HOUSE OF LORDS

International Agreements Committee

Corrected oral evidence: UK accession to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Tuesday 5 December 2023

4 pm

Watch the meeting

Members present: Lord Goldsmith (The Chair); Lord Geidt; Lord Grimstone of Boscobel; Baroness Hayter of Kentish Town; Lord Howell of Guildford; Lord Kerr of Kinlochard; Baroness Kingsmill; Lord Marland; Lord Razzall; Lord Udny-Lister.

Evidence Session No. 5 Heard in Public Questions 45 - 55

Witnesses

I: Creon Butler, Director, Global Economy and Finance Programme, Chatham House; Professor Holger Hestermeyer, Chair, International and European Law, Vienna School of International Studies; Dr Inu Manak, Fellow for Trade Policy, Council on Foreign Relations.

Examination of witnesses

Creon Butler, Professor Holger Hestermeyer and Inu Manak.

Q45 **The Chair:** Good afternoon, Mr Butler. It is good to see you. We also have Dr Holger Hestermeyer, whom we know very well, and Dr Manak. We are grateful to all three of you for coming. Thank you.

Welcome to this evidence session of the International Agreements Committee on the CPTPP. You have had a list of the interests that members of the committee have declared. The meeting is being broadcast via the parliamentary website. There will be a transcript of the meeting and all three of you will get a chance to look at the draft transcript before it is circulated so that you have an opportunity to make corrections to it where necessary.

I shall start with the first question, which is a very broad one. What is the place of the CPTPP in the emerging global trade landscape, and how much does the United Kingdom's accession affect it? I ask the question of all three of you, although, Mr Butler, you are the only one in the room. The others are joining virtually. I do not mind in which order you answer, but, as you are physically present, you could perhaps have first go.

Creon Butler: Fair enough. Thank you very much for inviting me to give evidence. It is a broad question, but the overall answer is that it is clearly a significant trade agreement. It is one of the largest trading blocs in the world. When the UK joins, it will be 15% of global GDP with about 500 million people.

The other significant thing is that it is a high-quality trade agreement. Even though quite a lot of what was originally there from the TPP was stripped out—something like one-third of the provisions—what was left was still a very significant trade agreement, and that is important for how it functions in the future. It is important that it is fundamentally designed as a trade liberalising vehicle. In a world where not everybody is so interested in trade liberalisation, it was certainly designed in that way, and one would expect it to continue in that way for both the existing membership and, potentially, future members.

In terms of the UK's contribution, when the UK joins it will be the second largest member, and it will add a not insignificant amount to the total mass of the trade agreement. Crucially, the UK will bring particular strengths in trade in international services as the second largest exporter of international services. That is something that the CPTPP was designed for initially.

The UK is outside the Asia-Pacific region; it is the first non Asian-Pacific country in the agreement. That was always possible, but it proves that it can happen in practice, and that opens up a whole new range of possibilities in the future dynamic of the agreement and future membership, and the role it plays in other international institutions.

The Chair: That is particularly what I wanted to get at. I will ask the other two witnesses to comment on the general question first, and, if necessary, come back to you on that point about the geographic significance of the UK's accession. Dr Manak, can I go to you, please?

Dr Inu Manak: First, I want to express my thanks for the opportunity to present testimony before the International Agreements Committee today on this important topic. The United Kingdom's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership will strengthen its trade and investment ties in the Indo-Pacific, a dynamic and fast-growing region. Although the United Kingdom is the first non-Pacific nation to accede to the CPTPP, it joins a number of other countries in one of the highest-standard trade agreements that exist today.

Importantly, the CPTPP was designed to correct what past trade agreements were often criticised for, because it is meant to be a living agreement, which means that its membership can continue to expand and its rules can be continuously updated to reflect modern realities. The idea was not to lock in a bargain but, rather, to create a high-standard baseline to provide opportunities for greater people-to-people links under a rules-based trade regime with the World Trade Organization at its core.

That said, the CPTPP is not meant to replace the WTO but, rather, serve as a way for like-minded countries to pursue WTO-plus disciplines, serving as a bit of a laboratory and a leader in new trade innovations. That the UK joined after the agreement was negotiated is not a problem because of the evolving nature of the CPTPP itself. In fact, the greatest benefit of being inside the club rather than outside it is to be a player in the development of the next generation of trade rules that could form the basis of broader discussions at the WTO and elsewhere. This is a comprehensive free trade agreement that reduces barriers to trade among members and offers opportunities to enhance economic ties through ongoing learning and adaptation.

Another mega-regional trade agreement in the region is the Regional Comprehensive Economic Partnership—the RCEP—which includes China and 14 other countries. Of the RCEP's 15 members, seven are also in the CPTPP. Data shows that one-third of RCEP exports stay within the pact and RCEP countries are well integrated in global supply chains. Some estimates suggest that RCEP could add up to $500 billion to world trade by 2030.

If we look at analysis of both agreements, they share some similarity in 30% of the text, but the differences are very important. Provisions on labour, the environment and state-owned enterprises are excluded from the RCEP. The RCEP also has weaker civil trade rules and its e-commerce chapter is not subject to dispute settlement.

In contrast, the CPTPP has some of the highest-standard digital trade rules and closely resembles the United States-Mexico-Canada Agreement, which builds on this agreement. Importantly, the CPTPP establishes a moratorium on e-commerce, protects the freedom of cross-border data flows and the location of computing facilities, as well as prohibiting the forced transfer of access to source codes. It is very important for the UK as a growing member of the digital economy. So through its participation in the CPTPP, the United Kingdom can influence the future trajectory of the agreement and the trade norms and institutions developed from it.

On the sidelines of the recent Asia-Pacific Economic Cooperation meeting last month, Ministers and representatives reaffirmed their commitments to maintaining and expanding the CPTPP as a gold standard of trade agreements. They also accepted terms of reference for the general review of the agreement, which will begin in 2024 and allow its members to assess the agreement's performance and identify where the agreement could benefit from updating. Notably, the terms of reference emphasise that CPTPP members maintain a strong commitment to upholding and supporting the rules-based multilateral trading system, with the WTO at its core, including as a means for responding to economic coercion. This commitment to rules-based trade and co-operation with trading partners to combat economic coercion can help to solidify the CPTPP as a major trade institution.

In the end, participation by the UK is critical if it wants to reap the economic and strategic benefits of the trade deal and shape the Indo-Pacific trade landscape. According to the UK's integrated review refresh in 2023, geopolitical realities will require democracies to "build our resilience and out-cooperate and out-compete those that are driving instability". Joining the CPTPP will help the UK to do this and offer a path towards competing in the critical Indo-Pacific region.

Q46 **The Chair:** Thank you. Professor Hestermeyer, you may want to add something to that, but could you say something about the European dimension that the UK brings to this by its accession?

Professor Holger Hestermeyer: Absolutely. I am very happy to be back, even though I regret not being there physically.

The Chair: We are always happy to have you.

Professor Holger Hestermeyer: Thank you for the invitation. The one thing to add, to build on what Mr Butler already mentioned, is that before the UK joined, the CPTPP was one of a list of important regional trade agreements. It was a larger region, but it was still regional, and was thus along the lines of the African Continental Free Trade Area, RCEP and the USMCA, all of them regional.

With the UK joining, the CPTPP becomes potentially quite a different animal, because it has demonstrated that it is open to membership for states outside a strictly defined, narrow region. Including European nations opens up a whole new potential, as you can see already from Ukraine asking to join. Ukraine asking to join raises all sorts of complexity, because Ukraine also wants to join the European Union, and the two are not compatible. Be that as it may, the geo-economic and strategic elements of the UK joining are incredibly significant and raise the CPTPP above comparable agreements. I agree fully with what Inu said in that regard. Quality-wise, it is already far above RCEP, but the UK joining makes it strategically far more important and, as we will probably see later today, raises potential questions, such as to what extent it can replace elements of the WTO that we are at risk of losing, that otherwise would not even be raised.

The Chair: Lord Kerr will ask the next question, which takes us rather westward, I think.

Q47 **Lord Kerr of Kinlochard:** Perhaps this is a question first for Dr Manak. We in the committee tend to think that there is no real chance of the United States changing policy on the CPTPP and rejoining or engaging directly with it. The Indo-Pacific Economic Framework seems to be the Administration's initiative; it is much wider, with India and the Philippines in, but much shallower and not a free trade agreement. I see no difficulty with those two organisations; they do not seem to be in conflict. They are complementary, in a way, because they are so different.

Do you think the United States will put pressure on its close friends in the CPTPP—Australia, Japan and the UK—to adopt particular policies there? Will there be any awkwardness? I am talking about the Biden Administration, of course. In the case of a Trump Administration, one can envisage a lot of very different things. How would that change?

Dr Inu Manak: Thank you for your question. I think it is highly unlikely that the United States will re-engage in the CPTPP any time soon. President Biden has not shown any interest in traditional trade agreements and has instead set up, as you mentioned, a loose framework agreement called the Indo-Pacific Economic Framework. However, that framework agreement is not a replacement for the CPTPP, because it does not include any trade provisions. Although trade discussions were envisioned under IPEF, those negotiations fell apart because of US domestic politics, and it is unlikely that a deal will emerge before the presidential election next year. I think those domestic politics concerns will continue in the next Biden Administration, and in the next Trump Administration if that happens.

Even if we were able to conclude some sort of deal in IPEF on trade, what would that do to our trading partners? It would not compete with the CPTPP, because it would not include any market access provisions, so it offers very little economic benefit to its members. If President Trump returns to office, there will also be no chance of re-engagement in the CPTPP. He is the one who took us out of it. Realistically, , in my humble opinion, US trading partners should wait until the next presidential election cycle in 2028 to see whether the United States is serious about trade policy leadership.

In the meantime, the United States will not be able to escape the reality that it needs its trading partners on its side if it wants to achieve its broader foreign and economic policy goals. To that end, it is incredibly likely that the United States will bilaterally engage with some of its trading partners on issues such as critical minerals deals in order to deepen aspects of its trading relationship. However, if those deals exclude meaningful economic incentives, it will be harder for the United States to get our trading partners to invest significant resources in negotiating with us, and that will be the challenge going forward.

Creon Butler: I very much agree with what has been said. You cannot predict what President Trump may do. Even though it seems extremely unlikely, you never know—he may wake up one morning and say, "I'm going to have a go at this". The US has the ability to influence whether China joins the CPTPP because of the "poison pill" clause in the USMCA.

On the question of whether there will be lots of subtle pressure on G7+ members that are in the CPTPP, in a trade space it is accepted that you do your own thing when it comes to trade. In the relationship between the US and the EU, the US is not surprised when the EU stands up for its own interests. When it comes to things like economic security and possibly decarbonisation, they are all in the IPEF, so, in a way, you will not necessarily have that conflict.

Finally, so many of the things that are in the IPEF—supply chain resilience and that kind of stuff—require you, ultimately, to get into trade, so you wonder to what extent the Biden agenda can get very far without some kind of trade aspects to it.

Professor Holger Hestermeyer: The only thing I would like to add is that we are in a moment very much of uncertainty regarding international trade overall. The US has significantly shifted its position. There are issues of national security that seep into trade again and again, and ever more. We are moving from what used to be thoughts about efficiency and free trade to resilience and reshoring. The whole environmental sphere is also moving into trade. I agree with everything that has been said, but the insecurity should be emphasised and will lead to significant restructuring of the system.

Q48 **Lord Howell of Guildford:** This is a question that we have touched on already and the committee has handled several times. What happens if and when China and Taiwan wish to try to push for their possible accession? If it was just China, it would be controversial enough, but if it is China and Taiwan, given their relationship and ours with them, there are all sorts of complexities coming up. How do you view all that, and what position will the United Kingdom take?

Creon Butler: My view is that it is very unlikely that China would meet the requirements of this high-quality agreement. Just take state-owned industries: they are perfectly possible in the members of the CPTPP, but they have to behave according to commercial rules and they have to be transparent. So, in a way, you could immediately see why China is unlikely to meet those requirements. On the other hand, there is no need to cause a row by telling China, "No". You just leave it there indefinitely and do not progress it.

Taiwan is more likely to meet the requirements, and it would be of significant benefit to it if it were to join. It is substantially more than the benefit to us. The figure I saw was 1.6% of GDP benefit. Again, it would be highly controversial, vis-à-vis China, for Taiwan to join without China. There are existing members of the CPTPP that just would not want to go there. Once again, the likelihood is that you just leave it there and move on to others. I do not see a need in either case to say, "No, you can't join".

Lord Howell of Guildford: You do not think that Taiwan will have a shot at it now.

Creon Butler: It has applied.

Lord Howell of Guildford: The conventional view is that Xi would have a go at the Taiwan situation in two or three years' time, but now there is a new mood around that he may have a go at it rather quicker. How would you treat Taiwan if it was under attack from China? There are so many complexities. Leaving it aside sounds fine, but can you leave it aside?

Creon Butler: Your point is really whether, if there are much fiercer Chinese measures against Taiwan, that would be a point to go offer CPTPP membership. There are other ways you could go. I do not think you would necessarily make this your priority instrument. As I say, there are existing members of the CPTPP that just do not want to choose and therefore would not want to use it as an instrument in that respect.

Q49 **The Chair:** At this point, Lord Watts was going to ask a question, but he is not here, so I will ask it for him. We have heard quite a lot in the inquiry we have done so far about the economic benefits, or modest economic benefits, that joining the CPTPP will bring to the United Kingdom. Against that, we have also heard it said that there are other advantages that the UK will get from membership of the CPTPP. How do you all see the benefits to the United Kingdom beyond the economic?

Creon Butler: This is about the dynamic potential of the CPTPP. Having come out of the EU and lost the influence that we had by being members of the EU, to some extent, and in no way fully compensating for the influence we had through the EU, this is a way of rebuilding a degree of influence in a specific sphere. In the context of influencing the WTO, the CPTPP can do things that demonstrate how you do certain types of trade arrangement, which then may influence the WTO, but it is also possible that members may act as a bloc within WTO negotiations, possibly even on something like an effort to constrain the extent to which national security impacts on WTO rules. It is possible that CPTPP members may act in that way. Certainly, the UK and Japan have a very similar interest. They do not have to. All they have to do is uphold the things that they had agreed to in their own agreement, but they could act in that way.

The Chair: Do you see the influence that the UK would get through membership of the CPTPP matching the influence it used to have as a member of the European Union?

Creon Butler: No, not in any sense, but we are not going back to the EU any time soon. In a world where you are dealing with the situation you face now, this is a way to go. It is a very interesting vehicle, because it creates a different kind of influence.

Lord Howell of Guildford: You said, "not in any sense". I notice that in recent months, in relation to FDI, an enormous surge in inward investment is coming to this country, a lot of it from Asia. In fact, there is £55 billion of investment pledged in the last six months. This is a change from the Brexit era and back to where we were in the 1990s. Are you sure that it is "not in any sense"? Surely, there are senses in which, separate from the EU with all its attractions but also all its paraphernalia, we have a considerable advantage.

Creon Butler: My point was that the CPTPP is a trade and investment agreement. The EU is vastly greater than that in the range of things it covers and, even as far as trade and investment is concerned, it is a far more powerful and better co-ordinated bloc than the CPTPP would be. In its scope, the range of things that the EU does, and even in this specific area, I would not see the CPTPP as of comparable influence. It does not mean that it is not of influence and not important, but it is not comparable.

The Chair: To be fair to you, I phrased my question in a way that suggested I was talking about political influence rather than economic benefits. Indeed, I was contrasting the two.

Q50 **Lord Udny-Lister:** What problems might be raised by the CPTPP for the UK, because it was developed by others—for example, on regulatory policy? How might it affect the scope for future agreements with the EU or indeed anyone else? That is the first bit.

While I have the opportunity to ask a question, and as I am online, I want to add a little additional one, if I may. My understanding is that the CPTPP does not cover Crown dependencies or places like Jersey. I am intrigued to know how they are going to operate in this new world.

The Chair: Let us separate those questions, if we may. Dr Hestermeyer, do you want to give it a go?

Professor Holger Hestermeyer: I will start with the first one and give it a shot. The CPTPP is based on US models, and US language and US ideas will seep in, and there is a risk that we will copy that into our agreement. Let me give an example. To that extent, I would also like to agree with something that has been said about national security. Take the security exception. There is a big debate in the WTO about Article XXI of the GATT, the national security exception. It has been held to be justiciable and to impose limits that can be controlled in dispute settlement. The US disagrees with that and thinks that any national security provision should be self-judging. You can compare it to a "Get Out of Jail Free" card.

If you do something that is not in compliance with an agreement, you say "national security" and that is the end of it. The wording of Article 29.2 in the CPTPP moves towards the self-judging wording by taking out some of the essential elements of the GATT clause. We have now copied that into the UK-Australia free trade agreement. That language is now, and might become, standard language for the UK, and I am not sure that the UK actually follows the US's idea on national security. That is the first risk.

The second risk comes from the regulatory field. A lot of the regulatory field is not that problematic, because it is basically ratcheting standards upwards. The best agreement would impose a higher standard and there will not be a conflict, but there is the risk of conflict, which I will give you an example of. The accession process in the CPTPP was compliance first, market access later. There were rounds of negotiations in which UK laws were measured and tested as to whether they complied with the CPTPP standards.

There is now legislation pending in the House of Lords, which you will all have seen, to bring UK legislation into compliance. If I recall correctly, it covers three areas: TBT, government procurement, and intellectual property. Let me focus on intellectual property. It introduces changes in UK legislation on geographic indication, and that, of course, is an area very dear to the heart of the European Union. In effect, legislation that is changed is retained legislation from EU membership, and it relates to possibilities to bring opposition to GI registration on grounds of genericised and pre-existing trademark rights.

None of those US positions in a long-standing dispute is very much to the liking of the EU, I would guess. That is a possible area for conflict. Of course, the deeper a free trade agreement is, the more it will go into the regulatory field and the more the potential for conflict will arise.

The Chair: Mr Butler or Dr Manak, do you want to add anything? We have not dealt with the Crown dependencies and the overseas territories yet.

Creon Butler: I was hoping that you were not going to ask that. I was quickly scanning information. As I understand it, they can choose to be part of this, but it is probably something we should double-check[1].

On the national security comments that were made, my point was that, given the approach taken in the CPTPP, we have to fix what is in the WTO because no one is following it. There would be a big group of countries following a different approach that is not dissimilar to the US approach, which might therefore provide a way of trying to fix the problem in the WTO as it is now.

[1] Creon Butler sent an e-mail to the House of Lords International Agreement Committee on 11 January 2024 regarding whether crown dependencies (CDs) are covered by CPTPP with the following: *'I believe the correct answer is that the deal will cover goods trade between the CDs and CPTPP countries with a mechanism to cover services later'.*

The Chair: Dr Manak, do you have any additional point to make, please?

Dr Inu Manak: I want to focus on the question of regulatory conflicts, particularly in the structure of the CPTPP regulatory coherence chapter, which was designed as a way to think through how you build regulatory co-operation efforts in trade agreements where there are misalignments in regulatory approaches. If we compare it to the United States-Mexico-Canada Agreement, it is not as stringently constructed, because the regulatory mechanisms in the USMCA would allow for dispute settlement. We do not really have that in the regulatory coherence chapter of the CPTPP.

The focus is on regulatory process, finding ways to improve the way in which regulation is made and to have transparency in all the steps in which regulation gets developed. The United States has long argued that the European Union is not transparent in its regulatory process, and the CPTPP regulatory coherence chapter was crafted with that in mind. That may be an area where we see conflict down the line in the sense that if the UK further moves away from the EU's regulatory approach there could be some areas of friction. It is something to keep in mind as it thinks through the implementation of the agreement.

Professor Holger Hestermeyer: I would like to add to the question on geographical scope, which escaped me. There are provisions on geographical scope in the accession protocol, in particular on Guernsey, Jersey and the Isle of Man. There was a particular group working on that during the accession. Not all the chapters of the CPTPP apply immediately to all the territories, and there are very specific rules. I would like to refer to that, and that is something that the negotiators thought about.

There is one final point I would like to make on possible areas of conflict. Besides those that were already raised during the accession process, we have to bear in mind that there is dispute settlement. The provisions of the CPTPP can be clarified in dispute settlement, and there might be areas of conflict that we have not yet considered. People often thought of SPS as a possible area of conflict. That was not raised, apparently, during the accession process, but it might well come up in dispute settlement. To make a little note on one of my unfortunate hobby-horses, that shows the importance of parliamentary scrutiny of the agreement itself. Such things cannot be resolved through the implementing legislation that is passed at the beginning; those questions arise later, so it is important that Parliament gets a voice, and possibly a vote, on a free trade agreement at the very beginning, so that it can discuss these issues.

The Chair: You are preaching to the converted on that kind of thing, but thank you for making the observation so eloquently.

Q51 **Baroness Kingsmill:** Good afternoon. The UK is late to this party, but you have all mentioned that the likelihood is that the UK will bring an additional level of status and importance to the agreement, and I think it is very nice of you to say so. I would like to hear from you—we have had some discussion of it already—what effect you think the future trade architecture of the agreement will have in the region. How will it integrate with the other agreements that are in place already? You have mentioned a couple—RCEP, IPEF, APEC and others. We need to get a picture of how the CPTPP will integrate or what the architecture will look like in the medium to longer term.

Creon Butler: We have covered it to some extent. Going back to the previous question, the thing about the CPTPP is that the original conceiver of it, the US, is not in it any more. It is not quite like the EU where you still had France and Germany in the EU after the UK joined and which had a vision of what it should be. In a way, the CPTPP was given to the countries that are there by a country that is now outside it. In that sense, it creates a slightly interesting dynamic. It is something that has been presented, but it could be taken in a number of different ways.

On the architecture, each of them—APEC, IPEF, CPTPP—has different roles. APEC is a much broader economic co-operation framework. I guess the key issue about these things is who is in what. When it comes to APEC, everybody in the region is in it, and that enables it to do certain kinds of things. You do not have China in IPEF, so you do other kinds of things. You have China in the RCEP. You do not have the US or China in the CPTPP. The way these things will behave is to some extent determined by their membership.

This point was made earlier. I do not see great incoherence in the system. They will each pursue their own specific roles, and I do not think you have to force them together. There is one that I would put on top of that, which is G7+, because a lot of this stuff will be done in that forum and then feed out into some of the others.

Baroness Kingsmill: Will the UK have any kind of role in bringing the organisations together, or do you see them as independent with certain areas of overlap and that is it?

Creon Butler: Typically, you may do stuff in the G7+ that you then want to implement in other fora, just as you might take stuff from the G7 and do it in the G20 in the days before the G20 became so fraught. There will be ideas that may be developed in one. Typically, the UK and Japan are two countries that would take something from G7+ and say, "Why don't we do this?" It could be something to do with the free flow of data, for example. You might go from the G7 to the CPTPP, and that would be the mechanism. The UK would have a role, but it would not be the only country that would have a role in that space. That sort of architecture of overlapping international fora with different roles and different memberships is not something we should worry about too much. It just means that we need to be quite smart in how we manage it.

Q52 **Lord Razzall:** My starting point is that when this proposal was brought forward the Government's own statistics showed that well under 1% of our GDP would benefit from our membership of the CPTPP. I have been puzzled, because we have had a number of people, including the three of you, come to talk to us, all of whom have stressed how important it is for us to be a member of this organisation and what enormous benefits we will derive from our membership of it. I am struggling to find somebody who can give me something specific as to how we will benefit. If there is something specific, what should we do to influence that outcome?

The Chair: You are nodding, Mr Butler. That gives you first crack at this.

Creon Butler: It is under 0.1%. It is 0.06% or something like that.

Lord Razzall: It is 0.08%.

Creon Butler: It is 0.08% according to the UK, so it is even smaller. One thing is that having a trade agreement locks in stuff that might otherwise change to your disadvantage, particularly trade in services and so on.

Lord Razzall: Of course, except for two countries, we already have trading agreements with the others.

Creon Butler: Exactly. First, there is the potential for new members to join, and in the short term the most likely ones would be Korea, Thailand and possibly the Philippines. They are countries in the region. They are not massive, but they add to the bulk. Secondly, there is the influence that we may achieve in the WTO through being a member of the CPTPP. As Inu and Professor Hestermeyer said earlier, there is the quality of the elements in the agreement, which, as we are part of it, gives us an opportunity to take those elsewhere. It is more in a dynamic sense. It is what it could mean in the future rather than what it means now in a quite fundamental way.

Lord Razzall: Can somebody come up with something specific that we will benefit from in due course?

Lord Howell of Guildford: I am told that it is $20 billion from the Koreans this week.

Creon Butler: Let us take the e-commerce area where it is a modern agreement. That may become a standard more broadly. It may become an approach that is adopted more widely in the WTO. That is an example of what could happen. It is not an immediate impact, but it is something that could benefit in the future.

The Chair: Where does the tilt to the Pacific come from? How does that work? I am also troubled a bit by being told that we will get lots more influence. I am still waiting to understand quite how that comes about.

Lord Razzall: Exactly, and what we should do about it.

Creon Butler: I am conscious that I am hogging the space, which I do not intend to do, but I will just have a go at the tilt to the Pacific. A country has only so much diplomatic ministerial capacity. The UK has a certain amount, and it can apply it in certain spaces. If we choose to do it in Asia, we are not doing it in Africa and we are not doing it to the same extent perhaps in the EU and the US. The reason for doing it must be that we feel that the potential economic and political benefit to us from putting proportionately more of our effort into that space is proportionately more than the same effort elsewhere. That could be the case, and the argument for saying that is that these are high-growth areas and so on. Equally, you could make the case that we should be doubling down on the effort we put in with the US, the EU or Africa for a whole range of other reasons.

I find it hard to understand exactly what the tilt says, other than that we have decided, at least in the shorter term, to put proportionately more of our effort in that region for those factors.

The Chair: My question was not that stupid.

Q53 **Baroness Hayter of Kentish Town:** I think you used the word "efforts", Mr Butler. I am unsure what that means. We have heard from business that none of this will work, basically, unless out there we have people making connections and all of that. You talk about services—not just you, but everybody—as the important one. Services also depend on language and all those sorts of issues, which would be much easier with the EU than these new countries. It is the same with creative industries, which are an important part of our service sector. What are the efforts? Do you mean literally more boots on the ground in those countries, making connections and helping our industry out there? What else? What efforts should be making to ensure that we can make the most of this?

Creon Butler: As with any trade agreement, the key is to make sure that our businesses fully understand the potential that it gives them, and that is not just big businesses but the whole stretch of British industry. In a sense, there is a real effort with small and medium-sized companies to do that. If your question is how you complement it and maximise the benefit, it is the informational role, and there may be other things that we wish to put alongside it in order to maximise those benefits. In the simplest sense, it is that we have created opportunities, and there may be more to come because of the way the agreement evolves in the future, so we want to make sure that our independent actors, our private actors, are in a position to take the maximum advantage from that.

The Chair: This is such an important question. Do either of our other witnesses want to say something about it, please?

Dr Inu Manak: Trade agreements are very much what you make of them. Their very existence does not create benefits. It is how you utilise the trade agreements that creates benefits. To maximise the benefits from the CPTPP the UK has to do a couple of things. First, the implementation of the agreement is critical for accessing trade opportunities. The UK would need to move fairly quickly to ratify and implement the agreement fully.

Secondly, the UK would need to develop a means for businesses to easily understand the new market access provided to them from the CPTPP and how to take advantage of that. Of particular importance are the new cumulative rules of origin, which could help UK businesses to take advantage of new supply chains in Asia. That would be a new benefit that would be quite a huge change and an opportunity for many businesses that are seeking to invest in the Asia-Pacific.

Thirdly, the UK has to be an active participant in the CPTPP committees and other official meetings and make pragmatic suggestions, in line with its interests, to build on the existing rules. Earlier it was mentioned that digital trade is one of the areas where we can continue to build robust rules that help the UK economy and all its allies. It is an important economic area of growth. This is where there is leadership potential, and that leadership potential matters simply because being in the room and at the table is influence. Being at the table in the CPTPP means that the UK can actually shape future trade rules that will pretty much guide many economies and many major economies in the Asia-Pacific.

The Chair: Professor Hestermeyer, do you want to add anything?

Professor Holger Hestermeyer: Yes, a couple of things. For political reasons, we all know the benefits of these agreements, and the press and the public debate have blown them so out of proportion that they have nothing to do with any recognisable trade agreement. A lot of it is just pure fiction. That does not mean that there are no benefits, but, of course, they are benefits in countries that are faraway. So cumulation is a new benefit that you get through the CPTPP, but it is cumulation of supply chains that will never fully integrate in the UK because of distance but will benefit some. To benefit from that, we need a roadshow that fully advertises that to participants and—I know you have heard this before—to update the government website so that the information is available, accessible and easy to find.

I fully agree with Inu that one of the benefits for trade rules is the seat at the table where you discuss. It is quite beneficial in that regard that the other participants in the CPTPP are not major trading blocs. Neither the US nor China is a participant. Those two would not be in full listening mode. The participants that are can listen and have to find compromises. Even there—this is very close to my heart—there has been so much debate about the possibility of leadership that we really need a trade policy to find out where we want to lead to. You cannot say we want to lead on AI, but when I say, “So, where do we want to go?”, you say, “Well, we don’t know”. We have to engage with UK industry, discuss and find out the policies that we actually want. So far, that has been difficult because the rollover agreements are copies of EU agreements—for very good reasons: it was a great programme, it was entirely necessary, but it did not bring in UK-specific ideas.

The CPTPP was accession to a US agreement. Again, that brings benefits, but they are not UK ideas. To bring in UK ideas, we have to find out what these ideas really should be, and I do not think there is enough discussion of that. There is too much discussion on leading and not enough discussion on where to lead to.

The Chair: We are getting a lot of support from around the table and from your colleagues, so thank you for that.

Q54 **Lord Grimstone of Boscobel:** It is very striking how little time or attention we give the WTO nowadays, no doubt driven by the dysfunctionality of the WTO and the inability to get things done there. Do you see organisations such as the CPTPP becoming almost like a proxy for the WTO for the countries that are members of it? Is that good? Is it something that the WTO should worry about? I would be very interested in your general comments as to how it affects the evolution of the WTO going forward.

The Chair: Mr Butler? The problem is that you are in my eyeline.

Creon Butler: I am happy to have a go. As we discussed earlier, it gives the UK influence in a group that is a significant trade bloc, either by demonstrating how you do things or, if that bloc decides to push for something in the WTO, potentially by amplifying the UK's voice. I guess that, to some extent, areas where the WTO cannot progress because there is no agreement you could progress in CPTPP. Although it is a big chunk of the world economy, it is still only 15% or so, so it is not going to be a substitute for things that you might do in the WTO.

My view of the WTO is that we just have to keep trying. Where things are not working—say, in the area of national security and how, with industrial subsidies, with the IRA and the EU's response and so on, even countries that are traditionally very strong supporters of rules-based international trading systems seem to be backing away from saying, "We will use WTO rules to try to moderate this"—at some point, people will look over the edge and say, "Goodness, where are we going to end up if we keep going down this route of subsidy competition? We've got to pull back". Ultimately, it is only in the WTO that you can actually achieve that. It is still really important. We need to keep trying. The CPTPP will potentially increase our voice to some degree, but there is no real substitute for it.

The Chair: Dr Manak, can you add to that, please?

Dr Inu Manak: The CPTPP is not an alternative to the WTO, because it does not have the institutional capacity of that institution. Importantly, the structure of the CPTPP does not have a secretariat that could streamline the accession process and become a single depository for documents, co-ordinating future negotiations, and providing data and analysis for all its members. You have a chair of a committee that helps to run some of that process. The CPTPP was complementary to the WTO. That is what it was created for, and I imagine that it will remain that way for the time being.

However, where the CPTPP may become a bit of an alternative is on digital trade, especially since the future of the WTO e-commerce negotiations have recently come into doubt. If the WTO negotiations proceed but exclude important rules on cross-border data flows, data localisation and source code, and fail to reach a permanent moratorium on customs duties for e-commerce, its rules will simply not meet the high standards to support a growing international digital economy, or provide the baseline required to advance the development of artificial intelligence and spur technological innovation. In that sense, the CPTPP would have more robust trade rules on digital than the WTO. That is one area.

Secondly, the CPTPP could become a place where we can experiment on environmental trade rules, on trade in environmental goods and services. Interestingly, the UK put forward a fascinating paper on environmental goods and services trade at the WTO. That has not fully been picked up there, but it could bring that to the CPTPP and discuss some of it there. A lot of ideas are already percolating, and it is an area where the UK could become a leader. It would be an important market to be part of.

Professor Holger Hestermeyer: I want to add that there are choices to be made. We are simultaneously speaking of CPTPP enlargement and of the CPTPP's function. There are reasons for the dysfunctionality of the WTO. One is the large membership, which includes China, the US, India and Chinese Taipei. It includes both Russia and Ukraine. None of that is conducive to a very good atmosphere in which you can conclude new deals. The reason the CPTPP does not have that is its small, and to some extent coherent—it is still very diverse—membership.

Even within that, the real advancement, the real digital agreement, the innovative one, was between New Zealand, Singapore and Chile, three members of the CPTPP that went it alone, because it is really difficult to innovate in a large group. There, we have to see the strategic choices to be made. If we want to rely on the CPTPP to be an innovator and a powerhouse for new ideas, it has to remain small. If we want it as a large trade benefit, others have to accede, but that will make any innovative function an impossibility.

The Chair: Thank you very much. That was indeed a very useful addition.

Q55 **Lord Marland:** Dr Manak dealt with my question in relation to Lord Kerr's question, so I will address it to the other two members of the panel. If, with a new President in the United States—we will not go into who that President may be—there is a significant change in attitude to trade that goes backwards to the Trump-type attitude, how do you see that affecting trade in general and this particular thing?

Creon Butler: As I understand it, President Trump has a proposal for a 10% tariff on all imports, or something of that kind, or at least that is one of the ideas, which would cost $300 billion. The consequences in pushing up inflation, reducing disposable income and so on would be pretty substantial for the world's most important economy and for the wider economy. So I somehow do not think he will do that, but you can never be sure. People thought he would never do some of the things he did with trade measures against China, which also have major costs to US consumers.

There are two ways of looking at it. It could be not as bad as everybody thinks. Certainly, if you look at the people he appointed as USTRs in his previous rounds, they each had their own particular perspective, and they pursued those perspectives, they were trade experts. They responded, to some extent, to things he wanted done, but in other spaces they did things in a more conventional way. One scenario is that the global picture will not be dramatically worse. If, on the other hand, what he chooses to do is very dramatic because of the changes and the experience before, and there is a more general approach to his entire Administration, something like the CPTPP could be important. In its absence, we would not be part of a major trading bloc, so, in a way, this is to some degree an insurance policy.

Professor Holger Hestermeyer: The only thing I would like to dwell on a bit more is the insurance policy, because I fundamentally agree with it. The problem is how to deal with one of your best allies and best friends possibly becoming utterly unreliable and erratic. The only way out of that and through that will be engagement with as many partners and allies as possible to try to steer you through those waters. The CPTPP is an element of that, but, of course, engagement truly means with as many partners as possible. Fortunately, the UK has a long tradition of that engagement and, hopefully, can return to that tradition and fruitfully use all its fundamentally strong diplomatic resources to get through that time. Quite frankly, I cannot truly predict what Trump would do. Even though I know what he said, I am not sure that means very much.

The Chair: I am not sure it means that that is what he is going to do. That is a very fair point. Thank you all very much indeed. We do not have time for anything more. This has been enormously valuable to us. As I said, you will get the transcript. Please, when we ask you again, do come again.