House of Commons

Business and Trade Committee

UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership: Government Response to the Committee's Second Report

Third Special Report of Session 2023–24

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Business and Trade Committee

The Business and Trade Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Business and Trade.

Current membership

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Douglas Chapman MP *(Scottish National Party, Dunfermline and West Fife)*

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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website at www.parliament.uk/CommonsBTC and in print by Order of the House.

Committee staff

The current staff of the Committee are Nick Beech (Clerk), Matthew Chappell (Committee Operations Manager), Catherine Meredith (Second Clerk), Abigail Millis (Senior Economist, Scrutiny Unit), Jacob Moreton (Media Officer), Heather Nathoo (Committee Specialist), Lewis Pickett (Committee Specialist), Delfina Raka (Committee Support Apprentice), Adam Taylor (Committee Specialist on secondment from the National Audit Office), David Turner (Committee Specialist), Tim West (Senior Media Officer) and Sue Wrightman (Committee Operations Officer).

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You can follow the Committee on X (formerly Twitter) using @CommonsBTC.

Third Special Report

The Business and Trade Committee published its Second report of Session 2023–24, UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (HC 483) on 19 February 2024. The response was received from the Department for Business and Trade on 21 March 2024: that response and a cover letter from the Secretary of State are published as an Appendix to this Report.

Appendix: Government Response

Letter from the Rt Hon Kemi Badenoch MP, Secretary of State for Business and Trade, President of the Board of Trade and Minister for Women and Equalities, dated 21 March 2024

Dear Liam

I am writing to offer a response to the points raised by your Committee in relation to its recommendations directed at the Government regarding the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Benefits to the UK

In July 2023, the UK officially signed the treaty through which we will accede to the CPTPP, kickstarting membership of a modern and ambitious trade deal, which will span 12 economies across Asia, the Americas and Europe when the UK accedes (likely later this year). The CPTPP is one of the largest free trade areas in the world and currently accounts for 12% of global GDP, and with the UK as a Party, this will increase to almost 15% of GDP, or £12 trillion (according to 2022 data). This will only increase further as the agreement expands.

In agreeing to join the CPTPP, the Government is taking advantage of our independent trade policy, championing openness, and doing trade deals that work for the UK. Being part of the CPTPP will deliver new opportunities for growth in a way that is tailored to the UK's economy and reflects the future of the global economy.

The CPTPP is recognised as one of the world's most progressive free trade agreements with ambitious provisions for digital trade, e-commerce, and trade in services, that are ideally suited to the UK economy. The trade agreement contains high standards for sustainability, anti-corruption and improving workers' rights.

As your Committee heard, the UK's services sector will gain from CPTPP accession. The terms of the agreement set modern rules governing digital, financial, and professional and business services trade and investment, tackling barriers facing UK firms that can stop or hinder them from selling their services and investing into CPTPP markets. UK businesses will benefit from these modern rules which ensure non-discriminatory treatment and greater levels of transparency.

This comprehensive agreement will also support UK businesses across sectors by making it easier for them to trade with CPTPP Parties when we accede. It will facilitate innovation and provide consumers with more choice. Acceding to the CPTPP will generate long-term benefits for both the UK and CPTPP Parties, support UK jobs and provide opportunities for growth across the UK. Businesses in all parts of the UK are expected to benefit.

Joining the CPTPP will further link the UK to one of the most dynamic trading areas in the world, a key aim of the Integrated Review Refresh published in March 2023. Acceding to CPTPP will put the UK at the heart of an energetic group as the world economy increasingly focuses on the Indo-Pacific region. CPTPP's strong rules will benefit the UK's businesses, and the UK joining will help strengthen the international consensus in these areas.

Trade and Agricultural Commission (TAC) Advice

The Government welcomes the expert TAC's conclusions (published on 7 December) that CPTPP does not require the UK to change its existing levels of statutory protection in the relevant areas, strengthens the UK's ability to maintain environmental protections, and does not affect the UK's ability to adopt statutory protections in the relevant areas. The TAC's advice informed the Government's statutory report under section 42 of the Agriculture Act 2020 (published on 11 January), which considers the impact of the agreement on certain UK statutory protections. The S42 report concluded that the matters identified as within scope of Section 42(1) are consistent with the maintenance of UK levels of statutory protection in relation to human, animal or plant life or health, animal welfare, and the environment; no new import conditions are required through implementation and there are no changes to statutory protections in these areas. Furthermore, CPTPP does not change or restrict the right to regulate of the UK Government and Devolved Administrations in these areas.

The Future of the Agreement

Acceding to the CPTPP will increase our influence, and that of the wider bloc, in setting the rules of the global economy so they benefit open and fair economies in a network of countries committed to free trade. The CPTPP was conceived as a living agreement, designed to evolve to maintain its high standards, and the text states that there should be a General Review of the agreement at least every 5 years. The first General Review is expected to begin shortly. Through the review process, CPTPP members (including the UK) will come together and look across the agreement to identify areas that could benefit from being updated or enhanced, so that it remains relevant to the trade and investment opportunities and challenges confronting them. Decisions amongst CPTPP parties are taken by consensus. Once the deal has entered into force for the UK, we will have formal decision-making powers over any decisions as part of that consensus process.

One of the biggest opportunities from CPTPP being a 'living agreement' comes from expanding the club and increasing its economic and strategic benefits to the UK. A number of economies have applied to join and the UK is closely involved in discussions on this topic. However, becoming a Party to the CPTPP will realise a formal role in this process, which is why it is essential that we ratify the agreement.

My Department and I have carefully considered the recommendations made by your Committee and provide a detailed response below.

The Rt Hon Kemi Badenoch MP

Secretary of State for Business and Trade, President of the Board of Trade and Minister for Women and Equalities

Government Response

1. **The terms of UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership raise contentious issues.** ***We recommend that during the 21-day scrutiny period under the Constitutional Reform and Governance Act 2010, the Government facilitate a debate on the Floor of the House on a substantive motion on the ratification of UK accession to the Agreement. The Secretary of State for Business and Trade should write to the Leader of the House, setting out the case for holding such a debate in Government time.*** (Paragraph 11)

The Government will always seek to accommodate a debate where a request for one is made in a timely manner and subject to Parliamentary time. The Government has kept the public and Parliamentarians informed of the progress of the UK's accession. For example, the Trade (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) Act has been debated extensively in both houses. In the House of Lords, it saw its Second Reading on 21 November 2023, Committee Stage on 7 and 14 December, Report Stage on 16 January, and Third Reading on 23 January. In the House of Commons, the legislation had its Second Reading on 29 January, Committee Stage on 20 February and had its Report Stage and Third Reading on 19 March. The legislation received Royal Assent on 20 March. Outside of the Trade (CPTPP) Act, there have been five debates on CPTPP including two Oral Ministerial Statements, and officials and Ministers have appeared before Select Committees five times.

The Government is clear that a general debate is the appropriate mechanism for Parliament to debate new trade agreements. The Government agrees that it is important that Parliamentarians are able to fully consider new trade agreements and that the Government is able to hear their views. The Government considers that the existing treaty scrutiny framework allows for this, and for robust and flexible scrutiny of relevant treaties. It does not include an automatic substantive debate but does ensure Parliament has time to scrutinise an agreement and section 20 of the Constitutional Reform and Governance Act 2010 provides for the ability to resolve against ratification where it is the will of the House.

A Government commitment to guaranteed substantive debates under CRaG would fundamentally alter the nature of the scrutiny framework, undermine the Royal Prerogative, and remove flexibility.

2. ***We recommend that the Government provide a revised impact assessment, setting out its current expectations of the gains from CPTPP; and the Department for Business and Trade should explain what steps it is going to take to help ensure that UK business exploits the treaty to the full. The Government must also say what it will do***

to develop better ways of measuring the impact of future trade agreements—including the involvement of an independent body, to avoid the Department "marking [its] own homework", as the Secretary of State put it. (Paragraph 13)

The Department published an impact assessment for the UK's accession to CPTPP in July 2023 which is available on https://www.gov.uk/government/publications/cptpp-impact-assessment. The impact assessment sets out the expected gains from the UK joining CPTPP.

The headline modelling however, answers a very specific question that is required of a formal Impact Assessment: what is the marginal and isolated effect of the changes that we are making to our trading terms based on current membership of the CPTPP. All modelling is a stylised representation of reality, based on necessary assumptions and approximations, and subject to uncertainty. This is why, as set out by the Secretary of State in her evidence session, the modelling results should not be interpreted as highly precise estimates of what will happen; rather, they represent an indication of the direction of impacts and broad orders of magnitude. That amounts to several billion pounds of benefit to the UK economy, each and every year in the long run. However, a single number can never express the full impacts of the deal, and it is important to take into account the 100-plus pages of analysis which tell the fuller story of why the UK has sought accession to CPTPP.

In addition, and as set out by the Secretary of State in her evidence session, by its nature, the impact assessment does not comment in detail on how geopolitics will change the world economy over the coming decades, how different technologies will influence our trade, and critically how the membership and depth of CPTPP will change. While important drivers of why the Government has struck the deal, these elements fall outside of the direct, isolated consequences of the provisions of the agreement. Therefore, at the same time as the impact assessment, the Department published a document outlining strategic benefits of the UK's accession to CPTPP which should also be taken into account when assessing the potential impact of the deal: https://www.gov.uk/government/publications/the-strategic-potential-of-the-uks-accession-to-cptpp.

The Department's analysts produce high quality work that is at the forefront of international best practice, that is already scrutinised by the independent Regulatory Policy Committee. They rated the impact assessment as 'green', meaning they deemed it fit for purpose.

The Department continuously tries to improve the modelling methodologies and data, as well as maintaining a dialogue with academics and practitioners to stay at the frontier of Free Trade Agreement modelling and analysis. This includes following up on the recommendations of the external and independent Trade Modelling review. All technical improvements are explained and documented in the technical annexes of scoping assessments and impact assessments. As new analytical methodological developments are made the Department will look to incorporate them and apply them to future published analysis. The existing impact assessment continues to be fit for purpose. A revised version of the impact assessment at this point would not contain substantially more recent data nor improvements to the methodology.

It should also be noted that the impact assessment is not the final analysis of the impact of the agreement. We will be conducting on-going monitoring and evaluation of all our new FTAs. The Department has committed to publishing a comprehensive ex-post evaluation report for CPTPP accession within 5 years of entry into force of the CPTPP for the UK.

For the reasons set out above, the Government does not propose to prepare a revised impact assessment and believes the current scrutiny arrangements for impact assessments, which include a review by the RPC, an independent body, are sufficient.

3. ***The Department for Business and Trade should explain what steps it is going to take to help ensure that UK business exploits the treaty to the full.*** (Paragraph 13)

The Department's Free Trade Agreement (FTA) Utilisation team was set up to ensure businesses are aware of the UK's new FTAs and how to realise the economic benefits they provide. Part of the team's focus is promoting the benefits of CPTPP to businesses.

The FTA Utilisation team is working closely with the Department's staff who support business in the UK and overseas, to equip them with the tools and information they need to confidently engage with businesses to explain and access commercial opportunities in CPTPP markets, when the agreement enters into force. It is also engaging with a range of businesses across the UK and overseas seeking feedback on FTA guidance documents we are developing and how the FTAs are working in practice, specifically on what trade facilitation and market access barriers businesses may be experiencing so the Department can advocate for improvements with our FTA partners and improve our FTA strategy going forward.

The Department is supporting businesses by drafting easily accessible practical guidance to explain what has been agreed in CPTPP and relevant bilateral agreements, and how businesses, particularly Small and Medium sized Enterprises (SMEs), can benefit from them. Businesses can also access Government support via the Export Support Service, the UK Export Academy, through our network of International Trade Advisors and use the online tariff checker; which will be updated to include CPTPP tariffs at entry into force.

The Department has started hosting a series of events for businesses on CPTPP including in partnership with Business Representative Organisations and sector-specific trade associations to provide joined-up support. This activity will increase in the run-up to and beyond entry into force, including at the upcoming Indo-Pacific Roadshow.

The Department is increasing awareness of CPTPP and the opportunities it will present post entry into force by equipping our business-facing staff with the tools and information they need to confidently engage on CPTPP. The Department is developing accessible practical guidance to explain what has been agreed in CPTPP and how it can benefit businesses, particularly SMEs. In addition the Department is regularly engaging with businesses on CPTPP, seeking feedback on guidance, hosting events and webinars.