome.

opportunities generated by the agreement by moving between sectors to take advantage of the better wages on offer in other parts of the economy. This small, gradual shift in the shares of employment towards sectors experiencing higher returns and wage opportunities is a source of economic gains both for the economy as a whole and for workers. It results from the economy reorientating to specialise in areas of comparative strength as trade barriers fall.

In modern, dynamic economies changes in the distribution of employment are happening continuously in response to technological and other global developments. The UK has one of the most dynamic and flexible labour markets in the world, which helps to realise the gains from these shifts over time.

The estimated change in the distribution of employment across sectors in the static modelling represents a very small proportion of the UK labour force, as well as the labour force in each sector. The employment share of most sectors is unaffected (table 11). Where there are changes, they amount to shifts of 0.01 percentage points. The static modelling shows that the beverages and tobacco, and manufacture of motor vehicle sectors are expected to see the largest increases in their share of employment, as some workers and future joiners to the labour force respond to the new wage and employment opportunities generated by the agreement in those sectors. The employment share accounted for by the communications sector is estimated to see a very small reduction over the long run (<0.01percentage points). The employment share of several other sectors sees some even smaller reductions which are not visible at 2 decimal places.

None of this means that employment is lower overall, nor that employment in these sectors is lower than today: the static modelling does not provide a forecast, and does not reflect underlying growth in the economy. It does however suggest that employment growth will be tilted towards those sectors where returns and wages are likely to see relatively high growth as a result of the agreement. Similarly, workers in sectors which see smaller increases in returns may also see higher wages where improvements in productivity result from the agreement.

Table 11 sets out estimates of the distribution of employment across sectors in the baseline (representing a static estimate of what they would have been in the absence of UK accession).

**Table 11: Long run changes to the distribution of employment across sectors (long run % change)**

Sector	Description	Sector share of employment in the baseline.	Sector share of employment under CPTPP 11.
<b>Agri-Food</b>	Agriculture	0.94%	0.94%
	Beverages and tobacco products	0.41%	0.41%
	Processed foods	1.52%	1.52%
	Semi-processed foods	0.57%	0.57%
<b>Industry</b>	Chemical, rubber, plastic products	2.31%	2.31%
	Energy	1.33%	1.33%
	Manufacture of electronic equipment	1.39%	1.39%
	Manufactures	3.24%	3.24%
	Manufacture of motor vehicles	1.17%	1.18%
	Manufacture of machinery and equipment	2.41%	2.41%
	Manufacture of other transport equipment	0.90%	0.90%
	Manufacturing n.e.c	0.90%	0.90%
	Paper and printing products	0.99%	0.99%
	Textiles and wearing apparel	0.67%	0.67%
<b>Services</b>	Business services	14.87%	14.87%
	Communications	5.41%	5.40%
	Construction	6.18%	6.18%
	Financial services	5.81%	5.81%
	Insurance	0.82%	0.82%
	Other services (transport, water, dwellings)	6.26%	6.26%
	Personal services	3.22%	3.22%
	Public Services	24.17%	24.17%
	Wholesale and Retail Trade	14.50%	14.50%

Source: DIT CGE Modelling Results (2021), rounded to 2 decimal places.



## Implications for Protected Groups in the Labour Market

**Employment shares in some sectors are estimated to fall slightly, as workers move over time to sectors in which returns and wages are higher as a result of accession. The representation of protected groups in sectors where employment shares fall relative to the baseline as a result of the UK accession to CPTPP, is estimated to be largely in line with the general population of the workforce.**

The distribution of employees with protected characteristics varies across the 23 sectors presented in the CGE modelling exercise (technical annex 5). The analysis is based on the structure of the UK workforce from 2016-18.

The representation of protected groups (in relation to age, sex, ethnicity, and disability) in sectors where employment share falls relative to the baseline is broadly in line with the general population of the workforce. The only exception to this is by sex; men are disproportionately concentrated in sectors where employment share is estimated to fall relative to the baseline.

### Sex

- 47% of those in employment in the UK are female and 53% are male.<sup>80</sup>
- 31% of the workforce in sectors where employment is estimated to fall relative to the baseline are female and 69% are male.
- Recently published experimental analysis by the DIT and Fraser of Allander Institute shows that, in 2016, 64% of jobs directly and indirectly involved in exports were held by males, with the remaining 36% filled by females<sup>81</sup>.

### Ethnicity

- 12% of those in employment in the UK are from an ethnic minority group and 88% report that they are white.
- 10% of the workforce in sectors where employment is estimated to fall relative to the baseline are from an ethnic minority background and 90% are white.

### Age

- 12% of those in employment in the UK are aged 16-24, 84% are 25-64, and 4% are over 65.
- The proportion of workers in sectors where employment is estimated to fall relative to the baseline who are aged 16-24 is around 8%. The proportion of workers in sectors where employment is estimated to fall relative to the baseline who are aged 65+ make up around 3%.

### Disability

- Around 13% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010).<sup>82</sup>
- The proportion of workers in sectors where employment is estimated to fall relative to the baseline who have a disability is estimated to be around 10%.

There are several limitations to the preliminary analysis. For example, the analysis is based on the structure of the UK workforce from 2016-18. This means it is not consistent with the CGE modelling results which reflect the global economy in the long run when the composition of the workforce may have changed.

Workers currently located in sectors where employment is estimated to be lower than would otherwise have been the case (in the absence of UK accession) may not necessarily be adversely affected by the UK's accession to CPTPP. For example, in some cases, workers who remain in the sector could benefit from increases in wages, owing to higher productivity in the sector. In addition, some of the adjustment may take place as workers leaving the labour market are not replaced, with new entrants more likely to find employment in sectors where employment is higher. Any workers who do transition across sectors may incur short-term adjustment costs. However, they could also benefit from the creation of higher wage jobs in other sectors of the economy.

<sup>80</sup> According to DIT Analysis of the ONS three-year pooled Annual Population Dataset (2016-2018).

<sup>81</sup> FAI research on behalf of DIT 'Estimating the relationship between exports and the labour market in the UK (2021)

<sup>82</sup> It is possible that non-response to this question in the Annual Population Survey affects the estimated proportion.

# The environment

***UK accession to CPTPP is not estimated to have significant impacts on greenhouse gas emissions (CO<sub>2</sub> and Non-CO<sub>2</sub>) and energy usage.***

***The government is intent on meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment.***

***The CPTPP agreement recognises the sovereign right of Parties to establish their own levels of domestic environmental protection and to adopt or modify their own environmental laws and policies while also maintaining commitments to enforce those environmental standards.***

This section presents the potential implications of UK accession to CPTPP on the environment.

All economic activity, including trade, has the potential to impact positively or negatively on the environment. FTAs can impact the environment by changing patterns or techniques of production, the types of goods and services that are traded and the commitments made by countries in respect of environmental policies and outcomes.

Indirect impacts on the environment may occur as enhanced trade induces the economy to grow (a 'scale' effect affecting pollution for example) and as economic activity shifts between sectors with different levels of emissions (a 'composition' effect). FTAs can also positively impact the environment as increased trade leads to the transfer of new, potentially more environmentally friendly, technologies and production methods (a 'technique' effect).

The UK Government is committed to maintaining high standards of environmental protection in trade agreements. CPTPP includes a chapter with enforceable rules relating to the environment.

UK accession to CPTPP is not expected to have significant impacts on greenhouse gas emissions (CO<sub>2</sub> and Non-CO<sub>2</sub>) and energy usage.

## **Potential implications of UK accession to CPTPP on the environment**

**The government is intent on meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment.**

Further economic integration of the UK and CPTPP economies through UK accession to CPTPP may represent an opportunity to foster greater co-operation on addressing environmental issues, both bilaterally and multilaterally.

CPTPP includes an environment chapter. Its purpose is to enhance the capacities of the CPTPP parties to address trade-related environmental issues through the promotion of complementary environmental and trade practices. The environment chapter includes:

- commitments to ensure that businesses do not gain an unfair trade advantage from failure to implement, uphold or enforce environmental standards.
- affirming commitments to implement the multilateral environmental agreements to which we are party.
- commitments to cooperate on a range of important environmental issues such as the conservation of biodiversity, sustainable management of fisheries, reducing emissions and pollution, and combating the illegal take of, and illegal trade in, wild flora and fauna.
- recognition of the sovereign right of each Party to establish its own levels of domestic environmental protection and to establish, adopt or modify its environmental laws and policies accordingly.

The Dasgupta review (2021)<sup>83</sup> shows that CPTPP includes a particularly large number of environmental provisions compared to other FTAs.

<sup>83</sup> Dasgupta, P. (2021), *The Economics of Biodiversity: The Dasgupta Review*. (London: HM Treasury), See Figure 15.7

## Impact on UK trade-related transport emissions

The impact of UK accession to CPTPP on trade-related transport emissions is uncertain. Potential impacts may result from the change to the volume of trade, the distance goods are transported, and the composition of goods traded.

International transport is responsible for 33% of worldwide trade-related emissions, with shipping freight alone accounting for at least 3% of global greenhouse gas emissions.<sup>84</sup> Different modes of transport vary greatly in their carbon intensity. One kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).<sup>85</sup>

Joining CPTPP may drive changes to the level of transport emissions associated with UK trade via several channels:

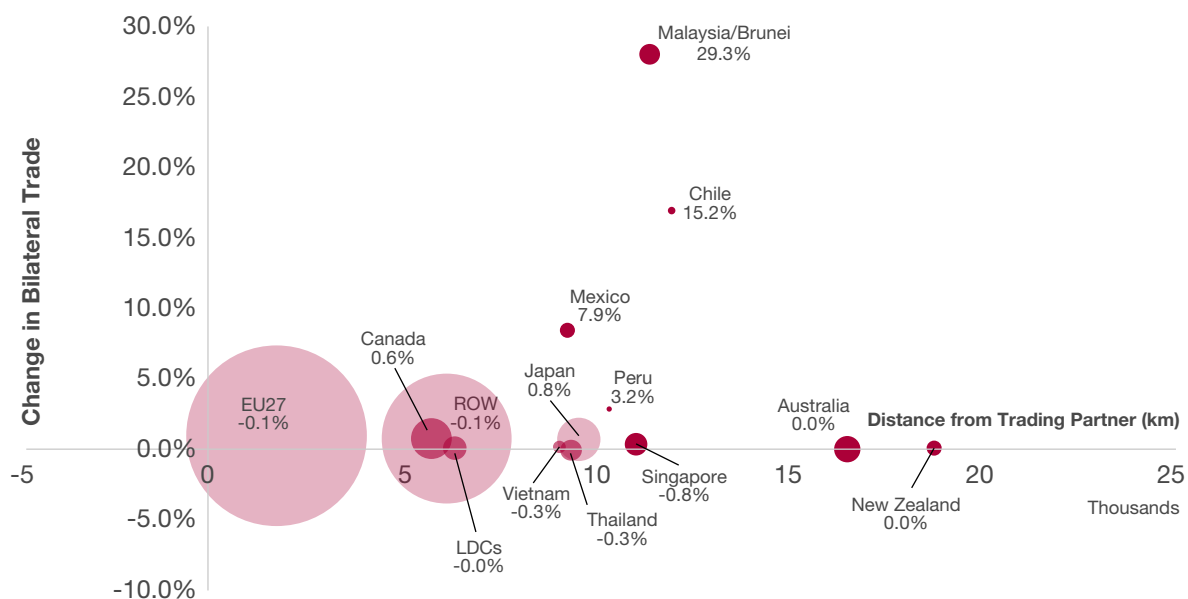
- An increase in transport emissions resulting from an increased volume of UK trade.
- A change in the types of goods traded between the UK and CPTPP members and the modes of transport used.
- An increase in the distance travelled by goods to and from the UK by shifting UK trade towards CPTPP countries and away from partners that are geographically closer to the UK.

The total value of UK trade is expected to increase by 0.38% as a result of acceding to CPTPP<sup>86</sup>. The change in transport emissions will depend on a range of factors including changes in trade by economic sector and changes in trade by partner country.

Transport emissions are driven by the weight of the products transported, rather than their value. Shifts in the value of traded goods from sectors with a low £ per kg ratio to those with a high £ per kg ratio could therefore reduce transport emissions. Shifts between sectors may also impact transport emissions by changing the overall proportion of goods that are travelling by sea and air freight.

UK trade with CPTPP members is expected to increase by around 3% as a result of UK accession, whereas UK trade with non-CPTPP countries is expected to decrease by 0.26%. The chart below maps current trade levels (defined by bubble size) with distance and expected increases in trade in percentage terms. Figure 9 shows that, on average, CPTPP members which are a greater distance away from the UK will see the biggest increases in bilateral trade in percentage terms compared to other countries. This would mean that other things being equal, transport emissions may increase.

**Figure 9: Changes in trade with CPTPP and non CPTPP member countries and distances to each**



Source: DIT Internal Analysis using GeoDist data: The CEPPI's distances and geographical database<sup>87</sup>

<sup>84</sup> T. Smith, et al., "CO2 emissions from international shipping: Possible reduction targets and their associated pathways," UMAS (2016), [http://www.lowcarbonshipping.co.uk/files/ucf\\_admin/DSA\\_2016\\_Co2\\_emissions\\_in\\_shipping.pdf](http://www.lowcarbonshipping.co.uk/files/ucf_admin/DSA_2016_Co2_emissions_in_shipping.pdf)

<sup>85</sup> For more information on transport carbon emissions, see BEIS greenhouse gas reporting conversion factors (2018). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

<sup>86</sup> The full percentage values from the CGE modelling are laid out in annex F, section 16.X

<sup>87</sup> GEODIST: (<http://www.cepii.fr/anglaisgraph/bdd/distances.htm>)

## Environmental impacts from UK production

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The government is committed to domestic and international efforts to tackle climate change. Climate change is a threat that requires an urgent global response; a response which can be facilitated by aspects of multilateral free trade. Between 1990 and 2018, the UK economy has grown by 75% while emissions have decreased by 43%<sup>88</sup> - faster than any other G7 nation.<sup>89</sup> Since 2000, the UK has decarbonised its economy faster than any other G20 country.<sup>90</sup> In 2019, the UK became the first major economy in the world to legislate to end its contribution to global warming by 2050 by reaching net zero emissions.<sup>91</sup>

UK accession to CPTPP is estimated to increase UK GDP in the long run by around £1.8 billion (CPTPP11). This increase in production (as measured by output) is expected to strengthen economic activity through efficiency gains and technological progress shifting activity between more and less emissions intensive sectors, as described below.

The analysis suggests that UK accession to CPTPP is not expected to have significant impacts on greenhouse gas emissions (CO<sub>2</sub> and Non-CO<sub>2</sub>) or energy usage.

## Impact on greenhouse gas emissions (CO<sub>2</sub> and Non-CO<sub>2</sub>)

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While joining CPTPP11 is estimated to increase the UK's domestic greenhouse gas (GHG) emissions, it is estimated to reduce emissions intensity. GHG emissions are expected to increase by 0.025% over projected levels in 2035.<sup>92</sup> This is less than the estimated percentage increase in GDP, which is 0.08%. Most of the estimated increase in emissions is attributable to the increased level of economic activity. The increase is partially offset by lower emissions owing to changes to the composition of the economy. For example, the CPTPP11 agreement is expected to reduce relative importance of GHG emission intensive sectors such as agriculture, energy, manufactures, and other services, as these sectors are predicted to grow less quickly than national output. On the other hand, less GHG emission intensive sectors such as manufacture of motor vehicles and beverage & tobacco are expected to grow faster than the national output. Furthermore, overall increase in emissions is estimated to reduce slightly due to the technique effect.

The technique effect represents on-going progress of environmental quality in the UK owing to the adoption of new environmental technologies and a better enforcement of environmental regulations, which are independent of the implementation of a new trade policy.

Importantly, the above estimates do not account for future policy measures to reach net zero by 2050 which could potentially dampen the rise of overall emissions due to accession. Further detail on the methodology used is described in annex 6.

## Impact on domestic consumption of fossil fuels

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On CPTPP11, the cross-economy analysis indicates that this trade agreement could increase energy consumption of fossil fuels by 0.094% when compared to the projected 2035 UK energy usage under the baseline.<sup>93</sup>

This analysis does not account for future government policy, such as the phasing out of coal power stations in the UK by 2024.

The analysis suggests that the energy, beverage & tobacco, and other services sectors will drive this marginal increase in consumption of fossil fuels. In comparison, the consumption of fossil fuels is estimated to decrease in the sectors of semi-processed foods and manufacturing of electronic equipment.

Table 12 summarises the overall impacts on greenhouse gas emissions and energy consumption.

88 Committee on Climate Change (2019); Reducing UK emissions 2019 Progress Report to Parliament; p.19. Available from: <https://www.theccc.org.uk/publication/reducing-uk-emissions-2019-progress-report-to-parliament/>

89 Department for Business, Energy & Industrial Strategy (2018); The Clean Growth Strategy; p.5. Available from: <https://www.gov.uk/government/publications/clean-growth-strategy>

90 PwC (2017); UK leads the G20 in clean growth. [Press release published 12 September 2017]. Available from: <https://www.pwc.co.uk/press-room/press-releases/uk-leads-the-g20-in-clean-growth.html>

91 Department for Business, Energy & Industrial Strategy and The Rt Hon Chris Skidmore MP (2020); UK becomes first major economy to pass net zero emissions law [Press release published 27 June 2020]. Available from: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

92 BEIS (2019). Updated energy and emissions projections: 2018, annex X

93 BEIS (2019). Updated energy and emissions projections: 2018, annex X

**Table 12: Results for greenhouse gas emissions and energy consumption**

Change in Annual Emissions by type	Net impact	Change impact (2035 UK Emissions) %
Greenhouse gas emissions kilo tonne CO <sub>2</sub> -equivalent (MtCO <sub>2</sub> e) – CPTPP11	94.04	0.027
Energy consumption from fossil fuels, Terajoules (TJ) – CPTPP11	7,529.83	0.094

Source: DIT calculations 2021

Annex 6 provides a more granular breakdown of the results and outlines the methodology used to translate the change in economic activity estimated by the CGE model into changes in greenhouse gas emissions and energy consumption.

## Environmental impacts for partner countries

The impact on partner country emissions is uncertain. The increase in GDP of partner countries may increase production emissions through the scale effect. On the other hand, different sectors in partner countries are likely to experience different impacts, and further information on emissions intensity of partner country sectors would be required to understand the composition effect. Partner country emissions could also be impacted by other factors such as technological developments or mitigation measures.

## Impact on Air Pollution

Increased trade could result in air pollution from additional production and trade-related transport, however, there is also evidence that membership of Regional Trade Agreements (RTAs) is linked to better air quality.<sup>94</sup>

Air pollution negatively affects human health and productivity as well as ecosystem integrity and functionality.

Unlike carbon emissions, many of the impacts of air pollution can be localised and depend on the source of the emissions, the scale of the population in the affected areas and the ecosystems affected. The UK has experienced declining national air pollutant concentrations, supported by the UK Department for Environment, Food and Rural Affairs (DEFRA) Clean Air Strategy.<sup>95</sup>

In most places where industrial and domestic pollutant sources impact on air quality, effects tend to be steady or improving over time. Traffic pollution problems buck this trend and are generally worsening worldwide.<sup>96</sup> Air pollution from traffic has been reducing in the UK, but at a slower rate than air pollution from other sources.<sup>97</sup> Air pollution is not captured in the CO<sub>2</sub> emissions modelling, but increased trade could increase pollution from production and trade-related transport. The impacts would depend on the volume of goods and transport modes used.

There is evidence that membership of RTAs both with and without environmental provisions, is linked with improvement in two measures of air quality: concentrations of sulphur dioxide and nitrogen oxides.<sup>98</sup> The study does not find a definite causal link, but academics have suggested that rising incomes as a result of free trade increase demand for environmental protections.<sup>99</sup> If this is the case, rising incomes from UK accession to CPTPP could help improve air quality.

The Government has published its Clean Air Strategy which includes new and ambitious goals, legislation, investment, and policies. Building on the commitments set out in the Clean Air Strategy, the Government has introduced air quality measures in the Environment Bill, which delivers key parts of the Strategy. Emissions of nitrogen oxides have fallen by 33% since 2010 and are at their lowest level since records began.

94 Martínez-Zarzoso, I. (2018), 'Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements: An Empirical Analysis', OECD Trade and Environment Working Papers, 2018/02, OECD Publishing, Paris.

95 DEFRA (2019) 'Clean Air Strategy'. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/770715/clean-air-strategy-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/770715/clean-air-strategy-2019.pdf)

96 UK AIR: Air Information Resource. <https://uk-air.defra.gov.uk/air-pollution/causes>.

97 Table 301: <https://www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env>

98 OECD (2018), 'Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements'. The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.

HMRC, UK trade in goods by business characteristics, 2018.

99 Cherniwchan et al. (2016) <https://www.nber.org/papers/w22636>

## Impact on biodiversity, land, and water use

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Species population sizes have seen a 60% decline between 1970 and 2014 globally, highlighting the urgency of action needed to prevent further decline. Some of the main dangers worldwide include those arising from invasive alien species, climate change, nutrient loading,<sup>100</sup> pollution and ecosystem changes. Habitats which are important for ecosystem services, including water-based ecosystem services, continue to be lost and degraded.<sup>101</sup> As mentioned, the UK is committed to tackling these threats as a member of the Convention on Biological Diversity and within the 25-year Environment plan.

The overall impacts on resource use and biodiversity globally are difficult to assess fully, as some additional production could be the result of trade diversion from less efficient producers based in countries with lower environmental standards. For example, in some large agricultural exporters, deforestation for agricultural land use takes place, with negative consequences both for diversity and climate change.

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100 WWF world living planet report 2018

101 Secretariat of the Convention on Biological Diversity (2015) Water and Biodiversity: Summary of findings of (GBO4) and implications for action as they relate to water.

# Labour standards

***CPTPP obliges parties to maintain statutes and regulations governing acceptable standards for workers in the areas of minimum wages, hours of work, and occupational health and safety.***

***The UK is a world leader in workers' rights and the UK will continue to advocate for the highest standards and conditions for its citizens. UK accession is not expected to impact on the UK's legislation related to labour issues.***

***The agreement records the parties' recognition that labour standards should not be used for protectionist trade purposes and that it is inappropriate to encourage trade or investment by weakening or reducing labour laws. CPTPP parties agree not to derogate from their laws (or offer to do so) in a manner affecting trade or investment between them and contains provisions requiring the effective enforcement of labour laws.***

CPTPP's chapter relating to labour issues obliges parties to maintain statutes and regulations governing acceptable labour standards. Each CPTPP member is also committed to discouraging imports of goods that were produced by force or compulsory labour. UK accession to CPTPP is not expected to impact on UK labour legislation.

UK accession to CPTPP is estimated to increase imports from CPTPP economies, and as such the UK would consume more goods and services that have been produced under the labour standards within these countries.

Labour provisions aim to ensure that partners do not lower their standards in order to gain a competitive advantage in relation to trade. These provisions have become increasingly common in trade agreements over the past two decades.<sup>102</sup>

There is limited literature around the impact of labour provisions on working outcomes (for example, on wages).<sup>103</sup> Where impacts have been identified, they have generally been positive<sup>104</sup> and provisions have been found to ease labour market access, narrow the gender wage gap, and not divert or decrease trade flows.<sup>105</sup>

Like other modern FTAs, CPTPP contains a chapter relating to labour issues. It obliges parties to agree to adopt and maintain the internationally recognised labour rights stated in the 1998 *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work*, in their laws and practice. Parties are also obliged to adopt and maintain statutes and regulations governing 'acceptable conditions of work' with respect to minimum wages, hours of work, and occupational safety and health, as determined by each party. The UK is a founding member of the ILO and has signed and ratified all 8 fundamental conventions.<sup>106</sup>

<sup>102</sup> In 1995, 7% of trade agreements in force included labour provisions, rising to 29% by 2016. 'Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements', ILO, 2017.

<sup>103</sup> Analysis by the International Labour Organisation (ILO, 2016) could not demonstrate a statistically significant impact on labour market outcomes (for example, wages or working hours) between FTA agreements with or without labour provisions.

<sup>104</sup> Doumbia-Henry, C. & Gravel, E. (2006). Free trade agreements and labour rights: Recent developments. *Int'l Lab. Rev.*, 145, 185. For example, Samaan & Lopez (2017) examined labour provisions in the 1999 Bilateral Textile Agreement between Cambodia and the US and found that combining obligations to comply with core labour standards with the incentive of higher exports led to a statistically significant reduction in the gender wage gap in the textiles sector.

<sup>105</sup> Summary of ILO research (2016), found in 'Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements', ILO, 2017.

<sup>106</sup> Fundamental Conventions are: C029 – Forced Labour Convention, 1930; C087 – Freedom of Association and Protection of the Right to Organise Convention, 1948; C098 – Right to Organise and Collective Bargaining Convention, 1949; C100 – Equal Remuneration Convention, 1951; C105 – Abolition of Forced Labour Convention, 1957; C111 – Discrimination (Employment and Occupation) Convention, 1958; C138 – Minimum Age Convention, 1973; C182 – Worst Forms of Child Labour Convention, 1999.

Table 13 shows the ratification progress of the current CPTPP members on the 8 fundamental conventions.

**Table 13: Ratifications of ILO Fundamental Conventions by CPTPP members**

Convention	Australia	Brunei	Canada	Chile	Japan	Malaysia	Mexico	Peru	New Zealand	Singapore	Vietnam
C029	RATIFIED		RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED
C087	RATIFIED		RATIFIED	RATIFIED	RATIFIED		RATIFIED	RATIFIED			
C098	RATIFIED		RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	
C100	RATIFIED		RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED
C105	RATIFIED		RATIFIED	RATIFIED			RATIFIED	RATIFIED	RATIFIED		RATIFIED
C111	RATIFIED		RATIFIED	RATIFIED			RATIFIED	RATIFIED	RATIFIED		RATIFIED
C138		RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED		RATIFIED	RATIFIED
C182	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED	RATIFIED

Source: ILO Normlex NORMLEX Information System on International Labour Standards<sup>107</sup>

The chapter also records the parties' recognition that labour standards should not be used for protectionist trade purposes and that it is inappropriate to encourage trade or investment by weakening or reducing labour laws. Accordingly, CPTPP parties agree not to derogate from their laws (or offer to do so) in a manner affecting trade or investment between them. The chapter also contains provisions requiring the effective enforcement of labour laws.

Each CPTPP party commits to discourage, through initiatives it considers appropriate, the importation of goods produced by forced or compulsory labour from other sources. They also encourage enterprises in its jurisdiction to adopt voluntarily corporate social responsibility initiatives on labour issues. This will help build upon the work that the UK has done to champion the fight against modern slavery practices.

CPTPP obliges parties to maintain statutes and regulations governing acceptable standards for workers in the areas of minimum wages, hours of work, and occupational health and safety.

The UK is a world leader in workers' rights and the UK will continue to advocate for the highest standards and conditions for its citizens.

- The UK has the following provisions for the areas raised above, including:
- The UK has legislative acts in place which provide for the right to collective bargaining and the right to strike.<sup>108</sup>
- The UK has legislation in place which prevents discrimination of employment on the basis of gender, sexual orientation, ethnicity, religion, race or national origin.<sup>109</sup>
- The UK has guaranteed access to a national minimum wage, varied according to age and certain professions, which is enshrined in UK Law.<sup>110</sup>
- The UK also has guaranteed amounts of statutory leave. Most workers who work a 5-day week must receive at least 28 days paid annual leave a year, including national/public holidays.<sup>111</sup> In addition, the Social Security Contributions and Benefits Act 1992 also provides for mandatory provision of paid sick pay of 28 weeks and shared parental leave of 50 weeks between parents (of which 37 is paid).

UK accession to the agreement is not expected to impact on the UK's legislation related to labour issues. Whilst accession is expected to increase average real wages in the UK, it would have no direct impact on statutory minimum wages or leave entitlement currently offered.

<sup>107</sup> [ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11001:0::NO::](https://ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11001:0::NO::)

<sup>108</sup> The Trade Union and Labour Relations (Consolidation) Act 1992 identify the right to strikes "in contemplation or furtherance of a trade dispute". The Trade Union Act 2016 provides further clarity on when strikes can go ahead, thus upholding the ability to strike while reducing disruption. <https://www.gov.uk/government/news/trade-union-act-becomes-law>

<sup>109</sup> This is enshrined in the Equality Act 2010 and Federal Equal Employment Opportunity act in the UK.

<sup>110</sup> The National Minimum Wage Act 1998 sets a "National Minimum Wage" hourly wage of £5.90 for workers aged 18-20, £7.38 workers aged 21 to 24 and £7.83 for workers age 25 and above.

<sup>111</sup> Or on other days in lieu of the specific holiday. Working Time Regulations Act 1998



# Sensitivity analysis – alternative baseline assumptions

***In the absence of bilateral agreements with Australia, New Zealand and the US signed prior to CPTPP, the estimated impact of UK accession doubles from £1.8bn in the core baseline to £3.6bn.***

Modelling exercises are inherently uncertain. The uncertainty around model inputs and assumptions has been accounted for in the ranges presented in the document which are generated by Monte Carlo analysis (described further in annex 1).<sup>112</sup>

This section presents modelling results using alternative baseline assumptions regarding the FTAs the UK has secured prior to acceding to CPTPP.

Several additional baselines were modelled to demonstrate the impacts on the assumption that the UK did not secure bilateral FTAs with Australia, New Zealand, or the USA prior to accession and if some CPTPP members decided not to ratify their membership.

The results show that the impact of accession to CPTPP is highly dependent on the number of FTAs that have already been secured by member countries, as well as on the size of CPTPP (table 14). In all alternative baselines modelled, the expected impact of accession on UK GDP is positive and, in the majority of cases, larger than in the core scenario.

In the absence of bilateral agreements with Australia, New Zealand and the US signed prior to CPTPP, the estimated impact of UK accession doubles from £1.8bn in the core baseline to £3.6bn.

**Table 14: Long-run changes in GDP in full range of baseline scenarios modelled (£ billion)**

FTAs Assumed in Baseline	CPTPP 9 <sup>113</sup>	CPTPP 11 <sup>114</sup>	CPTPP 13 <sup>115</sup>	CPTPP 14 <sup>116</sup>
AUS/NZL/USA	0.4	1.8	5.5	5.5
USA	2.2	3.6	7.5	7.3
AUS/NZL	0.4	1.8	5.5	19.7
None	2.2	3.6	7.3	21.5

Source: DIT Modelling (2021)

<sup>112</sup> This accounts for uncertainty in both policy inputs and input assumptions used in the modelling by drawing several thousand input values from their full distributions. The resulting ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range. The elasticities in the model have been sourced from the GTAP 10A database and are not varied in the Monte Carlo process.

<sup>113</sup> CPTPP members minus Malaysia and Brunei

<sup>114</sup> All CPTPP members

<sup>115</sup> All CPTPP members, plus South Korea and Thailand

<sup>116</sup> All CPTPP members, plus South Korea, Thailand, and USA



# Department for International Trade

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## Department for International Trade

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

We are an international economic department, responsible for:

- supporting and encouraging UK businesses to drive sustainable international growth
- ensuring the UK remains a leading destination for international investment and maintains its number one position for international investment stock in Europe
- opening markets, building a trade framework with new and existing partners which is free and fair
- using trade and investment to underpin the government's agenda for a Global Britain and its ambitions for prosperity, stability and security worldwide.

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