

Accession of the UK to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

Lead department	Department for Business and Trade
Summary of proposal	The Department, with other government departments, has negotiated the UK's accession to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which aims to enhance the UK's trade and investment relationship by removing tariff and non-tariff (including regulatory) barriers to trade.
Submission type	Impact assessment (IA) – 10 July 2023
Implementation date	TBC
Policy stage	Final IA
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Opinion type	Formal
Date of issue	14 July 2023

The RPC's role in assessing the IA of an FTA is to consider the validity of the analysis underpinning the assessment and its presentation in the IA. The RPC's opinion does not consider the merits of the FTA or the negotiation process.

The RPC's fitness for purpose rating is based on the understanding that the Government should aim for the highest standards of evidence and should seek to present an objective analysis of that evidence to inform Parliament and the public of the impacts of the FTA.

RPC opinion

Rating ¹	RPC opinion ²
Fit for purpose	<p>The IA is well-researched and provides a good assessment of the potential long-run impacts of the UK's accession to CPTPP, utilising widely accepted standard global trade modelling and datasets to estimate the impacts. It clearly sets out how the results should be interpreted and their limitations. The IA includes sensitivity analysis to test the robustness of the analysis to specific input assumptions and a qualitative assessment of the impact of other global uncertainties.</p> <p>The IA would be improved by a more balanced presentation of the FTA's impacts. This makes it difficult for the reader to get a clear, balanced picture of the impacts of the FTA from the IA. The IA would also be improved by making it clear that the quantified benefits to the UK principally arise from new trade liberalisation with Malaysia, rather than the other CPTPP countries with which the UK has existing FTAs. The impacts of increased UK and CPTPP GDP and greenhouse gas emissions should be contextualised in a way that provides a more informative sense of their scale. The IA would also benefit from further qualitative assessment of the sectors most affected by the agreement and their capacity to adjust to the new trade patterns.</p>

¹ Where the Department requests the RPC to review the impact assessment for an international free trade agreement (FTA), the RPC may issue a "fit for purpose" or "not fit for purpose" rating on the quality and robustness of the analysis and evidence presented in the FTA impact assessment. The RPC's rating in this opinion is based on a checklist developed in conjunction with and agreed by the Department for International Trade (DIT), the Better Regulation Executive (BRE) and the RPC.

This rating is different from the ratings which the RPC issues on Regulatory Impact Assessments (RIAs) prepared by government departments in accordance with the [Better Regulation Framework](#) which relate to domestic policy changes. In its opinions on RIAs, the RPC rates the RIAs as "fit for purpose" or "not fit for purpose" based on the quality of the department's (i) analysis and estimate of the equivalent annual net direct cost to business (EANDCB) and (ii) its small and micro business assessment (SaMBA).

² Our opinion scrutiny is on the assessment of the post trade negotiation position. Our comments are not related to the quality or outcome of the negotiation.

RPC summary

Category	Quality*	RPC comments
Rationale and options	Not applicable	Not applicable
Trade modelling and analysis	Satisfactory	<p>The IA utilises standard global trade modelling with the inputs, structural assumptions and limitations presented clearly. The IA would benefit from describing more clearly how CPTPP builds on existing FTAs with the majority of member countries. The modelling does not take account of the expected growth in the Indo-Pacific region which may lead to the impacts on the UK being underestimated. Further descriptive statistics of trade flows by sector and macroeconomic indicators for individual CPTPP partners would better contextualise the FTA impacts.</p>
Uncertainty, risks, and assumptions	Satisfactory	<p>The IA uses statistical simulations to test the sensitivity of the central modelling estimates to uncertainty regarding trade elasticities and non-tariff measures, but would be improved by presenting the results more clearly. The IA also provides a qualitative assessment of a range of uncertainties that could be further improved by developing scenario analysis to test the possible implications for the headline estimates.</p>
Free trade agreement (FTA) impacts	Weak	<p>The IA provides a detailed assessment of the FTA's potential macroeconomic trade impacts both in aggregate and broken down by sector, region and affected groups. However, we have concerns over the way the results are presented in the FTA IA (particularly in the executive summary). The presentation makes it difficult for the reader to get a clear, balanced picture of the results of the analysis.</p> <p>The IA would be improved by including country-specific estimates of the impacts on the UK, to show with which countries the majority of the modelled trade liberalisation will occur and to highlight the difference in gains to the UK from liberalised trade with CPTPP countries with which the UK already has FTA agreements and from those with which it does not.</p>

Wider impacts	Good	<p>The IA assesses the FTA's wider impacts on the environment, impacts on UK regions, labour market impacts on protected groups and impacts on small and medium sized enterprises (SMEs). The IA would benefit from more discussion of the impacts on competition, innovation and from a more detailed discussion of impacts on SMEs in the sectors expected to contract and their capacity to adjust to the new trade patterns.</p>
Monitoring and evaluation	Good	<p>The Department has committed to publish a monitoring report for the FTA every two years and a comprehensive evaluation within five years of its entry into force. The Department should also consider how it will assess and monitor the cumulative impacts of successive trade agreements, particularly on specific UK regions or sectors.</p>

*** Explanation of quality assessment**

- **Good** - Addresses the issue well. The analysis is sufficiently robust and addresses the issue properly. The analysis is based on good to high-quality, proportionate evidence and uses appropriate assumptions. It could be improved only in minor areas (if at all) and provides good support for decision-making on these aspects of the assessment.
- **Satisfactory** - Addresses the issue adequately. The analysis is considered satisfactory. The analysis is based on adequate, proportionate evidence and uses appropriate assumptions. Some improvements could be made, but it provides sufficient support for decision-making on these aspects of the assessment.
- **Weak** - Weak analysis of the issue. The analysis is not sufficiently robust to address the issue. Improvements are required in one or a number of areas. It provides inadequate support for decision-making on these aspects of the assessment.
- **Very weak** - Very weak analysis of the issue. The analysis is poor and has significant flaws. Significant improvements are required in one or a number of areas. It provides inadequate support decision-making on these aspects of the assessment.

Summary of proposal

The FTA aims to enhance the existing trading and investment relationships between the UK and CPTPP members (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam³) by removing or reducing tariffs and non-tariff measures (NTMs).

The analysis in the IA uses a computable general equilibrium (CGE) model to estimate the long-run consequences of the FTA, expressed as percentage changes relative to a 2017 baseline. These figures are also expressed in 2021 pound (£) values to provide a basis for contextualising the impacts. The estimates are subject to considerable uncertainty but are intended to indicate the direction and rough magnitude of impacts compared to the counterfactual of continuing to trade under existing FTAs and Most Favoured Nation (MFN) terms for CPTPP members with which the UK does not currently have a bilateral FTA. When compared to projected levels of GDP or trade in 2040 without the agreement, the FTA's main impacts (based on central estimates and in 2021 prices) are that:

- UK Gross Domestic Product (GDP) is expected to increase by £2.0 billion.
- CPTPP's GDP could increase by £2.4 billion⁴.
- UK's trade with CPTPP members could increase by £4.9 billion (3.9 per cent).
- UK exports to CPTPP members are estimated to increase by £2.6 billion and UK imports from CPTPP members could increase by £2.3 billion.
- Total exports and imports to the rest of the world (including CPTPP) are both expected to increase by £1.1 billion. Therefore, approximately one half of the increased trade flows with CPTPP members arises from a reallocation of the UK's trade with the rest of the world.
- 19 of the 23 sectors modelled within the analysis are expected to expand as a result of the agreement; the other four are expected to contract compared to the baseline.
- On goods, the sectors that expand the most in terms of absolute gross value added (GVA) are manufacture of motor vehicles (+£183 million) and textiles, apparel and leather (+£90 million). The largest GVA contractions occur in the manufacture of electronic equipment (-£67 million) and other transport equipment (-£24 million), due to increased import competition.
- On services, the sectors expected to expand the most in terms of absolute GVA are other services 'transport, water dwellings' (+£187 million), construction (+£119 million) and public services (+£76 million), while financial services are expected to contract (-£45 million). Growth in these sectors is driven mainly by income and supply-chain effects as other parts of the UK economy grow because of the agreement (most notably manufacturing sectors).

³ The RPC has issued fit-for-purpose opinions on the respective IAs for the free trade agreements with [Australia](#) and [New Zealand](#) and the comprehensive economic partnership agreement with [Japan](#).

⁴ Refers to CPTPP members prior to the UK's accession.

- Real take-home pay for UK workers is expected to increase by 0.1 per cent, equivalent to £1.0 billion based on 2021 wage data across the whole of the UK⁵.
- All UK nations and English regions are expected to see increases in GVA, with indicative estimates ranging from 0.15 per cent to 0.22 per cent. The West Midlands, East Midlands and Northeast are expected to see the largest expansions in GVA, reflecting their relative concentration in the manufacturing sectors expected to grow as a result of the agreement. London is expected to see the lowest GVA growth of 0.15 per cent, although this is the highest in absolute terms (+£700 million in 2019 terms).

Trade modelling and analysis

The IA for the UK-CPTPP FTA is similar in structure, methodological approach and analysis to the IAs for the UK-Australia and UK-New Zealand FTAs. Some significant updates have been made since these IAs and the CPTPP scoping assessment, most notably the shift to the more recent 2017 global comparative trade dataset. The RPC considers the trade modelling, for which the Department receives advice from its Modelling Review Expert Panel, to be of a good quality. The inputs, structural assumptions and limitations of the modelling are discussed transparently throughout the IA and the technical annex.

Data and evidence

The IA uses a widely employed Global Trade Analysis Project (GTAP) computable general equilibrium (CGE) model and draws on the latest GTAP analytical trade database from 2017. Some adjustments are made to the baseline data to reflect tariff and trade policy changes since 2017, although the IA notes that it has not been possible to reflect the importance of recent global trends such as the growth of the Asian and African economies and demographic change.

The IA provides contextual information on the UK's current trading relationships with the group of CPTPP countries. Although the IA presents the areas of export specialisation and comparative advantage for both the UK and CPTPP (Table 1 in the IA), the analysis would be improved by outlining the historical trends in trade across all 23 sectors used in the modelling to provide more context to the impacts on sectoral output estimated to occur as a result of the FTA.

The *uncertainty and analytical limitations* section of the IA presents the value of total trade with each individual CPTPP member in 2018 and 2022 (Figure 10 in the IA). The IA would benefit from providing this and other contextual macroeconomic data (for example, current GDP) for each country earlier in the IA and including a more detailed breakdown of the trade flows by sector for Malaysia and Brunei, since although overall trade flows are low compared to Japan and Canada, much of the modelled tariff and NTM liberalisation is concentrated in the manufacturing sectors of these countries.

⁵ The modelling assumes that employment remains unchanged.

Baseline

The RPC considers the approach taken to constructing the baseline to be appropriate.

The IA assesses the impacts against a baseline where the UK has not acceded to CPTPP. The analysis focuses on the impacts from the accession that are incremental to those from existing agreements with CPTPP member countries (e.g. Japan, Australia and New Zealand) as well as from new trade liberalisation with Malaysia and Brunei. The IA would benefit from providing more description of the areas in which the current agreement goes over and above the existing FTAs and the contribution these incremental changes make to the overall economic impacts on the UK.

Changes to the trading relationships between CPTPP members and other countries (including the US, EU and the Republic of Korea) over the period 2017 to 2021 are also incorporated into the baseline. Stylised assumptions are used to represent the trading relationship between the UK and the EU based on a free trade agreement, with zero tariffs and average NTMs. The IA would be improved by explaining in more detail the range of adjustments to the baseline and the sensitivity of the central estimates to the assumptions made.

The core modelling within the IA correctly does not take account of the potential future expansion of CPTPP. The IA refers to external research that provides illustrative scenarios of how an expanded CPTPP may generate additional benefits, but correctly considers any expansion to be out of scope of the core analysis of the current agreement.

The modelling does not take account of any potential catalytic trade benefits arising from the overall benefits of the agreement being greater than the sum of its parts, or the expected significant GDP growth within the Indo-Pacific region which, according to analysis referenced in the IA, is expected to account for more than half of global growth to 2050.⁶ Although the sensitivity analysis includes a high-level qualitative assessment of this trend, not including the expected growth of the Indo-Pacific region means that the IA modelling is likely to underestimate the impacts of the FTA.

The RPC would welcome the opportunity to work with the Department to develop methods of modelling more uncertain dynamic trade effects, to capture the wider impacts that may not yet be concrete. This is particularly relevant to FTAs with higher growth countries or blocs where trade is likely to change significantly.

Modelling and analysis

The impacts of the FTA are forecast using a CGE model and widely accepted global trade methodology and datasets. The estimated long run impacts are typically assumed to have developed 10 to 15 years after implementation. The RPC commends the Department for including extensive discussion of the inherent uncertainties and limitations of CGE modelling for assessing FTA impacts on, for

⁶ Global Trade Outlook - February 2023.

example, productivity, sectoral composition and on the impacts of future trade policy decisions or free trade agreements.

The IA could be improved by describing more clearly whether any adjustments to the modelling approach were required for analysing the impacts on the UK of trade liberalisation with a *group* of countries, compared to the modelling of previous bilateral FTAs with, for example, Australia or New Zealand.

The economic modelling should be supplemented with analysis of the medium to long term impacts that explores the viability of the most affected sectors (positively and negatively) in the face of changing trading patterns; for example, whether the positive impacts on the manufacture of motor vehicles sector in the UK (the sector expected to enjoy the highest GVA expansion) will still materialise if the UK and CPTPP countries shift to electric (or hydrogen-powered) vehicles. The IA would be strengthened by presenting additional qualitative sectoral assessments of the possible real-world impacts of the FTA on businesses.

Uncertainty, risks, and assumptions

The IA has satisfactorily assessed the uncertainty and risks and transparently presented the assumptions.

The IA acknowledges that the macroeconomic impacts of the modelling and the distributional impacts across sectors are subject to substantial uncertainty. The IA states that sensitivity analysis was conducted by using statistical simulations to vary the assumptions relating to trade elasticities and non-tariff measures, with the estimates from the model found to be robust to large changes in the input assumptions. The IA would benefit from providing more detail on the results of the sensitivity analysis, for example, an indication of the ranges around some of the key macroeconomic impacts.

The IA provides a qualitative assessment of a range of other geopolitical trends and uncertainties that may affect the model results, including the conflict between Russia and Ukraine, high inflation, climate change, future pandemics and technological change. The Department should continue to improve the assessment of these uncertainties by developing scenario analysis to test the potential impacts of the model outputs where there are large knock-on impacts to trade and the global economy.

Free trade agreement (FTA) impacts

The IA presents the FTA's impacts on bilateral trade and the economy, as well as any impacts of trade reallocation or diversion. However, the RPC has identified areas of improvement for the analysis relating to businesses and consumers.

The RPC has also identified some areas of improvement for presenting and contextualising the results throughout the IA and particularly within its executive summary to offer a more balanced and objective view of the FTA's impacts. For example, the IA would be improved by providing more clarity that the quantified benefits to the UK economy principally arise from new trade liberalisation with

Malaysia and Brunei compared to the incremental changes to the existing FTAs that the UK has with other CPTPP countries. The presentation would also be improved by providing country-specific estimates of the contribution to the increase in UK GDP to illustrate what is driving the overall economic benefit.

As it has done in previous FTA IAs for Japan, Australia and New Zealand, the Department should provide more context to the estimated £2.0 billion increase in UK GDP by expressing the figure as a percentage of forecast GDP in 2040 (reported in the IA as £3.3 trillion in 2021 prices) to provide a better sense of scale of the impact of the FTA. Similar calculations should also be presented for the increases in GDP across CPTPP and its individual members.

The IA states that the net increase in global greenhouse gas (GHG) emissions as a consequence of the UK's accession to CPTPP are negligible because they are only 0.003 per cent of global GHG emissions. However, a more appropriate comparison of the environmental impacts of the FTA is the 0.12 per cent increase in UK-based GHG emissions compared to total UK GHG emissions. The IA would also be improved by comparing the percentage increase in UK GHG emissions with the percentage increase in UK GDP to show the environmental impacts of the increased economic activity from the FTA compared to average UK GHG emissions from economic activity.

International trade

The IA presents central estimates of the FTA impacts, setting out macroeconomic impacts and breakdowns by sector, region and affected groups of individuals. It clearly states that these central point estimates are used to indicate the direction of impacts and approximate magnitude rather than precise forecasts. The RPC agrees this is an important feature in presenting the modelled results.

The IA focuses on presenting the impacts on the UK of trade liberalisation with the aggregated group of 11 CPTPP countries. However, as the IA notes, with the exception of Malaysia and Brunei, the UK already has existing bilateral agreements with the other 9 countries. With the vast majority of the benefits to the UK appearing to be generated through trade liberalisation with Malaysia and Brunei, the IA would provide a clearer picture of the FTA's impacts by presenting more disaggregated country-specific analysis of the impacts on the UK.

Tariff/NTMs

The IA states that the FTA will lead to 99.9 per cent of current UK goods imports from CPTPP being eligible for zero tariffs once staging is complete. This is a small increase in the percentage of UK goods imported from CPTPP countries that will be eligible for zero tariffs once bilateral agreements are fully implemented. The technical annex sets out the methodological approach to modelling the impacts of tariff reductions and non-tariff measures (including the use of gravity modelling) and the limitations of the analysis.

The impact of tariff and non-tariff reduction on reducing prices for UK consumers and increasing competitive pressures on domestic businesses in the UK market could be

discussed further, including the constraining impact of remaining factors favouring domestic production, such as lower transport costs.

The IA describes how provisions in the agreement will make it easier for UK investors to access and operate in CPTPP markets including protections from unfair, arbitrary or discriminatory treatment. Although the IA acknowledges that UK investors may benefit from access to the investor-state dispute settlement (ISDS) system where they do not receive such treatment, it does not assess the potential costs of foreign investors taking action against the UK government to contest, for example, regulatory changes that affect their investments. The IA should also consider whether there are other impacts from provisions relating to Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) which facilitate trade while addressing public policy objectives like public health. Although these impacts may be difficult to quantify, the IA should consider them alongside the quantified impacts from the model, to assess the overall quantitative and qualitative costs and benefits of the agreement.

The IA could discuss further the impact of the agreement's provisions on rules of origin, in terms of the volumes of inputs from across CPTPP members and the effect of cumulation on efficiency of the supply chains for businesses in the UK.

The IA describes how the agreement includes a number of negotiated protections, including staged access to the UK market for sensitive agricultural produce over a significant period of time to enable businesses time to adjust, and permanent annual limits on the most sensitive agricultural goods (for example, beef, pork and chicken) that can be exported to the UK at a reduced, or zero, tariff from major producing countries. However, the IA should provide an assessment of the impacts, including distributional considerations, of these protections on the businesses most affected, industry structure and consumers, relative to fuller and quicker access to UK markets in these areas.

Trade flows

The IA explains that accession to CPTPP could lead to lower trade flows with the UK's existing trade partners. While UK exports to CPTPP increase by £2.6 billion as a result of the agreement, total UK exports to the rest of the world (including CPTPP) increases by £1.1 billion. This implies that around one-half (56 per cent) of the increase in UK exports to CPTPP occurs from the reallocation of exports away from other trading partners. Similarly, around 50 per cent of the increase in imports from CPTPP reflects a reallocation away from existing trading partners.

The IA provides a useful analysis of the potential detrimental impacts to producers in developing countries from 'preference erosion', which occurs when exporters in foreign markets experience a loss in their competitive advantage due to preferential trade treatments between other countries. For example, a developing country may see a loss of exports to the UK as a result of CPTPP producers facing lower tariffs in the UK market. Although the IA identifies a range of products in developing countries at risk, the analysis would be improved by drawing stronger conclusions on the likelihood and scale of any detrimental impacts to these economies and the corresponding impacts on UK sectors and regions resulting from the trade flows.

The IA also analyses the impact on GDP for a selection of neighbouring and least developed countries that may experience a reduction in their exports as a result of the UK and CPTPP members facing lower barriers to each other's markets. The impacts are estimated to be minimal, with Thailand identified as the most impacted with a £73 million reduction in GDP.

Economy and productivity

The UK's accession to CPTPP is estimated to increase UK long-run GDP by approximately £2.0 billion when compared to projected levels of GDP in 2040 in the absence of the agreement. In line with previous IAs supporting trade agreements with Japan, Australia and New Zealand, the IA should present the increase in UK GDP (as well as that for CPTPP and its individual members) as a percentage of projected GDP in 2040 to provide better context of the scale of this change.

The sectoral analysis is presented clearly in the IA and indicates that 19 of the 23 sectors modelled are expected to experience growth in GVA, while four sectors contract relative to the baseline. However, the overall structure of the economy in terms of the sectoral shares of total UK GVA is expected to remain broadly unchanged and assumed not to alter supply chain interactions between sectors.

The IA estimates that real wages in the UK will increase by 0.11 per cent, equivalent to £1.0 billion per annum when applied to 2021 levels, as a result of increased productivity in the economy. The IA would be improved by also presenting the impact on wages in CPTPP countries and discussing how this may affect UK wages. The modelling assumes fixed rates of employment and unemployment in the long-run and the IA acknowledges that there may be some short-run adjustment costs as labour reallocates to different sectors as a result of the agreement; however, the IA provides evidence that these costs are likely to be minimal.

Businesses

The IA explains that it is not possible to determine how many UK businesses trade with CPTPP as a whole and instead presents the number of businesses exporting to or importing from individual CPTPP members. While more businesses trade with Australia, Canada, Singapore and Japan, the IA argues that businesses trading with Malaysia and Brunei may particularly benefit from new trading opportunities.

The IA explores the costs for businesses voluntarily choosing to utilise the FTA provisions and estimates potential one-off familiarisation costs to businesses. The IA's analysis of the impacts on business, and in particular familiarisation costs, would be improved by drawing on any findings or case studies relating to business experience of the recent UK-Australia and UK-New Zealand FTAs and considering any specific aspects of the CPTPP agreement which may affect business familiarisation costs compared to previous agreements implemented.

Consumers

The IA applies economic theory to consider how the FTA provisions could benefit UK consumers through increased consumer choice, better quality products, and lower prices for imported goods. The IA summarises that the extent to which businesses or consumers in the UK will benefit from reduction in tariffs will depend on the rate at

which lower costs are “passed through” from importing businesses to consumers. The IA could present further research, or any international comparators, as evidence to clarify the impacts of trade on consumer choice and preference, and the extent to which various factors, including inflationary pressures, affect how cost reductions are passed through to consumers.

Public sector

The IA notes that implementation of certain chapters of the FTA may require primary legislation and considers one-off public sector familiarisation costs for customs and government officials needing to read and understand the FTA text. These are expected to be met from existing resources.

Wider impacts

Competition and innovation

The IA applies economic theory and provides a qualitative assessment of the impacts on competition and innovation. It notes that UK businesses may experience greater competition from exporters in CPTPP countries and refers to evidence showing that increased competition from trade promotes business innovation and growth. The IA argues that some businesses would be expected to expand as a result of increased competition, while others would be adversely affected.

The IA also refers to ambitious intellectual property provisions within the agreement that encourage innovation and creativity, but does not quantify these impacts. The IA would benefit from providing more analysis of the range of impacts on competition and innovation by considering metrics related to market share and concentration as well as sectoral metrics of innovation, intellectual property, research and development, and international technology transfers.

Environment

The IA provides extensive consideration of the environmental impacts of the FTA, including greenhouse gas (GHG) emissions, trade-related transport emissions and wider natural capital impacts relating to biodiversity, deforestation, air pollution, water use/quality and waste management.

UK CO₂ emissions are estimated to increase by 0.5 MtCO_{2e} (0.12 per cent) in the long run compared to baseline levels as a result of changes in economic activity and economic growth generated by the FTA. CPTPP CO₂ emissions are estimated to increase by 1.45 MtCO_{2e} (0.05 per cent) with around two-thirds of the increase attributable to Malaysia, reflecting the economic impacts of the FTA. Although the IA states that each country has commitments to reduce GHG emissions, it would benefit from discussing the proportionality of these negative environmental impacts to the estimated increase in economic activity.

Transport-related emissions arising from the increased trade flows between the UK and CPTPP partners could increase by between 0.13 MtCO_{2e} and 0.15 MtCO_{2e} each year. This represents a 4 per cent increase relative to the baseline and is consistent with the estimated 3.9 per cent increase in bilateral trade between the UK and CPTPP.

The IA argues that the sectoral changes in GVA arising from the FTA are not likely to have significant negative impacts on air quality, marine habitats and fisheries, water quality and waste management. However, some very small effects on biodiversity as well as some small and concentrated effects on deforestation and land use may occur in Malaysia as a result of changing trade patterns.

Distributional/equality impacts

The IA provides a clear explanation of the methodology for calculating indicative estimates of the impacts across UK regions and nations based on the UK-wide sectoral changes that the CGE modelling estimates will occur over the long-run as a result of the FTA. The presentation of the analysis could be improved by indicating more clearly which regions will experience partially offsetting reductions in output due to the four sectors expected to contract.

The IA analyses whether there may be disproportionate labour market impacts for protected groups (including gender, age, disability and ethnicity) from the changes in sectoral employment. The IA argues that workers in sectors that are expected to decline may not be adversely affected if adjustments to employment occur through natural churn in the labour market and while there may be some transition cost to those who do switch sectors, there are also potential benefits from higher productivity and wages in these sectors. As part of any additional qualitative assessment of the impacts on the most affected sectors (see comment under *modelling and analysis* above), the IA would benefit from further consideration of the assumptions relating to the specific employment effects of FTAs, including re-skilling.

Small and medium sized enterprises (SMEs)

The IA estimates that a large proportion of SMEs are based in sectors of the economy that are expected to grow as a result of the FTA. Although the analysis indicates that few SMEs are in the four adversely affected sectors, such as semi-processed foods and the manufacture of electronic equipment, SMEs contribute to around one-third of turnover in each of the sectors. The IA would benefit from providing more discussion on the range of impacts on SMEs within these sectors and their capacity to adjust to the new trade patterns over the medium and long term.

Monitoring and evaluation

The RPC considers the monitoring and evaluation (M&E) proposal to be of good quality.

For this agreement, the Department has committed to publishing a biennial monitoring report that will focus on the evolution of trade flows between the UK and CPTPP partners, the extent to which short-term changes in trade flows can be attributed to the agreement itself, and providing an overview of the committees established to facilitate implementation and enhance utilisation.

The Department has also committed to a comprehensive ex-post evaluation of the agreement around five years after the UK's accession. The evaluation report will synthesise findings from monitoring, evaluation and stakeholder engagement

activities to assess the impact of the agreement on a core set of evaluation questions. These questions relate to how the agreement is delivering benefits for UK consumers and businesses, whether the implementation of the agreement can be improved to maximise benefit and identifying lessons for future UK agreements. The IA highlights a mixed methods evaluation involving econometric analysis, surveys, in-depth interviews and deep dives for specific sectors. The IA would be improved by providing more detail on each of these components, for example, the techniques for assessing and presenting impacts against an appropriate counterfactual, and the additional insights obtained from surveys and interviews for any additional impacts on consumers and businesses not covered within the IA.

The RPC welcomes the Department's commitment to monitoring and evaluation, and considers it critical to understanding the FTA's true long-term effects, including any unintended consequences, filling in any gaps in the evidence with respect to the uncertainties noted in the IA, examining behavioural responses, and to shaping the design of future trade policies and agreements. However, given the IA estimates long run impacts by comparing outcomes with and without the FTA after 10-15 years, the uncertainties and possibilities of the FTA may not be realised after five years. The Department should consider a continuous evaluation throughout the lifetime of the FTA.

The Department should also consider how it will assess and monitor the cumulative impacts of successive trade agreements, particularly on specific UK regions or sectors most affected.

Regulatory Policy Committee

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