Expanding the TPP?
Options, prospects and implications for the global trade system

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March 2021

2021 UPDATE

Perth USAsia Centre

Economics of the Indo-Pacific series // Volume 8
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Executive Summary

- In 2018, the ‘Comprehensive and Progressive Agreement for the TPP’ (CPTPP) was signed by the remaining eleven members of the Trans-Pacific Partnership. This bridging agreement salvaged the TPP architecture following US withdrawal in 2017.

- Both the original TPP and bridging CPTPP agreements contain accession provisions for the addition of new member states. Eight countries – including the US, Korea, UK, Thailand, the Philippines, Indonesia, Taiwan, and China – are considered potential new members.

- Expanding the CP/TPP would significantly augment its strength and systemic impact. It would grow the pool of economies participating in its high-standard market access and regulatory provisions; as well as establishing the CP/TPP as a template for the next stage of liberalisation in the global trade system.

- However, expanding the CP/TPP involves complex economic and political considerations. The specific form of the accession mechanism will need to be established; existing provisions will likely have to be renegotiated; and tactical questions over the ordering of membership must be resolved.

- CP/TPP expansion will determine the future of the agreement. If it successfully adds new members in coming years, it is likely to become the template for future developments in the global and regional trade architectures.
Expanding the TPP?

1 From the TPP to the CPTPP, and back again?

The Trans-Pacific Partnership (TPP) was a ground-breaking free trade agreement. Concluded in 2015 after five years of negotiations between twelve countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, US and Vietnam), the TPP was the first major multilateral free trade agreement in over 20 years. It was significant due to its status as the largest regional trade agreement ever negotiated at the time (Table 1), as well as its advanced rule-making and regulatory content. Known as “WTO-Plus” provisions, the TPP included chapters on e-commerce, labour, the environment, telecommunications and transparency; in addition to conventional tariff, customs and investment provisions. From a strategic standpoint, the US-led initiative was part of the Obama Administration’s ‘Pivot to Asia’ policy, designed to upgrade US economic and strategic engagement in the Indo-Pacific region.

However, the initial TPP agreement collapsed due to changes in US trade policy. The 2016 US Presidential election campaign focused intensely on perceived economic costs associated with trade. The TPP also faced headwinds in the US Congress, which was required to approve the deal before ratification. Following the election, Donald Trump’s first executive order as President was to formally withdraw from the TPP in January 2017. The TPP entry-into-force provisions required at least six signatories, together accounting for at least 85 percent of the bloc’s GDP, to ratify the agreement. The withdrawal of the US – which accounted for 60 percent of its GDP – rendered entry-into-force of the TPP numerically impossible.

In the wake of the TPP’s collapse, the remaining members began exploring ‘salvage’ options. US exit represented a significant loss of market size. However, the remaining “TPP-11” group sought to preserve the agreement, to secure its advanced rule-making initiatives, and contribution to regional integration trade and investment integration. Before the US withdrawal was even formalised, Japanese Prime Minister Shinzo Abe visited Australian Prime Minister Malcolm Turnbull in Sydney where both governments agreed to salvage the deal. After continued negotiations in 2017, the TPP-11 finalised an agreement for a revised “Comprehensive and Progressive Agreement for TPP” (CPTPP) in March 2018. It entered-into-force when six members completed ratification in December that year.

The CPTPP is a ‘bridging’ agreement, and does not replace the original TPP. It is a separate treaty that enables the implementation of the TPP text, subject to a set of variations and suspensions. Its core feature is the removal of the 85 percent GDP rule, which enables the agreement to enter into force without US membership. It otherwise retains the majority of the TPP provisions, including both its market access commitments (amongst the remaining members) and regulatory chapters. However, it suspends a number of TPP provisions which were initially included at the behest of US negotiators, largely concentrated in the area of intellectual property. These suspensions will remain until the parties decide, by consensus, to reinstate them.

Significantly, the CPTPP retains an expansion pathway. Article 5 provides for accession by new parties, subject to terms and agreements negotiated with the existing members. Recent political and economic developments – including the election of the Biden Administration in the US, the COVID-19 pandemic, and an increase in protectionism and trade coercion – have seen eight governments signal in some way they are considering membership. The prospective members include the US, Korea, UK, Thailand, the Philippines, Indonesia, Taiwan, and China. The UK became the first country to formally apply for membership in February 2021, officially starting the accession process.
The eleven current signatories, and the eight potential members, now need to carefully weigh their outlooks and strategies on CP/TPP expansion. Core questions include:

→ What advantages would expansion offer for both current and prospective members?
→ Which countries are prospective members, and what benefits and challenges would their accession bring?
→ How will the procedures for expansion operate, and what issues will need to be addressed during negotiations?
→ What are the implications of CP/TPP expansion for the global and regional trade systems?

This report examines these questions for CP/TPP expansion in early 2021. It updates earlier Perth USAsia Centre research from 2018 to identify how recent developments in global and regional trade policy have changed the calculus for CP/TPP expansion today. The report surveys the rationales driving renewed interest in expansion in 2021, reviews the prospects facing the eight potential new members, analyses how the accession process is likely to work in practice, and maps the implications for the global and regional trade architectures of an enlarged CP/TPP. It argues that much depends on the priorities of the existing and potential members, who currently face trade-offs in terms of how the benefits of adding different countries are balanced against the complexities of their respective accession process. How governments weigh these trade-offs will determine the future scale and shape of the CP/TPP as a template for future liberalisation in the global trade regime.
The completion of the TPP in 2015 was a landmark in the evolution of the global trading system. It was one of the highest-standard trade agreements ever negotiated, combining significant tariff cuts with a set of regulatory provisions designed to facilitate trade in “21st century” services and technology industries. Equally important was the TPP’s size. Accounting for over a quarter of world trade and a third of world GDP, the twelve-member group was the largest regional trade bloc ever negotiated. This combination of both quality and quantity established the TPP as a global template for the next phase of trade liberalisation.

However, as a result of US withdrawal in 2017, the CP/TPP now lacks the scale to systemically influence the global trade system. As Table 1 shows, while the bridging CPTPP agreement is still large by global standards, it is only a third the size of the original TPP. It also ranks fourth in terms of regional trade agreements, behind the recently-negotiated RCEP agreement in the Indo-Pacific, the EU customs union in Western Europe, and the USMCA (formerly NAFTA) in North America. The CPTPP presently lacks the scale to deliver on its promise to be a high-standard template for future trade agreements.

Arguments for expanding the CP/TPP agreement hinge on the fact that the addition of new members would help restore its systemic impact on the global and regional trade architectures.

### Table 1. Major regional trade blocs in the global trade system

<table>
<thead>
<tr>
<th>Region</th>
<th>Year established</th>
<th>Member states</th>
<th>Population (millions)</th>
<th>Share world GDP</th>
<th>Share world trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trans-Pacific Partnership (TPP)</td>
<td>Suspended</td>
<td>12</td>
<td>831</td>
<td>38.4%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Comprehensive and Progressive Agreement for the TPP (CPTPP)</td>
<td>2018</td>
<td>11</td>
<td>504</td>
<td>12.9%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Regional Comprehensive Economic Partnership (RCEP)</td>
<td>2020</td>
<td>15</td>
<td>2290</td>
<td>29.1%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Association of Southeast Asian Nations FTA (AFTA)</td>
<td>1992</td>
<td>10</td>
<td>654</td>
<td>3.5%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Commonwealth of Independent States FTA (CIS)</td>
<td>2011</td>
<td>8</td>
<td>244</td>
<td>2.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>EC/EU Customs Union</td>
<td>1958/1994</td>
<td>28</td>
<td>513</td>
<td>21.9%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Common Market of the South (Mercosur)</td>
<td>1991</td>
<td>5</td>
<td>293</td>
<td>3.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>North American Free Trade Agreement (NAFTA/USMCA)</td>
<td>1994/2020</td>
<td>3</td>
<td>493</td>
<td>27.6%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations from UNCTADStat database. Note data is for 2018.
Expanding the CP/TPP would offer both new and existing members several distinct benefits.

One is an extension of its trade liberalisation provisions – the mutual reduction of tariffs. The CPTPP eliminates tariffs on 98 percent of trade between its members, through a series of bilateral market access swaps. Its market access gains are particularly advanced in agriculture and services, two sensitive sectors which are often excluded from other free trade agreements. It also streamlines trade activities by providing a single set of procedures – for rules-of-origin, customs administration, and technical barriers to trade – that facilitate greater cross-border flows of goods. Adding new members would broaden the group of countries participating in this high-standard free trade area.

However, conventional market access gains from CP/TPP expansion will be modest. Most of its existing members already maintain comparatively low rates of tariff protection by global standards; as do some potential members such as the US, UK and the Philippines (Figure 1). With the exception of the US and China, most potential new members are comparatively small, and would only increase the size of the bloc by a marginal amount (Figure 2). Additionally, thirty-four bilateral free trade agreements (FTAs) already exist between current and prospective CP/TPP members (Table 3), which have lowered tariffs on a bilateral basis. This existing network of trade agreements lower the potential scope for additional liberalisation when admitting new members.

While market access gains are certainly on the table, they are not the sole motive for CP/TPP expansion.

Figure 1. Tariff protection in CPTPP members and potential accession candidates

Source: Author’s calculations, from World Development Indicators. Note: 2017 the most recent year with sufficient data for comparison. Data for Malaysia in 2015 and Thailand 2016 due to data availability.
## Table 2. Regulatory provisions in the WTO, RCEP and CP/TPP

<table>
<thead>
<tr>
<th>Category</th>
<th>WTO instruments</th>
<th>RCEP extensions</th>
<th>CP/TPP extensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT</strong></td>
<td>TRIMS agreement (only goods trade-related investment measures)</td>
<td>All investment measures: MFN and NT protections; negative-list exceptions</td>
<td>All investment measures: MFN and NT protections; negative-list exceptions</td>
</tr>
<tr>
<td><strong>TRANSPARENCY AND ANTI-CORRUPTION</strong></td>
<td>None</td>
<td>None</td>
<td>Requirement to criminalise and sanction corruption, and to adopt appropriate accounting, auditing and financial disclosure standards</td>
</tr>
<tr>
<td><strong>ENVIRONMENT</strong></td>
<td>None. (Environmental Goods Agreement current under negotiation)</td>
<td>None</td>
<td>Requirements for effective enforcement of national environmental law; promotion of collaborative activities in range of areas (fisheries, CITES, biodiversity, renewable energy)</td>
</tr>
<tr>
<td><strong>E-COMMERCE</strong></td>
<td>None. (E-commerce negotiations currently under negotiation)</td>
<td>Encourage paperless trading; online consumer protection; anti-spam measures; limitations on data localisation; data transfer rules</td>
<td>Privacy protections; equal treatment of digital content; protections for source code</td>
</tr>
<tr>
<td><strong>INTELLECTUAL PROPERTY</strong></td>
<td>TRIPS Agreement (protection of trademarks, geographical indicators, patents)</td>
<td>Protection of genetic resources, traditional knowledge and folklore; improved transparency; mechanisms for IP enforcement cooperation</td>
<td>Harmonisation of patent rules; life-plus-70-years standards for copyright; requirement for enforcement regimes*</td>
</tr>
<tr>
<td><strong>STATE-OWNED ENTERPRISES</strong></td>
<td>GATT Art XVII (only trading activities of SOEs)</td>
<td>None</td>
<td>Requirement for SOEs to act in accordance with ‘commercial considerations’; transparency rules for SOEs and government monopolies</td>
</tr>
<tr>
<td></td>
<td>WTO instruments</td>
<td>RCEP extensions</td>
<td>CP/TPP extensions</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>TELECOMS</strong></td>
<td>None</td>
<td>Requirement for public networks to provide services to foreign firms on a non-discriminatory basis; transparency regulations; mobile number portability</td>
<td>Requirement for major suppliers to provide services to foreign firms on a non-discriminatory basis; transparency regulations</td>
</tr>
<tr>
<td><strong>INVESTOR-STATE DISPUTE SETTLEMENT</strong></td>
<td>None</td>
<td>None</td>
<td>Yes, with public interest exceptions</td>
</tr>
<tr>
<td><strong>FINANCIAL SERVICES</strong></td>
<td>None</td>
<td>“Endeavour” to allow foreign firms NT</td>
<td>MFN, NT and cross-border-supply provisions</td>
</tr>
<tr>
<td><strong>SERVICES</strong></td>
<td>GATS Agreement (MFN, NT and market access provisions, positive-list liberalisation)</td>
<td>MFN, NT and market access provisions; negative list exceptions</td>
<td>MFN, NT and market access provisions; negative list exceptions</td>
</tr>
<tr>
<td><strong>LABOUR</strong></td>
<td>None</td>
<td>None</td>
<td>Requirement to enforce labour standards; initiatives to discourage trade in goods made using forced or child labour</td>
</tr>
<tr>
<td><strong>MOVEMENT OF NATURAL PERSONS</strong></td>
<td>None</td>
<td>Enhanced business and labour mobility provisions; commitments for spouses and dependents</td>
<td>Enhanced business and labour mobility provisions; commitments for spouses and dependents</td>
</tr>
<tr>
<td><strong>ECONOMIC AND TECHNICAL COOPERATION</strong></td>
<td>None</td>
<td>Work program to assist developing country members to implement regulatory provisions</td>
<td>None</td>
</tr>
</tbody>
</table>

Source: Author’s summary from TPP, RCEP and WTO official texts. Note: MFN refers to “most-favoured-nation” and NT “national treatment” protections. * Several TPP intellectual property provisions are suspended in the CPTPP. See note.*
The primary rationale for CP/TPP expansion is institutionalising its set of advanced trade rules. The TPP was fundamentally designed as a rule-making agreement, which commits members to liberal and transparent policy regimes in a range of modern trade policy domains. These rules are commonly known as “WTO Plus” provisions, because they liberalise trade in areas hitherto not covered by WTO instruments. They include transparency and anti-corruption, e-commerce, telecommunications, intellectual property, services, state-owned enterprises and environmental and labour standards. They are specifically calibrated to the needs of the 21st century economy, where new digital-, technology- and services-based industries have distinct trade policy needs from traditional manufacturing and agricultural sectors.

At the signing of the CPTPP, Ministers affirmed the central importance of its rule-making function:

“...the Agreement will strengthen the mutually-beneficial linkages among our economies, boost trade, investment and economic growth in the Asia-Pacific region, and create new opportunities for businesses, consumers, families, farmers and workers. The Agreement demonstrates our collective commitment to an effective, rules-based and transparent trading system which is open to all economies willing to accept these principles.”

The CP/TPP’s advanced regulatory provisions can also inform future trade negotiations in other regional and global fora. Its rules are a significant advancement on both WTO minimums (see Table 2), and well as most other bilateral and regional FTAs in existence. This means it sets a high-water mark in international trade law, and can function as a template on which other negotiations are based. Indeed, it has already started performing a precedent role: with subsequent trade deals struck between US-Japan11, US-Canada-Mexico12 and China-New Zealand13 incorporating commitments first agreed within the CP/TPP. Its content could also inform multilateral trade discussions, such as environmental and e-commerce negotiations presently occurring within the WTO.

However, the CPTPP lacks the scale to function as a standard in the global trade system. Its accounts for only 12 percent of global GDP, and has only piecemeal coverage of the major economies in the Indo-Pacific region. With the signing of the Regional Comprehensive Economic Partnership (RCEP) in November 2020, the title of world’s largest regional trade fell to that agreement. RCEP accounts for 29 percent of global GDP, and with the exception of India includes all major economies in the Indo-Pacific. While RCEP is also a ‘WTO-Plus’ trade agreement, its provisions are less advanced than those of the CP/TPP, and entirely lacks provisions on labour, environment, state-owned enterprises or anti-corruption (Table 2).

For the CP/TPP to live up to its potential as a rule-making agreement, it requires an expanded membership base. This would extend its provisions to a wider set of major economies; as well as provide the economic size required to establish it as a credible template for other ongoing trade negotiations. For this reason, the CP/TPP parties describe it as a “living agreement”14, with an intent to add members over time. This ‘open’ architecture has seen several countries in recent years begin exploring the options for accession.
3 Potential CP/TPP accession candidates

The size and quality of the CP/TPP has seen many countries express an interest in joining the bloc. As of early 2021, eight governments have telegraphed they are in some way considering accession (see Table 3). The UK became the first government to lodge a formal application in February 2021; Korea and Taiwan have announced an intent to make a formal application; and the US, China, Indonesia, Thailand and Philippines are all actively reviewing the agreement. Their prospects are influenced by their size, the depth of their economic ties with the existing membership, the expected complexity of their negotiation process, and a range of related political factors.

Korea has long been mooted as the ideal CP/TPP expansion candidate. Indeed, it was expected to be the first accession to the original TPP in 2015, and has recently recommenced diplomacy towards that end. Preliminary consultations with CPTPP members began in 2019, and in January 2021 the Moon Administration announced it would formally seek membership. Korea is considered a model candidate for several reasons. First, it has domestic regulations which are already close to CPTPP standards, lowering the reform burden required and easing the negotiation process. Second, it is a natural fit with the bloc, given its location in the Indo-Pacific and deep trade and investment links with current members. Third, it already has bilateral FTAs with seven of the eleven CPTPP parties, reducing the complexity of market access negotiations.

### Table 3. Potential CPTPP accession candidates

<table>
<thead>
<tr>
<th>Partner</th>
<th>GDP (USD billions)</th>
<th>Trade share with CPTPP</th>
<th>CPTPP trade share with partner</th>
<th>Bilateral FTAs with CPTPP-11 members</th>
<th>Interest in CPTPP?</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOREA</td>
<td>1725</td>
<td>23.7%</td>
<td>4.3%</td>
<td>Australia, Canada, Chile, Peru, NZ, Singapore, Vietnam</td>
<td>“Intends formal application” (Jan 2021)</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>20580</td>
<td>40.9%</td>
<td>29.7%</td>
<td>Australia, Canada, Mexico, Chile, Peru, Singapore</td>
<td>Under consideration</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>2861</td>
<td>7.7%</td>
<td>1.5%</td>
<td>Singapore, Vietnam, Mexico, Canada, Japan, Chile and Peru*</td>
<td>Formal application (Feb 2021)</td>
</tr>
<tr>
<td>INDONESIA</td>
<td>1042</td>
<td>30.6%</td>
<td>1.8%</td>
<td>Chile, Australia, Japan</td>
<td>Under consideration</td>
</tr>
<tr>
<td>PHILIPPINES</td>
<td>347</td>
<td>26.2%</td>
<td>0.8%</td>
<td>Japan</td>
<td>Under consideration</td>
</tr>
<tr>
<td>THAILAND</td>
<td>507</td>
<td>28.8%</td>
<td>2.2%</td>
<td>Chile, Peru, Japan, NZ, Australia</td>
<td>Under consideration</td>
</tr>
<tr>
<td>CHINA</td>
<td>13895</td>
<td>23.6%</td>
<td>18.7%</td>
<td>Australia, NZ, Peru, Singapore, Chile</td>
<td>“Favourably consider” (Nov 2020)</td>
</tr>
<tr>
<td>TAIWAN</td>
<td>608</td>
<td>25.1%</td>
<td>2.7%</td>
<td>None</td>
<td>“Intends formal application” (Dec 2020)</td>
</tr>
</tbody>
</table>

Source: Author’s calculations from UNCTADStat Database and ARIC FTA Database. * See note 31
Korea would be a natural addition to the CPTPP, and the most straightforward of the potential candidates.

The principal obstacle for Korean accession is difficulties in its bilateral relationship with Japan. Joining the CPTPP would function as a de facto FTA between Korea and Japan, which has proven a sensitive issue on both sides for over two decades. Recently renewed disputes between the two governments over several historical issues have also seen ties deteriorate badly, and led to a bilateral trade war over semiconductor components in 2019 that remains unresolved. Japan’s objections to recent proposals to invite Korea as an observer to the G7 indicate that bilateral ties will need to improve before a CPTPP accession is on the cards.

The US is arguably the most attractive addition from the perspective of existing members. Economically, its accession would almost triple the economic size of bloc (see Figure 2), offering huge market access gains across many sectors. Politically, it would also serve as an indicator of US re-engagement with institutions in the Indo-Pacific, and of renewed commitment to its relationships with allies and friends in the region. The loss of the US during the Trump Administration was a near-fatal blow for the TPP, and restoring US membership would return it to its original status as the world’s largest regional trade bloc. For these reasons, the existing membership have telegraphed that the US is considered the highest priority for expansion.

The challenge for a US accession, however, lies on the domestic front. The CPTPP (and free trade agreements generally) are electorally unpopular in the US, and also runs counter to the “Buy American” program recently announced by the Biden Administration. In 2021, many of the domestic obstacles that led to US withdrawal in 2015 – a loss of manufacturing jobs, trade tensions with China, and concern environmental and labour standards – remain. The pressures of COVID-19 on the US policy agenda also leave little space for ambitious trade policy reforms. As Dane Chamorro, a former US diplomat, summarised in January:

“You have to think that politically, on both sides of the aisle, the idea right now of more trade liberalization is really not very popular.”

US accession, if it is to occur, is not likely until the later period of the Biden Administration.

The UK became the first country to make a formal application to join the CPTPP in February 2021. Until very recently, the UK was not considered a leading prospect. It is not in the Indo-Pacific, has much thinner trade ties with regional economies, and its trade policy agenda has been near-exclusively consumed by negotiations surrounding Brexit. The UK’s application is driven by an agenda to rapidly join trade agreements that can help diversify its (currently European-focused) trade patterns post-Brexit, and has been in consultation with existing members since mid-2018.
Despite the UK’s distance from the Indo-Pacific, its accession would bring several benefits for existing members. It would be the second-largest member behind Japan, and increase the size of the bloc by 25 percent. Its services-based economy would be a good fit with the CPTPP’s emphasis on “21st century” trade issues, such as e-commerce, intellectual property and investment. It already has bilateral trade instruments of some kind with seven of the CPTPP members, and is presently negotiating FTAs with Australia and New Zealand.

**Similar to Korea, the UK could be appealing as a ’straightforward’ early accession option, which paves the way for more challenging partners in the future.**

However, the core question for existing members is how the UK would add value relative to other options. The UK’s formal application for accession may now elicit similar moves from other potential candidates, at which point existing members will need to consider priorities. The US is preferred for its size; and Korea for its relative ease and regional importance. Being outside the region and not currently a major trade partner, the market access gains from the UK accession would be lower than any other accession. But if the timeline for other potential members draws out, the fact that the UK is currently accession-ready now will make a case for a “UK first” expansion.

**Three Southeast Asian economies are also considered potential CPTPP members.** At various times, the governments of Thailand, the Philippines and Indonesia have all expressed some kind of interest in joining the CPTPP, and established informal studies into the process. The economic attraction of CPTPP membership for these countries is obvious: preferential access to a number of large developed-country markets; and the ability to attract inward investment, especially needed for post-COVID recovery. Research by the Peterson Institute for International Economics has found that the GDP gains from CPTPP membership are greatest for developing economies that benefit most from expanded market access. As the CPTPP expands – particularly if the US and/or Korea joins – these economic attractions will gain in strength.

However, the bar required for Southeast Asian developing economies is very high. It would demand very extensive economic reforms – particularly around labour standards, state-owned enterprises and services – that affect many sensitive industries. These governments have also just completed long-running negotiations for the Regional Comprehensive Economic Partnership (RCEP) in November 2020, and in the short-term will be focused on domestic reforms required for its ratification. When the stresses of COVID and its recovery are also considered, there is arguably not enough policy space in Southeast Asia for the ambitious reforms required by the CPTPP just yet. However, in future years their membership is a real possibility.

**Two significant – albeit politically complex – potential members are China and Taiwan.** In November 2020, Xi Jinping shocked observers by declaring that China would “favourably consider” joining the CPTPP. Shortly thereafter, Taiwan – which had begun informal consultation with existing members – declared that it would make a formal membership application once those consultation were complete. A competitive dynamic underpins these two unexpected declarations: with Taiwan seeking to engage the CPTPP members ahead of China, while China’s telegraphing of interest may forestall progress towards Taiwan’s consultations.

From an economic perspective, China and Taiwan have credible claims to CPTPP membership. Both are in the region, and already deeply trade-integrated with the existing...
members of the bloc. China would be attractive for the heft it would bring: as the world’s second largest economy, and top trade partner for nearly all CPTPP members, its accession offers tantalising market access gains. Taiwan’s case is similar to Korea’s: an advanced technology-based economy, which would add regional scope to the agreement via a straightforward accession process.

However, both bids face political headwinds that may prove difficult to surmount:

→ China presently has poor bilateral relations with several CPTPP members, including Australia, Japan, Canada and Vietnam. It is also currently engaged in active trade sanctions against Australia and Canada. A formal Chinese application is not likely to be well-received in these countries at present.

→ Taiwan’s lack of sovereign state status, and its own deteriorating relations with China, pose their own complexities. CPTPP members who support a Taiwanese bid may find their own bilateral relations with China negatively affected.

Due to these political challenges, it is unlikely that either China or Taiwan will be among the first tranche of CPTPP accessions. However, they both have credible economic cases for membership, and their positive signals will influence how existing members rank their expansions priorities.
4 Negotiating issues for new member accessions

There are established mechanisms for expanding the CP/TPP. While the ‘bridging’ CPTPP agreement suspends the accession mechanism of the TPP, it replaces it with a simplified accession mechanism of its own. This mechanism allows any “state, or separate customs territory” to take membership, subject to terms negotiated with the other members, following entry-into-force. Since 30 December 2018, prospective members have thus been able to apply to become a CPTPP accession candidate, and upon acceptance, commence negotiation with existing members.

However, there remains open questions as to how the CP/TPP accession process will operate. These questions will structure how, and whether, expansion occurs:

First, what are the procedures for negotiations? The TPP’s accession clause (Article 30.4) included detailed provisions for the process. While the CPTPP accession clause (Article 5) is considerably less precise, a subsequent agreement has a mechanism that establishes procedures for negotiation and benchmarks which a candidate must meet. However, these procedures are complex, and their application in practice will need to be tested through an active negotiation process. Candidates must first informally consult with existing members, then enter into formal negotiations with both the CPTPP Commission collectively and all members bilaterally. Moreover, if the US seeks membership there, remains a question as to whether it seeks accession to the CPTPP, or alternately joins (and reinstates) the original TPP itself. The latter would trigger an automatic review of CPTPP arrangements.

Second, some degree of renegotiation will realistically be required. At a minimum, accession candidates will need to negotiate market access (tariff and quota) swaps with each existing member, some of which will carry knock-on effects for the preferential margins within the group. The dozens of bilateral ‘side letters’ between members, which clarify how commitments are defined and implemented, would also require review and consideration. While the text of the agreement is not open to negotiation, the individual ‘schedules’ for how these provisions are implemented are, with implications for how the rules create trade preferences amongst members of the bloc. The accession process will be far more complex than simply confirming a new member’s compliance with existing provisions.

Third, a US accession will raise questions over the suspended provisions. Encouragingly, the CPTPP retains most of the regulatory provisions from the TPP, with only a small number of US-requested items suspended. These are concentrated in the area of intellectual property (IP); and several US-requested provisions for labour standards, state-owned enterprises and investor-state dispute settlement remain. However, the CPTPP does not include the initially-rumoured ‘snapback’ provision, under which all suspended content would be automatically reinstated upon US readmission. Any decision to remove suspensions must be negotiated by consensus amongst the membership.

As a result, the first CP/TPP accession will be doubly complex: requiring simultaneous negotiations over the conduct of the process and the outcome.
Complicating matters, US trade policy objectives have changed in the intervening years. The Biden Administration has telegraphed that it will no longer prioritise IP- or investment-oriented provisions, instead favouring a conventional market access agenda. The US may also seek to include climate-change related provisions, such as prohibitions on subsidies to fossil fuels and/or tariffs on carbon-intensive products, which had not been priorities during negotiations in 2015.

Given that US membership would nearly triple the size of the bloc, it will be in a very strong position to renegotiate substantial changes during its accession.

Fourth, CP/TPP expansion raises diplomatic and geopolitical questions. While ostensibly a trade agreement, the CP/TPP also signals a degree of political comity and policy alignment between its members. These may pose additional political and diplomatic questions for the accession process, such as:

→ **Korean** accession would likely require a repair of bilateral Korea-Japan relations, which in recent years have been harmed by renewed disputes over so-called ‘historical issues’.

→ Suspensions to democratic and constitutional processes may complicate the decision to admit **Thailand** to the group. For example, the US had previously indicated it would only support Thai membership upon a return to civilian government.

→ While the CP/TPP enables ‘separate customs territories’ to join, the international diplomatic status of **Taiwan**, and the political implications of admitting it, would raise complex questions.

→ **China’s** accession would face political headwinds due to ongoing diplomatic disputes with Japan (in the East China Sea), Vietnam (in South China Sea) and Australia and Canada (bilateral trade sanctions).

Fifth, existing members will need to consider their priorities in ordering the accession process. With eight governments now signalling a desire to join the agreement, in what order should new members be admitted? One approach would be to start with a comparatively simple applicant like Korea or the UK, to establish a smooth-functioning accession process before attempting more complex negotiations. An alternate approach would be to prioritise a large applicant – ideally, the US – that would bring significantly more heft to the group, allowing for better outcomes during subsequent negotiations. Multiple applicants with similar characteristics (e.g. UK/Korea), might also negotiate simultaneously, to reduce duplication and speed the expansion process. The existing CPTPP members will have differing priorities over the order and timeline on which new parties are admitted, even if they agree on the merits of a particular set of applicants.
Implications of CP/TPP expansion for the future of the trade system

An expansion of the CP/TPP would greatly increase its systemic impact on the global trade system. While the effect depends on the candidate in question, the aggregate gains could be very significant. If all realistic candidates (i.e. excluding China and Taiwan) were to join, the bloc’s share of world GDP would increase from 13 to 43 percent, and its share of world trade from 14 to 32 percent (Figure 2). The majority of this effect would come from US accession, but Korea and the UK would also make sizeable additions. US accession alone would reinstate the CP/TPP to its previous status as the world’s largest trade agreement, behind only the WTO itself. This would provide the CP/TPP with the heft to be a standard-setter in the global trade architecture.

Figure 2. Effects of CP/TPP membership expansion on GDP and trade footprints, by candidate

Source: Author’s calculations, from World Development Indicators database. Note: 2018 data.
Membership expansion would also help establish the CP/TPP standards in the Indo-Pacific trade architecture. Despite being a regional trade agreement, its current coverage of Indo-Pacific economies is very patchy. It has only four of the ten ASEAN members, one of the three Northeast Asian economies, and Canada/Mexico but not the US. The absence of developing countries beyond Malaysia and Vietnam also raises questions as to its ability to bridge across developmental divides within the region. This gives the accession of Southeast Asian economies – particularly Indonesia or Thailand – a significance beyond that which their size contribution suggests. Their membership would help make the TPP a genuinely Indo-Pacific trade agreement that contributes to regional economic integration.

It is likely that membership expansion, once commenced, would become an accelerating process. This is due to the ‘size-pull’ effects of preferential trade agreements. By creating advantages for insiders, they also create disadvantages for outsiders who lose their competitive position. The US suffered problems following its TPP withdrawal, as its agricultural exporters lost competitiveness in Japanese markets due to preferences granted to Australia, Canada and New Zealand. This mechanism creates an incentive for outsiders to join regional trade blocs, with the incentive proportionate to the size of the agreement itself. As the CP/TPP grows, the benefits of membership (and the costs of absence) will grow proportionately, encouraging a cascade of new applicants drawn in by an expanding prize.

A significant early accession – certainly the US, and perhaps Korea or the UK – could start a virtuous cycle of CP/TPP membership applications.

By corollary, if the CP/TPP does not expand it is likely that alternate trade models will proliferate in its place. Key amongst these is the RCEP agreement, which was signed in November 2020 and is currently proceeding through ratification. When it enters-into-force, RCEP will have each of the qualities required for systemic impact that the CPTPP presently lacks:

- A sizeable economic footprint, accounting for 29 percent of world GDP and 28 percent of trade.
- An inclusive regional membership, with all Indo-Pacific economies (except India) as parties.
- A diverse membership, including both developed and developing economies.
- WTO-Plus regulatory provisions in a wider range of policy domains.
- Status as the world’s largest regional trade bloc by GDP, and second largest by trade share.

RCEP also offers a different model for how to implement WTO Plus trade liberalisation. Several CP/TPP domains – including anti-corruption, labour, environment and state-owned enterprises – are entirely absent from RCEP. It does not include investor-state dispute settlement enforcement mechanisms (Table 2). And its other WTO-Plus provisions do not match the high-water marks established in the CP/TPP, particularly in terms of a lack of dispute settlement and enforcement mechanisms. While RCEP certainly offers a template for the next phase of global and regional trade negotiations, it advances WTO Plus liberalisation far less ambitiously than that of the CP/TPP.
The future of the CP/TPP therefore hangs upon its prospects for expansion. It has established a high-water mark for rule-making in new regulatory domains, and has already begun informing subsequent trade negotiations of its members. But its present scale is insufficient to establish these rules as either a regional or global template for the next phase of trade liberalisation. A suite of potential accession candidates have already expressed interest, confirming that expansion is a politically-viable strategy. But major questions remain regarding the process for CP/TPP accession negotiations, as well as the practicality of admitting certain new applicants. How these questions are resolved in coming months will determine the long-term impact of the CP/TPP on the global and regional trade architectures.
Endnotes

3 CNN Politics (2017), ‘Trump signs order withdrawing from TPP’, 24 January
13 The 2021 “upgrade” of the PRC-NZ free trade agreement of 2008 saw New Zealand extend to China foreign investment review provisions identical to that which it gives to CPTPP members. See South China Morning Post (2021), ‘China-New Zealand relations: upgrade to free-trade agreement eliminates nearly all trade tariffs’, 26 January.
15 Japan Times (2021), ‘Britain to apply to join CPTPP Asia-Pacific free trade bloc’, 31 January.
19 The Diplomat (2021), ‘Conflict Between South Korea and Japan Surges Again With Court’s “Comfort Women” Decision’, January 26.
20 South China Morning Post (2020), ‘The Japan-South Korea trade war is a selfish political dispute and a lose-lose for small businesses’, 22 January.
26 East Asia Forum (2020), ‘To TPP-2 or not to TPP-2, that is the question’, 20 December.
28 CNBC (2021), ‘It’s a “hard sell” if Biden administration wants to rejoin massive trans-Pacific trade deal, says analyst’, 11 January.
31 The UK has so-called “continuity agreements” that preserve previous EU trade agreements post-Brexit with Singapore, Vietnam, Mexico, Canada, Japan, Chile and Peru. While these have the status of a free trade agreement at international law, they arguably do not function as such, as they simply reproduce older EU agreements rather than being configured to Britain’s specific trade interests with these partners.
For example, the RCEP rules on e-commerce explicitly prohibit enforcement via the RCEP dispute settlement mechanism (Art 11.5). The provision for a “separate customs territory” to accede to the CPTPP provides a legal mechanism for “non-state” members to join: for example a supranational trade bloc (e.g. the EU), or customs territories separately recognised under international trade law such as Taiwan or the People’s Republic of China’s “Special Administrative Regions’ (SARs) Hong Kong and Macau.


The CPTPP includes a mechanism (Article 6) which requires the bridging agreement to be automatically reviewed if and when the TPP is imminently about to enter-into-force.


The CPTPP Commission on consensus amongst its members.

28 For example, the RCEP rules on e-commerce explicitly prohibit enforcement via the RCEP dispute settlement mechanism (Art 11.5). Rules on intellectual property include the following general exception “Each Party shall be free to determine the appropriate method of implementing this Chapter within its own legal system and practice” (Art 11.5).
Expanding the TPP?

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