

# International Trade Committee

## Oral evidence: [UK trade negotiations: CPTPP accession](#), HC 13

Wednesday 7 September 2022

Ordered by the House of Commons to be published on 7 September 2022.

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Tony Lloyd; Anthony Mangnall; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Mike Wood.

Questions 1 - 35

### Witnesses

I: Professor Christopher Dent, International Political Economist, Edge Hill University; Eduardo Pedrosa, Secretary General, Pacific Economic Co-operation Council; Dr Kaewkamol Pitakdumrongkit, Assistant Professor and Head of the Centre for Multilateralism Studies, S. Rajaratnam School of International Studies, Nanyang Technological University.



## Examination of witnesses

Witnesses: Professor Christopher Dent, Eduardo Pedrosa and Dr Kaewkamol Pitakdumrongkit.

Q1 **Chair:** Welcome to the International Trade Committee's evidence session today on the UK trade negotiations with CPTPP, which is of course, as everybody knows, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and the UK's succession to that. We have one panel this morning with three witnesses, and all three are online. That is very efficient—thinking of carbon footprint, no doubt. I will let the three introduce themselves.

**Professor Dent:** Good morning, everyone. My name is Professor Christopher Dent. I am a professor of economics and international business at Edge Hill University, and also a specialist adviser to the International Trade Select Committee.

**Eduardo Pedrosa:** My name is Eduardo Pedrosa. I am the Secretary General of the Pacific Economic Co-operation Council.

**Dr Pitakdumrongkit:** I am Kaewkamol, or Karen, Pitakdumrongkit. I am the assistant professor and head of the Centre for Multilateralism Study at S. Rajaratnam School of International Studies in Singapore.

Q2 **Chair:** Thank you, all, for being here this morning. It is much appreciated indeed. Just to kick off, if I turn to Professor Dent, the UK has left one trade bloc, the EU, and is now seeking to join another, CPTPP. By way of introduction, can you outline the key differences between the two?

**Professor Dent:** Yes, certainly. When the UK was a member of the European Union, it was part of by far the most sophisticated, integrated and developed regional economic community bloc or trade grouping in the world. Nothing surpassed the EU, nothing still surpasses the EU, and nothing is likely to surpass the EU in any foreseeable future. With that, of course it was not just a free trade agreement and customs union. We were very integrated into the single European market.

The way that we typically calibrate the levels of regional economic integration is that you start off with a free trade area, where you remove all the conventional trade barriers, at least between the signatory parties. With a customs union, as you all know, you adopt a common trade policy of some kind, with common tariffs, and then, with the single market, you develop the integration to a whole new level.

The CPTPP is largely an FTA at the first level of that integration. It is therefore not as sophisticated and integrated a trade arrangement as the EU and being part of the EU is. It does cover a wide range of trade regulatory areas, as you know from looking at the content of the CPTPP. The key question for me is about who is setting the norms and practices of the actual trade agreement that is the CPTPP.



Even though the US has left it, by leaving the EU and its set of trade regulatory norms, we are aligning ourselves to a large regional arrangement, where the US has had quite a significant regulatory imprint on it, shall we say. I will say more about this later.

- Q3 **Chair:** When the UK was in the EU, or even now, in fact, with the TCA, if something is exported from the UK into France, it can then move freely around the European Union bloc. If you were to export something to Canada—forget geography for the purpose of this—how easy would it be to recirculate stuff to another country? How easy would it be to move that to another country, and what is the paperwork like in comparison? We did have an EU with free and open access at one stage. Does the talk of joining CPTPP sometimes, in people’s minds, have you thinking that it is going to be the same experience as being in the EU, and that once you enter the market, it will be paperless and you will not have much hassle? What would it be like if you are exporting into that? That is essentially the question.

**Professor Dent:** It is not a single market. My understanding is that, in terms of the circulation of goods, once you get them into that market, to another place in that big regional market, it would not be the same as the EU. That is my understanding. It will also depend on what type of product we are talking about, and rules of origin kick in there. If you are, for example, a British company exporting steel to Canada, which is then used in the manufacture of, say, an automobile or an industrial machine, the rules of origin kick in as to whether this product qualifies as being Canadian-made, even using British materials, to be exported to, say, Mexico or some other country.

My good friend Karen might be able to offer some insights as well on this matter. Karen, is that something you could offer something on as well?

**Dr Pitakdumrongkit:** My research is not only comparing the EU and CPTPP, but I can tell you that the CPTPP rule of origin will benefit UK. For example, if you can prove that the goods have been originated in any of the CPTPP economies, it can be sold duty-free in other CPTPP economies. It would make the UK a more preferred location to establish production plantations, subsidiaries or even branches of the businesses in the global supply chain.

- Q4 **Chair:** If this is a part for a car—a suspension unit, a spring, a starter or whatever—and it originates, let us say, in the UK, for the sake of argument, and it goes to Canada, for the sake of argument, and is then assembled into something else, and then it goes to Mexico or New Zealand, is there much paperwork and administration connected with the movement of that particular good?

**Dr Pitakdumrongkit:** The paperwork would be less because the CPTPP adopts what they call self-certification of the product, meaning that you do not really require the certificate of origin. The country can actually



## HOUSE OF COMMONS

self-certify the product, so it can move goods more freely across border in that way.

Q5 **Chair:** Each country has to certify and do some paperwork before the good moves across border within CPTPP.

**Dr Pitakdumrongkit:** Yes, essentially.

**Eduardo Pedrosa:** I might jump in there and just clarify that, under most FTAs, you would need a chamber of commerce or someone else to certify that you are compliant with the rule of origin. Under the CPTPP rules, you can actually self-certify that you have complied. Who checks that afterwards? It will take a better man than me. It is about 200 pages of product-specific rules of origin. They are fairly generous, and it was really designed and built to encourage trade amongst the various CPTPP members.

**Chair:** That will make some of the best bedtime reading going.

Q6 **Sir Mark Hendrick:** My question is to Chris and to Karen. Again, looking at a very broad comparison, obviously the EU was born from the coal and steel community in the aftermath of the Second World War and was very much about French and German co-operation when they were the driving forces, which obviously developed to widen in terms of the area covered, and also to deepen in terms of integration.

Can I ask both of you whether you feel that, had there been similar reconciliation between China and Japan, for example, something similar might have happened in Asia? Secondly, that obviously was not the case and that did not happen. China wants to come in. The TPP, as was, was very much driven by an American stimulus. The Americans are out of it at the moment. Who do you see as the prime movers in developing the CPTPP, and do you think that deepening and integration might happen to some degree, and it becomes more than just a free-to-trade area?

**Dr Pitakdumrongkit:** I will take the part of the question covering China's entry into the CPTPP. First of all, I do not think China would enter the CPTPP very soon because they have huge gaps between Chinese practices and what it needs to be committed to when it joins the CPTPP. As you know, there are many areas, such as the state-owned enterprises—SOEs—labour standards, environmental standards, IP protection, services and so on.

I do not think China would be able to join. If it does join later on, I do not think it can adjust the rules and standards and align CPTPP with its rules and regulations very much, because you need consensus to amend the CPTPP agreement.

**Professor Dent:** I would just add that, after the United States pulled out—Eduardo might have a useful view on this—my understanding and observation was that Japan then was left as the de facto leader of it. It tried to resuscitate the TPP, to become the CPTPP, because it had already



## HOUSE OF COMMONS

invested quite a lot, in terms of its domestic political economy, in getting the TPP done. There was a lot of work done by Japan to get that agreement secured.

At the moment, you have other middle powers, like Canada, Australia and Mexico. When the UK joins, or if it joins, it could end up being, possibly, like a Franco-German alliance that has driven the EU integration process over time. I do not think it would be as well defined or as developed as that kind of alliance, in terms of comparing it to the way that the EU has had to drive forward the integration process, because, first of all, culturally speaking, the UK is not Asian and not in the Asia-Pacific geographically. That does matter to some extent. We can talk about culture and values and political economies. Our way of doing things is different to many ways that Asian countries do things.

You have Australia as well in there, which has for some time been a co-leader with Japan on particular areas of development within the regional community-building process in Asia and the Asia-Pacific. So, for example, APEC began as a Japan-Australia initiative.

You raise a really interesting question about China and Japan. Ideologically, you have communist China and democratic Japan. In my view, it is difficult to see them becoming partners unless there is some kind of domestic political regime change.

**Q7 Sir Mark Hendrick:** They are both capitalist countries, though, nevertheless.

**Professor Dent:** Yes, they are. That is right. At the micro business level, they have a lot in common. Someone once wrote an article about Japan and China being connected by mutually assured production. Both economies rely on each other's industries to prosper and develop. Eduardo, you probably have quite a useful view on this, do you not, because you have a big strategic overview of things in the region?

**Eduardo Pedrosa:** Let me pick up on the China and Japan angle and make the point that, while China is not in the CPTPP yet, China and Japan are part of another very large trade agreement, the Regional Comprehensive Economic Partnership. Through these agreements there is an element of getting to know you and alignment in trade practices. That is one part of the equation.

As to your question on who is driving this agreement, I would step back a little bit into the deep history of the CPTPP and its origins. This was really announced by Chile, Singapore and New Zealand, and then Brunei, way back in 2002, so 20 years ago, on the side-lines of the APEC summit. Part of the rationale for that was that APEC had these goals of achieving free and open trade in the Asia-Pacific by 2020, but this was all to be achieved by what is called concerted unilateralism, everyone doing it themselves.



The TPP or the TPSEP, or P4, as it was called back then, was an instrument to try to get progress towards the Bogor goals. All that has evolved tremendously since 2002, but you can see that it is really the likeminded, very open economies that are really trying to drive trade integration in the Asia-Pacific. A big element of this, going back to the first question, is really the explicit aim of maintaining open markets and creating new opportunities, and, to a large extent, trying to set norms and rules on areas of trade where we do not have rules yet because of the impasse in the WTO.

**Q8 Sir Mark Hendrick:** Just to follow up very quickly, what about my question about integration? Do you not see any moves towards harmonisation of certain standards or the sorts of mechanisms we have seen to try to smooth out the bumps in the single market in the European Union when we were members?

**Dr Pitakdumrongkit:** Sorry, can I get the question again?

**Sir Mark Hendrick:** Yes. We have talked about the widening and adding of countries to CPTPP. Just to draw on an analogy with the EU, there was also the deepening, the wish to have harmonisation of consumer standards and environmental standards. Do we see progress in that area developing?

**Dr Pitakdumrongkit:** Right now, the CPTPP has just been implemented for a few years, so I do not have enough information to confirm on the progress on standard harmonisation, but there are actually the agreements, the detail. Countries committed in the CPTPP have what they call the SPS chapter, which talks about food standards, for example, like sanitary and phytosanitary.

It seems to me that maybe the details inside CPTPP are not well aligned with the UK's regulation now because I understand that you adopt what they call a precautionary approach to food safety, while the CPTPP members agreed to adopt the scientific-based approach. In that way, it may be a bit challenging to harmonise the food standards because you both use different approaches, but I would think, going forward, in terms of entering the CPTPP, the UK can make your point and your position clear and put in a side letter that you want to use the pre-cautionary approach. That would be the way forward.

**Professor Dent:** Karen actually raises a wider point, which may be useful in answering this question, which is, if you look at the text of the CPTPP, there are a lot of annexes with country-specific carve-outs, opt-outs or special arrangements made. If you look at the EU, we may think that we are a diverse set of economies, but if you look at the CPTPP, it takes it to another level of diversity, not just in terms of a regulatory approach but the development level as well.



## HOUSE OF COMMONS

This is why the CPTPP is such an achievement, because you are putting together a very diverse set of economies to try to start to harmonise these kinds of things, as we discussed.

**Q9 Mark Garnier:** Before I start, perhaps I could draw the Committee and witnesses' attention to the fact that I am the Prime Minister's Trade Envoy to Myanmar, Thailand and Brunei; obviously, that is relevant to these questions.

Karen, very quickly, following on from that last section, I had an incredibly basic question. We are talking about joining the CPTPP, but is the CPTPP something that you can do a trade deal with, in exactly the same way that the European Union is a club you can be a member of but you can also do a trade deal with. Is that a fair comparison?

**Dr Pitakdumrongkit:** As Chris said, the CPTPP is a grouping of economies of diverse backgrounds, at different stages of economic development, with different needs and preferences. I do not think it is as much of a united club compared to the EU, but maybe Chris would be the one who can better answer your question. You have developing nations, such as Vietnam and Malaysia, inside CPTPP and you also have advanced economies such as Japan inside. Chris would be the one who can take the question

**Professor Dent:** If you are looking at the diversity of approach, even with Singapore, which is a very open trading nation—foreign direct investment plays a very key role in Singapore's development—it still has a very strong state.

**Q10 Mark Garnier:** I do not want to get too distracted on this, but with CPTPP, you join it as a club but you cannot have a trade deal with the CPTPP organisation. Is that right? Eduardo, you are nodding.

**Professor Dent:** I see what you mean—as a separate thing, like the EU.

**Mark Garnier:** Yes, exactly.

**Professor Dent:** That is a really good question. I had not thought about that. It has not been done before. I do not think there have been any discussions on that. It is a question of you having to join it.

**Mark Garnier:** So it is not as sophisticated yet to do its own deal.

**Professor Dent:** No, not like the EU. One key reason for that is because it does not have a common trade policy like the EU has.

**Q11 Mark Garnier:** That is really helpful. We are joining a substantially looser club, with the idea that we are going to do a lot more trade with it. Chris, you know that one of the main characteristics with doing trade is you tend to do trade with your near neighbours first and the people who are culturally very similar to you.

Within the CPTPP, you have Canada, Chile, Peru, Mexico, Australia and Japan, but Asia-Pacific is a long way away, and, in many cases, the



## HOUSE OF COMMONS

culture is quite diverse from us. Do you think that it is a good swap? We have slightly walked away from the European Union in favour of walking towards CPTPP. Is it hopelessly optimistic that all of that will be replaced by trade with Asia?

**Professor Dent:** I think the Committee knows my views on this from past sessions.

**Mark Garnier:** Share them again, please.

**Chair:** It is good to have the evidence on the record.

**Professor Dent:** In trade economics, we have this very simple principle called the gravity model, which works in the same way as a solar system works, in the sense that the larger the critical mass you have—in this, the trade and economic critical mass—the stronger the gravitational pull of your market or your economy. The US has a great trade gravity, but that gravitational pull is also, of course, strongest the closer you are to it.

If you are orbiting very close to the EU, like the UK is, where we have 45% to 50% of our trade, that will continue because the critical economic mass of the EU will continue. At one point we were trading more with Belgium than we were with China. Geography does matter.

I would say, though, to counterbalance that, that British multinationals and British companies have been embedded in east Asia and the Asia-Pacific for some considerable time. When you are looking at the relationship between the UK and the Asia-Pacific, it depends on what we are talking about in terms of whether it is trade or foreign direct investment. Of course, the two are linked, but that is a really key point. It is a dynamic market, of course, and it is fast-growing. It has large economies and exerts its own gravitational pull, but there is no way that, in the foreseeable decades, it will replace the European Union as the most important trade partner for the UK.

Q12 **Mike Wood:** The CPTPP is a relatively new and recent partnership, but there has been some discussion about how the nature of the relationship might evolve, with it being a living agreement that can be revised in order to address changing and evolving trade challenges, or perhaps increased membership. Do you have any sense as to how easily CPTPP members might be able to amend the agreement if necessary?

**Eduardo Pedrosa:** It is a great question. Let me answer it this way. There is a very long tradition in Asia, and specifically ASEAN, of progressive liberalisation. If we start with the first ASEAN free trade area, it really covered a very limited number of goods. Then it progressively became more and more liberal and then came to include services, non-tariff measures and so on. That culture of progressive liberalisation and integration is really embedded in the culture of the trade community in the region.



As for how easy it would be to expand the coverage, it is really going to depend on how beneficial the members see that that expansive coverage. We already have a chapter on labour and a chapter on the environment. These are going to be challenging for developing economies. If they see that these are beneficial for their own growth then it will become much easier. If they see these as punitive and ways to put in more barriers to trade, it will become very hard, especially as the conversation about enlarging the CPTPP moves along.

**Q13 Mike Wood:** Would you see that evolution as being a one-way track, almost a ratchet effect, where the scope may broaden and deepen, but there would not really be prospects for opt-out side letters for would-be members to pick and choose which aspects they want to be part of?

**Eduardo Pedrosa:** I do see a ratchet effect going on. We see that very much in regional trade agreements. They have progressively become deeper and wider as time has evolved because they see the benefits of trade. As we move into what is, I do not think anyone would disagree, a very complex geoeconomic and geopolitical environment, these things may become tougher, and that is why I emphasise the need for economies to see the benefits of that kind of approach.

**Q14 Anthony Mangnall:** Currently, CPTPP works on the basis of a consensus-based model. How long does that last if you have considerably more members joining with it? One of the biggest criticisms that I have seen in terms of the WTO is the inability for its dispute settlement mechanism to work. How would that function within CPTPP, as, again, more members, and members from other geographical regions, join?

There have been mutterings recently from a few EU commissioners that the EU might look to join this club. What does that do in terms of us being members of the same club, in Europe, for the UK in that position?

**Chair:** The point of Brexit would then be what?

**Anthony Mangnall:** I am sorry; there is a lot in there. Eduardo, can I start with you on the consensus-based stuff?

**Eduardo Pedrosa:** There is very little culture in the region of using regional dispute settlement mechanisms within FTAs. If we look at, say, intra-ASEAN trade disputes, they have not used the ASEAN dispute mechanism. They have gone to the WTO. That is one point that needs to be clear. Japan is very similar as well.

There has always been a preference for using multilateral systems. I do not know why. It could be cultural. It could be because there was a well-established WTO dispute settlement mechanism, but it is also because these FTAs are there to create trade and to create long-lasting relationships between these economies. If you are using the FTA dispute mechanism, there might be a fear that you will do damage to that trading relationship. It is difficult to speculate, given how early we are now. That is very different in the Americas, where the USMCA dispute settlement is used more. I think Mercosur and the Andean community use it more.



Maybe this is a particularly ASEAN or Asian thing; I could not say.

How will this evolve with enlargement, in terms of consensus with enlargement? That is always the question. APEC has a group of 21 economies, very diverse, but they have managed to move on not too badly over the past 30-plus years. Again, context is king, and the geoeconomics and geopolitics do matter.

Q15 **Anthony Mangnall:** Karen, do you want to come in on any of that?

**Dr Pitakdumrongkit:** Yes. Sorry to the Committee; my signal dropped so I did not hear the earlier question. I could hear your question very well. The consensus decision making is now made on consensus to adjust CPTPP and make it a living agreement, but I would like to touch on the technical aspect of amending the agreements, which I do not think CPTPP has right now.

There are actually two key mechanisms in order to effectively change any terms in CPTPP agreements now. The first is you need a CPTPP secretariat that has staff to look through the text. In order to amend the text, it needs a lot of dedication and expertise. For example, let us say if you want to edit article 15.1, you will probably have to move down and edit article 15.4 as well, because they are linked. Once you change these two places, they now contradict with some sentences in chapter 16, so you have to go there and fix that as well. As a result, we really need a dedicated group as, for example, the secretariat, to have staff who do that. We cannot just dump this text on the desk of trade officials from CPTPP economies because, as you know, they are overworked already. They not only handle CPTPP agreements but also other FTAs as well. They do not have the time and dedication to do that. That is one thing the CPTPP does not have yet.

The second element that is important to have in order to change any terms inside the text, is the protocol for amendment. Technically, if you think about that, you have to think about whether all the changes are subject to re-ratification. Does it need to pass through Parliament again? If not, you may be able to make minor changes without re-ratification. Major changes will require you to go through the parliamentary process again.

If that is okay, then you face another series of questions. What does it mean by "minor change"? What does it mean by "major change"? What is the line between them? For example, let us say a minor change may mean a 1% change in the body of the text. That would be a minor change, but if that 1% change leads to a major change in trade amongst the CPTPP economies—for example, let us say 1% leads to a 50% rise in trade in certain sectors—would we still consider it as a minor change? As you can see, these are the questions that CPTPP countries have to answer before they can move forward with the amendment.

Q16 **Anthony Mangnall:** Christopher, do you want to come in, just on the bit on EU membership as well, if you want to touch on that, and anything



else for that matter?

**Professor Dent:** That was a very interesting idea. I would like to see more about what the EU's intentions and strategy would be on that. It would be a very complicated negotiation process. Eduardo and Karen have covered the main substantive issues very well, so there is nothing more to add from me.

**Anthony Mangnall:** In which case, thank you very much. Can I just move this away a little bit because there are other regional groups, RCEP being one, ASEAN being another and the IPEF being another. I am quite interested in how they all are going to relate to CPTPP. We have touched on China already. China's membership of RCEP seems to be quite pronounced, and it is leading it in an interesting fashion. I will go to you, Karen, please, to make a comment on that, because I have written a small report on CPTPP with the Centre for Policy Studies, and I was trying to figure out whether RCEP was a competitor or a challenger to CPTPP. I would be interested in your thoughts.

**Dr Pitakdumrongkit:** In terms of challengers, I do not think we see it that way, especially those countries in this region. We see CPTPP and RCEP as complementary. There have been talks about using these two initiatives as a building block to create FTAAP under APEC. Eduardo would know more about that than me.

As you know, CPTPP is more advanced. It has chapters that are more advanced than RCEP. CPTPP has chapters on labour standards and environmental standards, which RCEP does not. Regional economies are seeing these two initiatives as complementary, and some countries, such as Singapore and Malaysia, are in both. The rationale behind the choice to be in both initiatives is that they want to provide a lot of options for their businesses. If their businesses would like to use any terms in RCEP that they think will benefit them, they can use that because we have that available. If they want to use some terms in CPTPP, they can also use that as well.

In terms of IPEF, I do not have more updated information to tell you much about this because there was an IPEF meeting in late July, but there is little new coverage coming out of it. The next IPEF meeting will be on 8 and 9 September, and they will be meeting in Washington. After the meeting, we should know about the direction.

I have one comment about IPEF. I am not sure how it is going to lead to any substantive co-operation because it does not offer US market access. As you know, US market access is a major incentive for many regional states to collaborate and co-operate with the US.

Q17 **Anthony Mangnall:** I do not know whether this is fair to say, and I am certainly not trying to put words into your mouth, but is RCEP just a holding group for China? Is that the benefit of people being members of it, because that is where the majority of trade is going? If I use your



## HOUSE OF COMMONS

gravitational model suggestion, with China now being, presumably, the biggest economy in the world, RCEP is useful to have them in without having to address all the controversial issues of human rights, labour standards and anything else for that matter.

**Dr Pitakdumrongkit:** I do not think regional states see it that way. RCEP is an ASEAN-led process. If you look into the document, there is actually one document that is the guiding principle for negotiating RCEP, and it says clearly that it is going to be an ASEAN-led initiative; it is going to uphold ASEAN centrality. ASEAN will have a role in driving this co-operation, et cetera. RCEP is not a bloc that China could dominate, or the China-led bloc that some people think.

**Chair:** Just on that, I noticed that the CPTPP countries, except the eastern Pacific countries of Canada, Chile, Peru and Mexico, are all in RCEP. Australia, Japan, New Zealand, Brunei, Malaysia, Singapore and Vietnam are in RCEP. When, say, Japan is trading with Australia or Vietnam, would Japanese companies prefer to do this under the banner and the rules of RCEP or CPTPP? Will somebody venture an opinion on that? I know I am probably asking about a granular issue, but which is more advantageous for companies in different countries? What might they opt for?

What I am really driving at, behind my question, is whether companies think, "If I am sending widgets or boxes or some services across borders, is RCEP better for me to use than CPTPP".

**Eduardo Pedrosa:** It really depends on the specific product, because the rules of origin are product-specific, and where you are getting the other inputs from. If a certain percentage of your widget comes from outside the CPTPP group, you may or may not make the rule of origin, but you will make it under the RCEP rule of origin.

**Chair:** Which is 40% versus 70%

**Eduardo Pedrosa:** Yes, 40% versus 70%, but again, they are very product-specific; it changes depending on the specific product. Given the shape of value chains in the region, it is more than likely that a lot of that content will actually come from other east Asian economies, given that these are regional value chains. So it may be that, for the time being, RCEP is actually going to be the more trade-creating. If you think of one of the major achievements of RCEP, it created a free trade relationship between China, Japan and Korea, and these are three of the densest trading relationships in the world today.

**Anthony Mangnall:** We spend a great deal of time on this Committee talking about intellectual property. I wondered whether or not the arrangements for intellectual property within RCEP are as established and developed as they are in CPTPP, and I do not think they are. Are you actually going to get to a point—we could have a whole host of reasons as to why that might be the case—where you are going to suddenly see intellectual property, digital rights and digital trade become far more



developed within CPTPP than RCEP?

**Dr Pitakdumrongkit:** If you look at the IP chapter, RCEP is less advanced than the CPTPP agreement. That is the reason why Singapore, for example, is signing on to the more advanced Digital Economy Agreement with the UK and other countries.

Q18 **Mark Garnier:** Karen, the UK has free trade agreements with nine of the 11 CPTPP countries. What is the advantage of us joining CPTPP as opposed to completing the full 11 by just getting two direct FTAs with the remaining countries?

**Dr Pitakdumrongkit:** There are several benefits. One aspect is that CPTPP offers a deep cut on day one, a tariff cut on day one, when the UK joins. For example, 90% of all tariff lines will be dropped to zero on day one when the UK joins, so you can see the benefit immediately.

Chris talked about rules of origin already, which enable the UK to be a more preferred location for investment. I also touched on the self-certification of product that facilitates trade as well.

Another thing I would like to say is that CPTPP has a chapter on services, and it adopts what we call a negative list of liberalisation, meaning that you have a list and you just put on the sector that you do not want to open on that list. Let us say that a new services sector emerges in the next few years, that sector will be liberalised because it was not listed on that negative list in the first place. That would enable the UK to continue to offer exported services to CPTPP countries in years to come.

Q19 **Mark Garnier:** To ask the question in a slightly different way, once we have joined CPTPP, would we bother to then do an FTA with those two remaining countries, or would we then concentrate our efforts on working with CPTPP?

**Dr Pitakdumrongkit:** It depends on what you want. Of course, you need a lot of commitments because it has 30 chapters, so you need to comply with the commitments there. Yes, you can also upgrade the existing FTA with the CPTPP economies as well. They both can co-exist. There are some bilateral FTAs that cease to exist after the CPTPP agreement is activated, but there are also some bilateral FTAs that co-exist with the CPTPP. It depends on you—whether you want to keep the existing bilateral FTAs with some CPTPP countries or scrap them or do otherwise.

**Mark Garnier:** That is really helpful. Thank you very much.

**Chair:** Just as a follow-up to that, have the CPTPP countries seen much increase in trade between them since joining? Has Australia's trade with Mexico and vice versa improved, and Japan and Canada's trade, or Japan and Peru, or New Zealand and Vietnam? Have they seen anything quantifiable growing? Has there been a measurable GDP gain that they have had out of this? Does anybody have a figure for what the UK could



expect as a GDP gain by joining the CPTPP?

**Professor Dent:** It is a really good question. Karen and Eduardo may have some details on this. Just very quickly, it is a bit too early to tell yet because the agreement only came in to force two or three years ago. With trade data, typically you get 2021's data around now, in 2022, so two-thirds of the way into the following year. You would need about four or five years of solid data that factors out cyclical factors, like the economic turmoil that many economies around the world are going through at the moment and the impact on trade. That would be my view. It is still too early to tell. There may be some data, though. I do not know. Karen or Eduardo might know.

**Eduardo Pedrosa:** There was one very specific article that really struck me. I think this was in the *Wall Street Journal*. American beef farmers were up in arms that they were losing market share in Japan to Australia, which was benefiting from increased market access. US farmers are hit with a 38.5% tariff, whereas Canada, New Zealand and Australia are not. Yes, there are substantial benefits, and if farmers are complaining about it, you know that something is happening on the ground.

Do we see it in the macro numbers? It is very hard to disentangle the effects of a trade agreement from general cyclical issues, especially given what we have been through over the last couple of years, with Covid. We will see something happen over the longer term.

Generally, I am quite sceptical, to be honest, about the actual trade effects, but what they do is demonstrate and give impetus to businesses who then have ideas about, "The UK is now part of the CPTPP. Let us go and try to develop a market there", and so on and so forth. The extensive margin of difference really is not very big. It is more the demonstration effect that we could get from these trade agreements.

Q20 **Chair:** Karen, do you have any data or thoughts?

**Dr Pitakdumrongkit:** I do not have any statistics to show, but I think what you have asked links to whether or not we will know whether the UK will benefit from CPTPP.

I would like to mention that there is a delay impact on CPTPP once you join, in terms of your economy's export growth and GDP growth, because when you join CPTPP, businesses will need to take time to readjust their value chain. It may be about six months, or some businesses may take a year because they have to find suppliers in CPTPP economies and try to find suppliers that produce the parts and components that you really want. They need time to shop for their next suppliers in CPTPP and readjust their value chain. In about a year or so, you will probably see substantial change.

Q21 **Chair:** When that happens, what can the UK economy hope to see as potential growth? Is there any quantifiable growth from joining CPTPP that we are aware of? Is there a GDP gain in all this, because that is



## HOUSE OF COMMONS

really what it is about?

**Dr Pitakdumrongkit:** There is a gravity model to predict the growth. Of course, the growth is there, but the growth may not come as soon as you would like. Maybe it will not come tomorrow; it may come in six months.

Q22 **Chair:** Is there any number for that growth?

**Dr Pitakdumrongkit:** I do not have a number. I think Chris may have.

**Professor Dent:** The DIT produced a report on the strategic approach to the CPTPP. I can find it for you. They would have done some figures on it, just as they did for the Australia and New Zealand one.

Q23 **Lloyd Russell-Moyle:** What are the regulatory implications of the UK signing a US-drafted CPTPP as well as incorporating many of the elements of the Australia-New Zealand agreement into our systems?

**Professor Dent:** I will take this one first because I have been doing some research for the Committee on this over the summer. This touches upon a wider strategic issue about what kind of trade regulatory norms and practices the UK is signing up for, especially when it is signing agreements with the Asia-Pacific and Indo-Pacific countries.

There was some work done some time ago that suggested that the TPP text was around 50% or 55% similar to all previous US FTAs signed up to that point. You may have seen the Australia report, which the Committee has produced, where I did a derivative similarity analysis. I did this comparing the Australia FTA we signed, and I also did this with the New Zealand FTA that we signed. I looked at their derivative similarity—the extent to which they derive their text from the CPTPP and the USMCA, the most important recent trade agreement the US has signed. There are very high levels of similarity.

I found that the Australia-UK FTA is around 61% similar to the USMCA, and that the New Zealand FTA we signed is about 52% similar to the USMCA. It was higher for the CPTPP. That was 68% and 57% respectively. If you look at particular chapters, for example state-owned enterprises, we are talking there about a percentage in the mid-90s in terms of similarity with the USMCA. Government procurement and investment is very similar.

Ironically, the US is out of the CPTPP but its ghost imprint is still very much present. Of course, if it joins again, the CPTPP could become very US-dominated. There is a bigger issue here. Going back to the first question, are we leaving one set of trade regulatory norms, or a regional group, as in the EU, simply to join, if we align most of our trade agreements and interests in the future around the Indo-Pacific and Asia-Pacific, another set that is dominated by the United States.

We are of course negotiating other agreements with other countries, other groups—the Gulf Cooperation Council, India, Canada, and so on—



and it will be interesting to see what the UK signs up for there. Certainly, the CPTPP would be the most significant trade deal that we would have signed outside the Trade and Co-operation Agreement with the European Union, and yet, given the relative lack of trade strategy in the UK Government in terms of setting down norms that they want to achieve and regularising practice, are we simply just aligning ourselves to the US model on trade regulation?

**Q24** **Lloyd Russell-Moyle:** Is it possible to develop our own regulatory models that are distinct from the US and the EU and remain within both the EU agreements that we have and the CPTPP? You think about intellectual property that is dealt with differently. There are other areas that are dealt with differently. Is it a possibility, or are we creating a rod for our own back?

**Professor Dent:** In terms of a general model across all the main core regulatory chapters, like on intellectual property, investment, finance and telecoms, we do not have the same leverage or influence. We are not a major power. We are a middle power. However, there is scope—I have been trying to get this message across through previous communications—to be innovative in new areas, just as New Zealand is very innovative in terms of trade policy innovation, and as Singapore is.

This goes back to what Eduardo was saying. The very birth of the CPTPP came out of something done by policy innovators 20 years ago. That is mainly Chile, New Zealand and Singapore. The UK could become a fellow policy innovator in new areas, but for core regulatory areas, it lacks that same leverage to establish its own norms in those key areas.

**Q25** **Lloyd Russell-Moyle:** How do we square that circle where the norms are so different in each system that we are trying to abide by?

**Professor Dent:** Each FTA is a very bespoke political and economic process. This is why FTAs look very different to each other. If you look at the FTA that New Zealand and Korea signed back in 2015, it had 21 chapters. It was quite conventional. If you look at the agreement that we signed with New Zealand, it has 30-plus chapters and it covers new areas. It is a question of what you can achieve in each particular set of negotiations, essentially.

**Eduardo Pedrosa:** I was fascinated by what Chris was saying about the text analysis. Some work that was done on RCEP, ironically, for the European Parliament, shows that 30% of the RCEP text is basically derived from the CPTPP. The CPTPP was the one agreement that influenced the RCEP text the most. It is all around it

Going on to regulatory norms and difficulties of eking out your own space, a very interesting example of this is in the e-commerce and data privacy world. Japan, for example, is a member of APEC's cross-border privacy rules framework. It is a very different type of system from the EU GDPR, but it works for very large economies that manage to get an EU adequacy determination. These things can work. We can find



interoperability between different regulatory regimes, but the thing we are really focused on in this region is interoperability and making sure that businesses do not have to face all of these frictions when they want to work across borders. That is the main thing we should be focused on, just not making it expensive, difficult and burdensome.

**Q26** **Martin Vickers:** In recent years there has been a tilt of UK policy towards the Indo-Pacific region. I am interested to know how you think that membership of CPTPP will help the UK build its influence in the region.

**Dr Pitakdumrongkit:** How does it tie to a broader UK foreign policy? The UK's entry into CPTPP will send a clear signal to the regional states that the UK is upholding and promoting a free and open trading system as well as a rules-based order, because these are actually what the regional states want.

As you know, the Indo-Pacific is a region where economies are intertwined in transnational supply chains, but it also has a lot of geopolitical tension, flashpoints, etc. It is also prone to natural disasters, climate change, and challenges regarding food security, et cetera. You can see there is a wide range of what we call traditional and non-traditional challenges that regional states need multilateral co-operation to find effective solutions to tackle the problems.

If you look at ASEAN in particular, ASEAN countries had the ASEAN outlook on the Indo-Pacific, which said that they uphold openness and inclusivity, rules-based order, transparency, et cetera. If the UK could show to the regional states, through CPTPP participation, that this is what it is pursuing—a free and open rules-based order, that would be well received by the regional states.

**Q27** **Martin Vickers:** Do I take it that you think that the existing members of CPTPP welcome the greater interest of the UK? Do they see it as a key strategic player in the region?

**Dr Pitakdumrongkit:** The sentiment here is that the UK is a middle power. You did not have any territorial conflicts with the regional states. Usually, the image is positive. The UK's image is that it is a free trade country that embraces free and open trading systems and also upholds a rules-based order. UK membership in CPTPP would not provoke any anxieties amongst regional states.

**Eduardo Pedrosa:** I keep on going back to history in my answers, but the Asia-Pacific really does have an extremely long tradition of what we have described as open regionalism. To define it, it is seeking to promote economic integration among its participants without discrimination against others. It is really evident in the way ASEAN behaves through its dialogue mechanism, through having the RCEP agreement, and also the CPTPP. The regional economies just like to engage with everyone and try to see how it can be beneficial to the growth of the region.



## HOUSE OF COMMONS

One thing I would comment on is that any approach to engaging the region has to be multipronged. The CPTPP is one useful instrument, but there is also the dialogue partnership with ASEAN that we also have, and that needs to be thought about. What does it mean? What do you intend to do as a dialogue partner of ASEAN? You also need to understand, again historically, that there is a long tradition in the region of putting together wise men groups or eminent persons groups or Track 1.5 groups to try to advise Governments on what they should do on any particular issue. There is one right now on the post-2025 ASEAN Economic Community.

As the UK tries to have this engagement with the region, it is critical for you to think about how you engage and use soft power mechanisms, whether it is academia, research, universities or even businesses. How do they engage in this spiderweb of institutions and dialogues around the region? Otherwise, if you are solely left with the CPTPP, it is not worth very much, frankly.

**Professor Dent:** I have talked to Karen and Eduardo before about how the UK is perceived in the region. I do not want to put words in their mouths, but my own view, as a Brit who has been to Asia a lot and knows a lot about our history in the region, is that it is right to say that the UK is the European country that has closest links with south-east Asia, east Asia and the Asia-Pacific, for historic reasons but also contemporary reasons as well. We are massive investors, for a European country, in the region. We also have close soft power and cultural ties—education, academia, cultural, popular culture. Should I disclose this? Eduardo is an Arsenal supporter, for example. As a West Ham fan, we have some conversations about that.

The UK has a broader partnership platform and history of ties on which to build this broader relationship. I agree with Eduardo that it is absolutely vital for us to think about a multipronged approach, as he called it, to become a true partner in the region, not just an economic and business one but more of a strategic and cultural partner.

Q28 **Paul Girvan:** China requested to join the CPTPP in September 2021. Given that China is far from compliant with many of the rules, how seriously should we take that bid?

**Eduardo Pedrosa:** China has been interested in the CPTPP ever since it started. They have always asked around what accession means. That has been over a very long period of time. In terms of the extent to which you interpret China's submission and how serious it is, you need to look at the reform process in China and see what they are doing and whether they are moving in a particular direction.

If you look, for example, at China's submission to the Australian Parliament hearing on CPTPP expansion, it is giving an extremely clear message: that its newest FTAs include chapters on competition, environment and e-commerce. There are a lot of domestic reforms



## HOUSE OF COMMONS

happening and it is being done in a very Chinese way. It is testing them out in special economic zones. I take it very seriously. The potential is there.

If you go back to around 2012 and ask, say, the US business interest, "Why do you want this chapter on SOEs? What are you trying to do? Are you building that in so that you can exclude China from this agreement? What is your intent?" the answers I got in our meetings were, "We want a level playing field. We want to be able to engage and do business in China on a level playing field". I take it very seriously.

- Q29 **Paul Girvan:** Just on that point, one of the reasons that, possibly, South Korea has been slow in coming forward in relation to getting accepted in is that it wanted to build a greater relationship with China, because it might have had a greater influence over North Korea and its aspect there. Now that they have requested, in March of this year, to go down the same route, is there any indication that is part of the reason, because of what was going on with its relationship with China, that it was never accepted prior to this?

**Professor Dent:** I do not have any information on that particular issue. There are very complex regional dynamics in north-east Asia, between China, the Koreas and Japan.

There is one thing I would say on China, which Karen and Eduardo may be able to confirm or deny. I have been observing, as Eduardo has, China undertaking these reforms that line itself up to be perceived as a more realistic partner for joining the CPTPP. Let us say that China accedes and joins the CPTPP, my understanding, which could be wrong, is that it could block the US then joining it later on because of the consensus rule. I do not know if qualified majority voting will ever be introduced, but if China joins, it could potentially block the US from re-joining in the future, which is strategically quite important.

- Q30 **Sir Mark Hendrick:** My question is on the matter that Chris just raised. China acceded to the WTO. There are questions about whether it is a properly functioning market economy. It is definitely capitalist but, in terms of playing by the rules, there are question marks around it. Nevertheless, its accession to the WTO has caused huge growth in economies around the world and has been beneficial to many economies, with some exceptions, but not all. I would expect its accession, if it happens, to the CPTPP to have a similar effect in the Asia-Pacific region, despite the fact it is already a member of RCEP.

The question about the United States is a bit of a puzzle because the US was involved when it was TPP. Do any of the people on the panel today get the impression that, under the current Biden Administration, there is a warming towards getting involved with the CPTPP, or is it going to be the case that the Biden Administration does not want to be seen to be too keen to get into bed with China? Obviously, Trump did his best to sour the relationship between China and the US? Is there a case for Biden to



## HOUSE OF COMMONS

continue in the hope of getting another term, by tracking, basically, Trump's position on Asia, and in particular China, or will Biden move back towards getting a TPP-type agreement through the CPTPP, obviously trying to accommodate China in some way or other?

**Professor Dent:** That is a good question.

**Eduardo Pedrosa:** At the moment, the US is very busy because it will be actually chairing APEC, of which China is a member, next year, but at the same time it also has the Indo-Pacific Economic Framework, which is the bright, new, shiny toy. We are going to see a lot of symbiosis between all of these different architectures, with CPTPP influencing RCEP and vice versa. When you look at the labour and environment chapter in the CPTPP, to what extent is that going to influence what is said and done in IPEF?

A major issue for any US Administration joining a free trade agreement is getting consensus and getting trade promotion authority—the authority to sign these agreements. The current Administration does not have it, and it may be a hard sell domestically at this moment, given the current alignment. I am hopeful that things will change. We look at these models and we see that the biggest benefits come when all of these large economies join the agreement. That is why APEC, in a way, continues to pursue the dream of a free trade area of the Asia-Pacific, which would bring all of these economies together in some kind of trade area, under a high standard and a high set of rules.

**Professor Dent:** Eduardo summarised that very well. IPEF is Biden's baby, and that is where a lot of the emphasis will go. The TPP was Obama's thing. He will push on that first, see how far that goes and then may think about joining it in his second term. That is my view.

Q31 **Tony Lloyd:** My question is really a continuation of the theme that we have just been on. The UK Government set out their own objectives for their accession to CPTPP in terms of core standards, the UK's capacity to help shape those standards, the strengthening of a rules-based international order, et cetera. The United States' journey to CPTPP would probably be, to a degree, aligned with what the UK's ambitions would be. China may be a little bit different.

What is the potential for access of either of these two economic giants, who would be dominant, in any case, both in terms of the politics as well as the economics of the trading group? What would be the impact on the UK's objectives?

**Professor Dent:** That is a really interesting question. If you look around the world, a lot of regional trade blocs are often dominated by one power, so India in south Asia, or Brazil in South America. In the European Union, we have had two countries, as I mentioned earlier—France and Germany. It is a much more equal balance of powers. Even though you have France and Germany pushing things forward, you had the UK, Italy, Spain and Netherlands, which are all relatively large or middle powers.



## HOUSE OF COMMONS

If the UK joined, you would have a set of middle powers that would probably be the main drivers of future reform and evolution of the CPTPP: Japan, the UK, Canada, Australia and maybe some others as well, such as New Zealand and Singapore, because they are quite innovative.

It would be more difficult for the UK to advance its agenda in the CPTPP in the future if China and/or the US joined it in the future.

- Q32 **Chair:** We are just coming to the end, but I just want to pick up on a practical, concrete example. In the *Observer* last Sunday, there was a story of a Kent brewer who allegedly, according to Jon Ungeod-Thomas, the journalist, was chosen to champion export opportunities for the Government after Brexit, but the burdensome custom checks and paperwork have left her with just one remaining customer in the EU. Her exports of beer have gone from £600,000 a year to £2,000 a year, so she has lost 99.7% of his exports.

If we can ignore the gravity situation of this and just look on the paperwork side, because she says that paperwork and custom checks are the problem here, will the paperwork and customers checks be less going into CPTPP than they are to Europe under the TCA, and therefore would it give some hope to this Kent brewer to make up some of the lost exports? Is anybody able to answer that?

**Professor Dent:** That is a very technical question. My understanding would be that, again, it would depend on the sector.

**Chair:** There is no immediate hope for the Kent brewer.

**Professor Dent:** To be honest with you, I do not have an answer to that with any particular detail.

**Eduardo Pedrosa:** My stab at a guess is that, if everything in her beer is wholly obtained within the UK, and the UK is a member of the CPTPP, she can benefit from the preferential access to CPTPP markets. I am sure we would all be delighted.

- Q33 **Chair:** Would that mean paperwork and customs checks?

**Eduardo Pedrosa:** There is a whole lot of work in the CPTPP text on self-certification and on paperless trading. This is really where the region is going, looking at how to make it easier for people to do trade, especially for small businesses. There is a whole SME chapter, which I cannot get my head around but maybe Karen has.

**Chair:** We are looking for the Kent brewer to get their head around it, to see if they can sell.

**Eduardo Pedrosa:** The Department for International Trade can put it in simple language for everyone. Every Government Department I have seen, from Singapore, Canada, Australia and New Zealand, have all got how to use the CPTPP and how to make it easier for you to trade.

- Q34 **Chair:** Finally, Karen, do you have a view on that?



## HOUSE OF COMMONS

**Dr Pitakdumrongkit:** I just have a very short comment on this. In terms of customs, the CPTPP attempts to ensure that the procedures and practices are transparent and consistent. That may help expedite trade flows across economies.

**Chair:** Thank you, panel, for your time this morning. We have run on 26 minutes longer than we expected. Thank you for your patience, consideration and generosity with your time.