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#PartnerForTrade

The United Kingdom agrees to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

What is CPTPP?

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a modern and ambitious free trade agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. It covers nearly 500 million people, 14 percent of global GDP and 15 percent of global trade. As such, it is one of the largest and most significant free trade agreements in the region.

CPTPP was signed in March 2018 and subsequently ratified by seven (Australia, Canada, Japan, Mexico, New Zealand, Singapore, and Vietnam) of the eleven parties to the agreement. As a result, CPTPP entered into force in December 2018. Four members (Vietnam, Peru, Malaysia and Chile) followed until February 2023.

Only Brunei Darussalam has not ratified the FTA yet and cannot reap benefits from the FTA. The CPTPP will enter into force for Brunei Darussalam 60 days after they complete their respective ratification processes.

CPTPP is among the most modern and ambitious free trade agreements in the Asian region. Industrial and merchandise trade have been almost completely liberalized: The agreement achieves duty-free treatment for nearly 97 percent of all goods. CPTPP has led to a comprehensive opening of the services sectors. New business opportunities are opening up, for example in the logistics, education, financial and healthcare sectors. All relevant protection standards apply to investments. In addition, CPTPP is particularly convincing by the fact that it also addresses a number of non-tariff issues. Numerous trade-related aspects such as dealing with state-owned enterprises, digital trade and SMEs are also covered.

CPTPP on the way to expansion

Article 30.4 of the chapter "Institutional Provisions and General Definitions" outlines the accession procedure of the Trans-Pacific Partnership and also ensures the accession of countries that are geographically outside the Asia-Pacific region.

New partner countries must submit a formal application. This is examined by the contracting parties. If the application is approved, accession negotiations can begin. During accession negotiations, only market access concessions (goods, services, investment, procurement market and cross-border labour mobility) of the applicant country are negotiated. The market access concessions of the CPTPP members must be accepted by the new members. Regulatory issues, such as intellectual property protection, digital trade and the sector-specific rulebooks, are not renegotiated.

Since the agreement entered into force, there have several other countries besides the United Kingdom who have submitted their formal application: namely: Ecuador, China, Costa Rica, Taiwan, and Uruguay. Furthermore, Colombia, Indonesia, the Philippines, South Korea and Thailand have expressed their interest.

**Membership
of the United
Kingdom**

On February 1, 2021, the British government submitted a formal application for membership. On June 2, 2021, the CPTPP members approved the UK's application. As a result, negotiations began in September 2021.

Former British International Trade Secretary Liz Truss stated in a press release that membership in CPTPP is an important step in breaking away from Europe economically: “membership is a huge opportunity for Britain. It will help shift our economic centre of gravity away from Europe toward faster-growing parts of the world and deepen our access to massive consumer markets in the Asia-Pacific.”

**UK agrees to
join CPTPP**

After several rumours within the last weeks, the British Prime Minister Rishi Sunak confirmed in the early morning hours of March 31, 2023, that the United Kingdom agreed to join the CPTPP. This is the biggest trade deal for UK since their exit from the European Union.

However, as UK has already some bilateral FTAs with members of CPTPP installed the impact of the membership of CPTPP is set to be modest. UK announced the deal would boost the British economy by GBP 1.8 billion (USD 2.2 billion) each year in the long-run – a figure that could rise if more countries were to join the pact.

Next steps

The next step is for the United Kingdom to formally sign the trade deal. This is expected to happen later this year, perhaps in July when member's trade ministers meet in Auckland, New Zealand, after the country completed a legal review.

**Are German
businesses
able to profit
from CPTPP?**

German companies that have a subsidy in the CPTPP region or produce in the territory of the contracting parties can benefit from the CPTPP concessions. This is particularly desirable for companies that want to achieve improved market access to markets with which the EU has not yet negotiated free trade agreements.

**Benefit from
free trade
agreements**

If you have any questions about the usage of Free Trade Agreements in the Asia-Pacific region, you can contact Mrs. Annika Huck, Divisional Head for Trade Policies (Asia/ASEAN). E-Mail: annika.huck@sgc.org.sg

Resources

<https://www.dfat.gov.au/trade/agreements/in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership>

<https://www.gov.uk/government/news/uk-welcomes-cptpp-nations-invitation-to-begin-accession>

<https://www.freemalaysiatoday.com/category/business/2023/03/31/britain-agrees-to-join-trans-pacific-trade-pact/>

<https://www.scmp.com/news/china/diplomacy/article/3215485/britain-reaches-agreement-join-trans-pacific-trade-pact>

<https://www.politico.eu/article/britain-join-asia-pacific-trade-bloc-cptpp/>

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