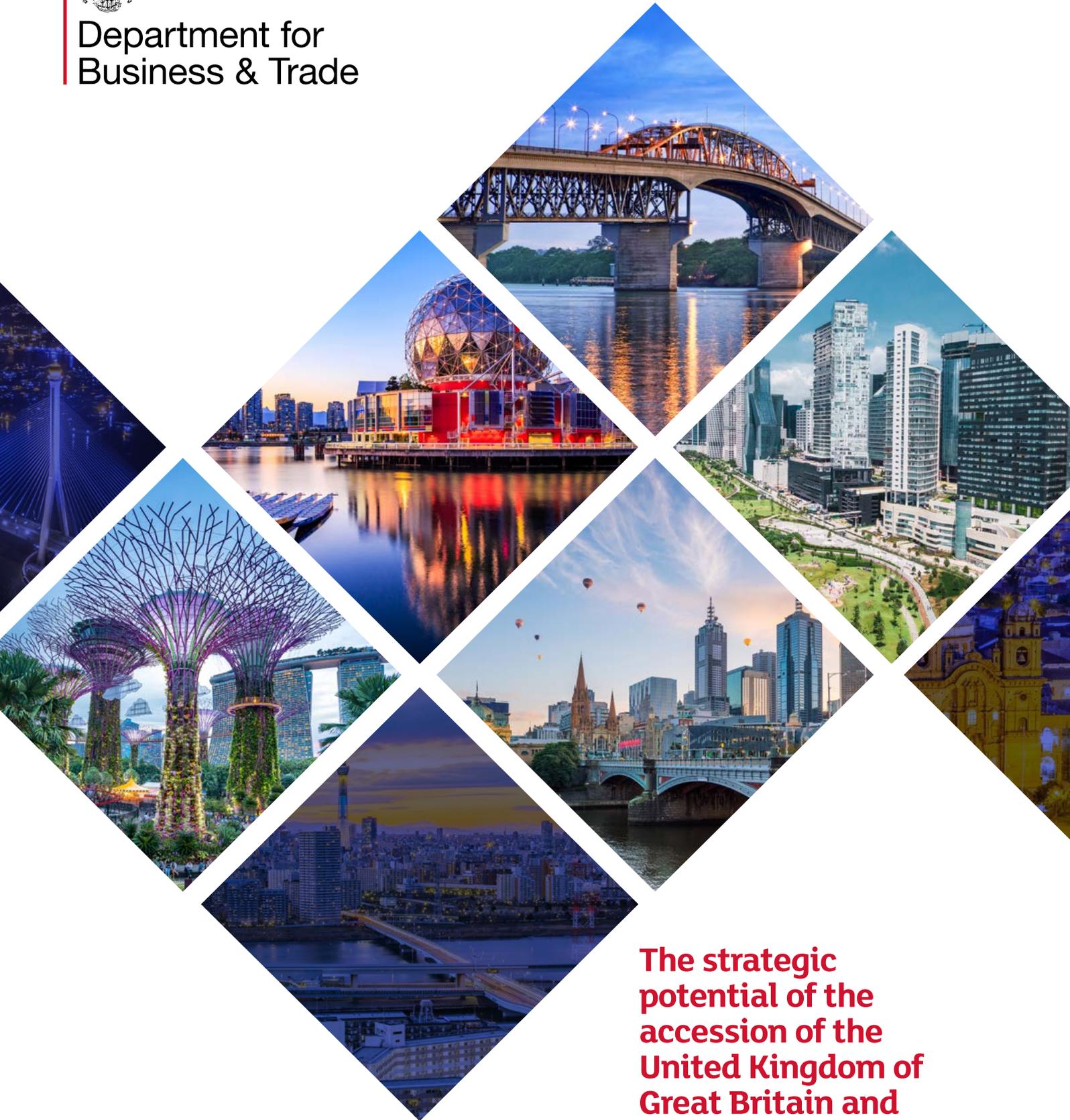




Department for  
Business & Trade



**The strategic  
potential of the  
accession of the  
United Kingdom of  
Great Britain and  
Northern Ireland to  
the Comprehensive  
and Progressive  
Agreement for Trans-  
Pacific Partnership**

## Foreword

The United Kingdom has successfully negotiated membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). We are the first new country to join the group since its eleven original members from around the Pacific Rim signed the deal in 2018.

This is a landmark for the UK's trade policy and engagement in the Indo-Pacific.

CPTPP liberalises trade between countries with a combined population of half a billion people and includes some of the world's most dynamic economies. Once we have joined, CPTPP will account for around 15% of global GDP<sup>1</sup>, and our deal is estimated to increase bilateral trade by £4.9bn in the long run<sup>2</sup>.

But membership of CPTPP does more than give UK businesses access to a series of individual markets. Beyond these immediate benefits are wider, deeper, longer-term opportunities.

Our membership gives us a new presence in the Indo-Pacific – a region the UK has already identified as a pillar of our international policy, and which is expected to originate 54% of global growth through to 2050<sup>3</sup>.

And our membership will advance modern trading rules at a time of risk of fragmentation in the global economy and pressure on the multilateral trading system. CPTPP shows that trading rules reflecting the fast-changing nature of the global economy can be agreed and operated between a diverse range of countries.

“CPTPP is a high-standard, comprehensive agreement that will eliminate most tariffs on trade, liberalise hard-to-reach non-tariff barriers and create modern rules for digital trade, state-owned enterprises, intellectual property, and other areas. These rules are especially important in a fraying global trading system.”

*Peter Petri and Michael Plummer<sup>4</sup>*

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<sup>1</sup> (International Monetary Fund , 2023)

<sup>2</sup> (Department of Business and Trade, Impact assessment of the accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, <https://www.gov.uk/government/publications/cptpp-impact-assessment>, 2023)

<sup>3</sup> (HM Government, Global Trade Outlook, <https://www.gov.uk/government/publications/global-trade-outlook-february-2023-report>, 2023)

<sup>4</sup> (Petri & Plummer, Why South Korea Should Join the CPTPP, 2021)

## The Indo-Pacific

### A pillar of UK international policy

The Indo-Pacific region matters to the UK. It is critical to our economy, security, and enduring commitment to an open and stable international order. It will be central to our collective success in combatting global challenges, from climate change to maritime security. And, as it grows in geopolitical and economic importance, developments there will have an increasing impact on the global economy, supply chains and strategic stability.

“The growing coalescence amongst our like-minded allies and partners is ... translating into a new network of ‘Atlantic-Pacific’ partnerships, based on a shared view that the prosperity and security of the Euro-Atlantic and Indo-Pacific are inextricably linked.”

*The Integrated Review Refresh 2023*<sup>5</sup>

### Driver of global growth

The world’s economic centre of gravity is shifting to the Indo-Pacific. The region already contributes more than half of global growth.

Also, this year, the UK published its Global Trade Outlook<sup>6</sup>. This publication sets out the expectation that the Indo-Pacific region will account for 54% of global GDP growth in real terms between 2021 and 2050 – compared to 9% from the EU. The region’s share of global GDP is expected to rise in industrial sectors as its share of global manufacturing continues to expand, as well as in some service sectors – including transport, financial and recreational services – as the rising purchasing power of a growing middle class increases demand. By 2035, around half of the world’s 2.7 billion middle class consumers are expected to be in the Indo-Pacific. The region’s share of global imports is also expected to rise in most sectors over the coming decade, accounting for 39% of global imports in 2050, up from 34% in 2021<sup>7</sup>.

### A unique opportunity for free trade

Leaders across the Indo-Pacific have long recognised the opportunities that could come from greater regional integration. In 1994, the leaders of the Asia-Pacific Economic Cooperation (APEC) - whose membership includes countries across the Asia-Pacific region including the world’s two largest economies in the US and China - met in Bogor, Indonesia, and adopted “the long-term goal of free and open trade and investment in the Asia-Pacific”<sup>8</sup>.

They did not prescribe specific actions, but interest in a parallel process working towards a Free Trade Area for the Asia Pacific (FTAAP) quickly developed, and a Roadmap to an FTAAP was agreed in 2014 to be progressed alongside the Bogor goals. Such an FTAAP, if ever realised, has been estimated to lead to a potential increase in world GDP of almost 1% or \$1,162 billion<sup>9</sup>. That broad vision is what is potentially “up for grabs” in terms of driving towards an end point that will, of course, take some time. But the key point is to create concrete outcomes that facilitate and enhance the pathway to that end.

This is where CPTPP is particularly important. CPTPP has emerged as an agreement between 11 open and growing economies with whom the UK finds common ground. CPTPP was, when known as TPP, driven by the US under the Obama administration. After the Trump administration

<sup>5</sup> (HM Government, Integrated Review Refresh 2023: Responding to a more contested and volatile world, <https://www.gov.uk/government/publications/integrated-review-refresh-2023-responding-to-a-more-contested-and-volatile-world>, 2023)

<sup>6</sup> (HM Government, Global Trade Outlook, 2023)

<sup>7</sup> (HM Government, Global Trade Outlook, 2023)

<sup>8</sup> (APEC, 1994)

<sup>9</sup> (Ferrantino, Maliszewska, & Taran, 2019)

withdrew, the Japanese government drove forward the agreement as CPTPP. Like the ‘original TPP’, it is designed to evolve and to expand. The original Treaty sets out an accession process, and government Ministers of its current members have reaffirmed this approach in their annual meetings.

Now the UK’s accession clearly demonstrates that CPTPP is a club open to new members. In fact, the UK’s accession makes CPTPP membership an even more attractive proposition – since the UK became the first country to apply, more countries have signalled an interest, and the last four founder members ratified the deal in their own countries too.

CPTPP is a cutting-edge agreement including ambitious provisions for digital trade, e-commerce and trade in services that are ideally suited to the UK economy. The agreement contains extensive chapters that promote high standards in areas including labour, environment, and anticorruption. For these reasons, CPTPP is exceptional - a plurilateral agreement providing deep liberalisation and a breadth of coverage normally only seen in modern bilateral FTAs.

Membership of CPTPP strengthens our existing bonds with like-minded allies such as Canada, Australia and New Zealand. And our relationship with Japan has grown further and faster than with any other international partner. Building on the UK–Japan Comprehensive Economic Partnership Agreement agreed in 2020, we have worked closely in the G7 in support of free trade and economic security, and in 2023 signed the Hiroshima Accord including new agreements on defence, trade and investment, science and technology collaboration, and joint work on tackling global issues like climate change.<sup>10</sup>

Joining CPTPP also strengthens our ties with middle income and emerging economies, who are increasingly influential and central to an open and stable international order. We do not agree with these countries on everything, but engagement provides a basis for building relationships and influence globally. Our shared membership of CPTPP strengthens an open trading model as a route to growth and development.

But a key feature, and unique opportunity, of CPTPP membership is its future expansion.

“CPTPP also allows the UK to help shape the global trade architecture and its evolution, while its membership in turn helps cement CPTPP as a grouping of mid-sized powers committed to a free-market approach and rules-based international trade.”

*Marianne Schneider-Petsinger*<sup>11</sup>

<sup>10</sup> (HM Government, PM to agree historic UK-Japan Accord ahead of G7, <https://www.gov.uk/government/news/pm-to-agree-historic-uk-japan-accord-ahead-of-g7> , 2023)

<sup>11</sup> (Schneider-Petsinger, 2023)

## Expanding CPTPP

While current CPTPP members are open to expansion they have also been very clear that this applies only to countries who will meet the high standards required. Accession negotiations have been rigorous for the UK and set a precedent for other applicant countries. As a member, the UK will have a say on who joins the agreement in the future, which would need to be agreed by full consensus of all the existing members.

Currently, there is strong interest from other economies who, like the UK, recognise the economic value, strategic importance, and future potential of CPTPP. We understand that China, Taiwan, Costa Rica, Ecuador, Uruguay, and Ukraine have formally applied, while economies including Thailand, the Republic of Korea and the Philippines have at various times expressed an interest in joining. Others have in the past suggested that they could be interested, for example Colombia.

It is too early to sense where there is or will be a consensus among CPTPP members that all these countries aspiring to apply would meet the high standards required. The UK will work to ensure the standards of the agreement are not loosened for any new members, particularly in respect of any market distorting practices. But the interest in the agreement highlights its potential.

Some of the countries wishing to join are projected to see high cumulative growth between 2021 and 2050, with the Philippines (303%) and Costa Rica (119%) having higher projected growth than the average across the wider world (88%). Other potential joiners such as Ecuador and Thailand are projected to grow at 82% and 80% respectively<sup>12</sup>.

Illustrative modelling undertaken by DBT set out in *‘the impact assessment on the UK’s accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)’* shows the potential marginal impact for the UK if other countries join CPTPP. Should Ecuador, Costa Rica, Uruguay, Republic of Korea, Colombia, Philippines, and Thailand join alongside the UK, the modelling estimates that this expanded CPTPP agreement could boost UK GDP by around £4.3 billion (2021 prices) in the long-run, relative to the absence of the agreement. Alternatively, if the US and the rest of ASEAN countries (Laos, Cambodia and Indonesia) were to join CPTPP, the marginal impact on the UK’s GDP would be equivalent to £19.5 billion (2021 prices). If all the countries above were to join, the marginal impact on the UK’s GDP would be equivalent to £21.4 billion (2021 prices)<sup>13</sup>. These are hypothetical scenarios and do not reflect UK government policy on future CPTPP membership<sup>14</sup>.

Different analyses support similar conclusions. Economists Plummer and Petri estimated the potential benefits of CPTPP expansion under different scenarios and based on different assumptions. They estimated that if the UK, Republic of Korea, Indonesia, the Philippines, and Thailand were to join by 2027 (as well as UK having ratified the agreement), it would generate income gains of \$156 billion for all members by 2035. A further theoretical scenario considered by Plummer and Petri – involving the US, the European Union, China, and Taiwan joining CPTPP and India joining RCEP – was also modelled, which was estimated to result in a boost to world income of \$1.4 trillion and expand members’ real incomes by 1.6%<sup>15</sup>. Although this latter scenario remains entirely hypothetical, it illustrates the potential scale of the benefits of integration and liberalisation in the Indo-Pacific region. These are hypothetical scenarios and do not reflect UK government policy on future CPTPP membership.

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<sup>12</sup> (HM Government, Global Trade Outlook, 2023)

<sup>13</sup> (Department of Business and Trade, Impact assessment of the accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, 2023)

<sup>14</sup> We understand that the following economies have formally applied to join CPTPP: China, Taiwan, Costa Rica, Ecuador, Uruguay and Ukraine

<sup>15</sup> (Petri, Peter; Plummer, Michael, “Chapter 6: Scenarios for a Global “New Normal” and SEAN Global Value Chains”, ASEAN and Global Value Chains: Locking in Resilience and Sustainability, <https://www.adb.org/publications/asean-global-value-chains-resilience-sustainability>, 2023)

As CPTPP membership grows, so will the case for larger trade powers to participate. Already, Cecilia Malmström, former European Commissioner for Trade (2014-19), has called for the EU to consider joining CPTPP, to “enable Europe to align with countries there to strengthen its trade agenda and become a stronger geopolitical actor.” She has described joining the CPTPP as “a natural next step in the European Union’s willingness to engage with the Indo-Pacific”<sup>16</sup>. And, although it is also not current US government policy, there are increased calls from academics and commentators, such as the Brookings Institute<sup>17</sup> and Washington-based Asia Society<sup>18</sup>, for the US to re-engage. Through the UK’s own accession, we are moving CPTPP along the path of expansion, making it increasingly attractive for others to follow suit.

Expansion means that CPTPP’s modern rules have the potential to become more broadly established among countries who sign up to them. But it also means that its modern rules will influence countries when they are aspiring to join, if they just want to retain the option in future, or if they want to stay aligned as they trade with CPTPP countries, to avoid trade frictions developing due to divergent approaches.

CPTPP has the potential to draw in more and major economies, directly and indirectly, and bind them into fair and open trade practices.

## **Harnessing the power of CPTPP**

### **The global trading order**

In the 1980s and 1990s, there was optimism that first the GATT then the WTO would steadily break down barriers to trade and deepen the multilateral rules-based order. There was broad agreement around the opportunity of liberalising trade through multilateral institutions. However, progress since the conclusion of the WTO Uruguay round in 1994 has been slow. The multilateral rules-based system, grounded in consensus between all members, has not always kept pace with changes in the global economy. It needs new approaches to build momentum.

The UK remains a strong advocate of the rules-based international trading system with the WTO at its heart. The WTO plays a vital and unique role in free, fair, rules-based international trade by providing stability and predictability for businesses and consumers around the world, and according to the WTO over 75% of goods are traded on Most-Favoured-Nation terms<sup>19</sup>. This gives concrete benefits; the economic gains of UK GATT/WTO membership for the manufacturing sector alone for UK consumers and producers was estimated to total US\$22.4bn over the period 1980 to 2016<sup>20</sup>.

We have used our independent seat at the WTO to support its work. For example, we will continue to promote initiatives such as championing the work of the Trade and Environmental Sustainability Structured Discussions (TESSD), working internationally to identify and implement practices which drive the transition to a more sustainable global economy through trade. And we welcome the landmark agreement on services domestic regulation which we strongly supported - the WTO’s first agreement on services trade in 24 years – and other recent multilateral successes at the WTO.

But supporting the rules-based international trading system isn’t just about what we do within the WTO system. It’s about using all the UK’s levers - bilateral, plurilateral and multilateral.

But we are facing an increasingly multipolar, fragmented and contested world. The IMF, among others, has highlighted ‘geo-economic fragmentation’ as a policy-driven reversal of global

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<sup>16</sup> (Malmström, 2022)

<sup>17</sup> (Bush, Madan, Solís, Stromseth, & Yeo, 2022)

<sup>18</sup> (Cutler, 2022)

<sup>19</sup> (Okonjo-Iweala, 2021)

<sup>20</sup> (Felbermayr, Larch, Yotov, & Yalcin, The World Trade Organization at 25: Assessing the Economic Value of the Rules Based Global Trading System, 2019)

economic integration. It has identified a surge in policies and practices which serve to restrict trade.<sup>21</sup>

Some countries engage in practices which are against the principles of free and fair trade. These include economic coercion, opaque subsidies, forced intellectual property transfer and compulsion to share software source code as a condition of market entry. Other practices include domestic product regulations that are designed to protect domestic markets rather than consumers.

As an open, outward-looking economy, this challenging global context has a significant impact on the UK. Our long-term economic security, as well as our foreign policy interests, are best served by a stable international order that can maintain broad based support. The UK, and other countries, can benefit from a strong, rules-based system to manage competition between states, address global structural challenges, handle future technologies and industries, and keep trade open and fair.

The UK joining CPTPP counters fragmentation in international trade and investment. Through its rules, CPTPP embodies a set of trade practices based on openness and transparency. The more the rules are spread, the harder it will be for trade-restrictive practices to take root. And, crucially, CPTPP can help create the basis for future progress at the multilateral level by agreeing modern rules within a large group of dynamic and influential countries.

Through CPTPP membership, the UK can work with a range of influential countries committed to an ambitious agenda on global trade issues, alongside and in support of multilateral solutions. CPTPP members can drive progress on trade liberalisation and develop and implement approaches to modern trade challenges. This has the potential to build a wide base of support for potential multilateral solutions to tackle these challenges. For example, the Centre for Strategic and International Studies notes that CPTPP has the potential to shape ongoing negotiations on e-commerce at the WTO<sup>22</sup>. And because CPTPP covers countries at different stages of development, it is potentially a viable blueprint for broadly acceptable rules across the WTO membership in the future.

While large and ambitious agreements like CPTPP can influence the multilateral rules-based system, they also influence bilateral or regional approaches. This has direct benefits, in addition to building momentum for wider change. This influence is already evident, with the Centre for Strategic and International Studies highlighting how the modern eCommerce provisions within CPTPP are providing a blueprint for other trade deals, including the 2017 Singapore-Australia FTA, the Chile-Uruguay FTA, and the Chile-Argentina FTA<sup>23</sup>.

The UK is poised to engage in CPTPP as it does throughout its trade policy - in pursuit of a strong rules based international order which supports free and fair trade and economic growth.

## **How the UK will approach its membership of CPTPP**

CPTPP is designed not just to expand, but to adapt as the global economy and technology change. The grouping will have not just the opportunity but also the collective courage to respond to global developments where individual countries might be wary of going it alone.

“This is an agreement that was specifically designed to grow, it’s specifically designed to attract new countries into its fold and so in that respect the standards that we set in terms of market access and of course the rules that we set are really the gift that will keep on giving as countries come forward and express their interest in joining us in this trade agreement.”

*Kirsten Hillman, (current Canadian Ambassador to the US and former Chief Negotiator for CPTPP)<sup>24</sup>*

<sup>21</sup> (International Monetary Fund, 2023)

<sup>22</sup> (Suominen, 2021)

<sup>23</sup> (Suominen, 2021)

<sup>24</sup> (Hillman, 2018)

As a consensus-based group with a rotating chair, every member in CPTPP has an important role to play in maintaining and improving the agreement. Its annual ministerial meetings and 19 Committees and Working Groups represent a significant volume of engagement and dialogue at the highest levels. Together with the commitment to review the agreement every five years, this regular communication and robust governance ensure members can shape the bloc's direction and that CPTPP does not stand still.

As the second-largest economy in CPTPP, the UK will be a key player, with the ambition and resources to help the agreement develop – as it is designed to do – and ensure it remains a model for liberalising trade policy approaches. As the newest member of CPTPP and with our existing relationships across the rest of the world we bring a new perspective. In particular, we understand how high the bar for joining is, and the importance of maintaining CPTPP's high standards.

CPTPP has strong rules, which counter the unfair trading practices used by some countries. And, while affirming members' right to regulate themselves, CPTPP also promotes high environmental and labour standards. As the UK takes its seat at the CPTPP table, it is ready to play its part in ensuring this agreement is implemented fully and fairly – enhancing its overall credibility.

The UK will look for leadership roles in areas of particular importance for our businesses. Joining CPTPP already greatly benefits the UK as the world's second-largest services exporter - it makes travel easier for business-people, facilitates digital trade, sets out modern rules on data that will help the UK's cutting-edge tech sector, and enables financial and professional services markets to be opened up. We can be active thought leaders in the Services Committees and Working Groups. And we can engage fully in a wide range of discussions, including in the Committees where we have expertise and a particular interest in seeing the approaches develop, such as on Government Procurement and Committee on E-Commerce among others.

The UK will also work within CPTPP to promote the safeguarding and diversification of supply chains. Joining CPTPP gives UK businesses an opportunity to diversify across a broad and varied set of economies, increasing our economic security and resilience. This is because CPTPP strengthens our relationships with nations such as Chile, Vietnam, and Australia, which produce critical minerals and rare earth elements, and because CPTPP provides a single 'rules of origin' across its members, allowing exporters to trade more freely where goods use input from other CPTPP countries. CPTPP can iterate transparent and predictable rules governing trade in key supply chains for the UK going forwards.

The UK always seeks to understand the needs of UK business when it comes to working with our trading partners to implement our deals. And we always work to use all our free trade agreements as the basis of a strong ongoing relationship and to drive further improvements in trading arrangements. The opportunity, when it comes to CPTPP, is that we know we are in a group of eleven other countries who want to do this too.

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