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THE U.K. APPLIES TO JOIN THE CPTPP: WHAT ARE THE IMPLICATIONS FOR CANADA?

Hugh Stephens

SUMMARY

The U.K.'s request to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) could be a tremendous boon for this bloc. The CPTPP has 11 members at present, including Canada. However, four members — Peru, Chile, Malaysia and Brunei — have yet to complete the ratification process. The U.K.'s potential accession could lead the CPTPP to develop further in response to renewed interest from present and prospective members.

Canada and the U.K. have already been discussing interim trading arrangements in the form of the Trade Continuity Agreement (TCA), which replaces existing rules designed when the U.K. was still a member of the European Union. Both countries have committed to reaching a new, permanent bilateral agreement by 2024. If the U.K. joins the CPTPP, Canada will thus end up negotiating two trade agreements with the same country at the same time.

Canada is unlikely to win additional access to the U.K. market beyond what it enjoys through the TCA. At the same time, Canada is unlikely to grant the U.K.

additional access to protected sectors through the CPTPP. But this doesn't mean that Canada has nothing to gain from the U.K. joining the CPTPP.

The addition of a substantial economy like the U.K. to the CPTPP could prompt the four foot-dragging members to complete ratification. Without that, they will have no say in the negotiations over the U.K.'s accession or the outcome. The U.K.'s experience could also encourage non-members like South Korea and Taiwan to take the plunge and apply to join the pact.

The United States was an original member of the CPTPP's precursor, the Trans-Pacific Partnership, but pulled out during the Trump administration. The U.K.'s entry may not be enough to convince the new government to change course and so far, the Biden administration has not signalled that accession is a priority.

Still, the U.K.'s admission has the potential to expand the trading bloc and Canada should make the most of this. It does require the careful adjustment of any potential Canadian concessions granted as part of the CPTPP accession negotiations against the need for leverage in future bilateral trade negotiations with the U.K. But this balancing act shouldn't prevent Canada from supporting the U.K.'s request to join the CPTPP. The opportunities and rewards over the long term are too substantial for any other decision.

After months of speculation, on February 1 the United Kingdom finally pulled the trigger on its formal application to accede to the Comprehensive and Progressive Trans-Pacific Partnership, (“the Agreement”) the 11-country regional trading bloc that encompasses four countries in North and South America that border on the Pacific (Canada, Mexico, Peru and Chile), five countries in Asia (Japan, Vietnam, Singapore, Malaysia and Brunei) and two countries in the South Pacific (Australia and New Zealand). The U.K.’s entry would provide a very elastic definition to the term “trans-Pacific” and if Britain does finally accede to the Agreement, a name change might be in order.

Britain’s [formal request](#)¹ to begin accession negotiations could open the way to broader expansion, bringing in a number of other economies that have expressed varying degrees of interest in becoming part of the Agreement. These include South Korea, Taiwan, Thailand, Indonesia, the Philippines and even China. And off in the wings is the United States, one of the original Trans-Pacific Partnership (TPP) 12. The U.S. was one of the main advocates for the original TPP, signed it, but then [pulled out](#)² when Donald Trump took office. Britain’s application will pose some questions for Canada, given that Canada and the U.K. already have an interim bilateral agreement. However, it should prove beneficial for the CPTPP itself, including possibly spurring the delayed ratification by four of the original members.

The CPTPP has been in effect since late December 2018 when six of the 11 signatories confirmed their ratification with the treaty’s depository nation, New Zealand. Vietnam joined those original six countries (Australia, Canada, Japan, Mexico, New Zealand and Singapore) a few weeks later, but the remaining four members have yet to complete the ratification process. Given the current turbulent state of internal politics in these countries (Chile, Peru and Malaysia), ratification has been delayed and at the moment there are no signs that this is going to change. (Brunei is not facing the same internal issues, but given its close geographical and economic links to Malaysia, it is unlikely to move on accession before Malaysia). Until now, this lack of accession by several members provided a good reason to defer the question of expansion, but with the U.K. now forcing the issue, the modalities of enlarging the Agreement need to be addressed. CPTPP ministers will have to formulate a response.

Normally, prior to submitting a formal request to begin accession negotiations, an aspirant country will conduct informal negotiations with the existing members. Existing members need to do an econometric analysis to gauge the benefits of including a new economy, and most countries undertake public consultation to determine what potential gains to seek and which sensitive sectors to protect once negotiations are launched. The addition of the U.K., the world’s fifth largest

¹ <https://www.gov.uk/government/news/formal-request-to-commence-uk-accession-negotiations-to-cptpp>

² <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/january/US-Withdraws-From-TPP>

economy according to the [IMF's 2020 estimates](#),³ would considerably expand the CPTPP's economic clout.

The U.K. has already held discussions with Canada over the interim trade pact, known as the [Trade Continuity Agreement](#)⁴ (TCA), which replaces the existing rules governing Canada-U.K. trade under the 2017 Canada-European Union Comprehensive Economic and Trade Agreement (CETA). The transition period governing the U.K.'s departure from the EU expired on December 31, 2020, and from that date CETA rules no longer governed Canada's trade with Britain. The two sides reached agreement on the interim arrangement to ensure no disruption of bilateral trade as Brexit was finally implemented. Both parties have committed to negotiating a new, permanent bilateral agreement with a notional target date of 2024. If an accession working group is established to negotiate the U.K.'s accession to the CPTPP, Canada will be negotiating two agreements simultaneously with the U.K., complicating matters somewhat (since market access will be negotiated among and apply to all CPTPP participants), but also allowing for some efficiencies. A very real constraint for many countries is the limited number of trade experts available to undertake complex negotiations, and the time that such negotiations take.

Given that Canada has already reviewed trade issues with Britain, this should facilitate a Canadian response. The U.K. has undoubtedly had preliminary discussions with other CPTPP partners as well, given that it already has bilateral deals with Japan and Vietnam, and Peru (through the Andean Community), transitional deals with Chile, Mexico and Singapore in addition to Canada, and is currently in negotiations with Australia and New Zealand. Once CPTPP ministers agree to form an accession working group to negotiate U.K. accession, chief negotiators will convene to discuss their approach, and the applicant, in this case Britain, will be expected to put forward its market access offer.

Why would Canada support U.K. entry? Canada is unlikely to gain much by way of any additional access to the U.K. market beyond what it enjoys already through the TCA, and if it is to seek additional concessions, these are more likely to come through future bilateral negotiations. By the same token, Canada will be reluctant to grant any additional market access to Britain, in particular with respect to sensitive sectors, such as Canada's supply-managed dairy, poultry and egg industries. These

³ <https://www.imf.org/en/Publications/WEO/weo-database/2020/October/weo-report?c=512,914,612,614,311,213,911,314,193,122,912,313,419,513,316,913,124,339,638,514,218,963,616,223,516,918,748,618,624,522,622,156,626,628,228,924,233,632,636,634,238,662,960,423,935,128,611,321,243,248,469,253,642,643,939,734,644,819,172,132,646,648,915,134,652,174,328,258,656,654,336,263,268,532,944,176,534,536,429,433,178,436,136,343,158,439,916,664,826,542,967,443,917,544,941,446,666,668,672,946,137,546,674,676,548,556,678,181,867,682,684,273,868,921,948,943,686,688,518,728,836,558,138,196,278,692,694,962,142,449,564,565,283,853,288,293,566,964,182,359,453,968,922,714,862,135,716,456,722,942,718,724,576,936,961,813,726,199,733,184,524,361,362,364,732,366,144,146,463,528,923,738,578,537,742,866,369,744,186,925,869,746,926,466,112,111,298,927,846,299,582,487,474,754,698,&s=NGDPD,&sy=2018&ey=2025&ssm=0&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>

⁴ https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cuktca-accru/read_agreement-consultez_accord.aspx?lang=eng

industries have already vociferously complained about the limited additional access granted to the U.S. and EU in the updated NAFTA (CUSMA) and CETA agreements, and to Australia and New Zealand, among others, in the CPTPP. In response, the federal government has allocated hundreds of millions of dollars in compensation to the affected industries.

In the TCA, Britain gained no additional access to supply-managed sectors.⁵ The existing import quotas under CETA for these products will now be shared among the 27 EU members, rather than 28 now that Britain is no longer an EU member. Canada will certainly not be interested in granting any additional access to supply-managed industries, especially dairy, to the U.K. in CPTPP negotiations. For their part, Australia and New Zealand will not be interested in sharing the limited Canadian dairy quota they were granted in the CPTPP with Britain. This will be a difficult file.

While it might appear that Canada has little to gain in terms of direct improved access to the British market from U.K. participation in the CPTPP, there could be significant longer-term benefits in supporting U.K. accession. These relate primarily to the impact an economy like Britain will have in expanding the reach and scope of the CPTPP, and in providing the impetus for further expansion of CPTPP membership. British accession could even spur on lagging ratification efforts in the four remaining CPTPP members that have signed but not implemented the Agreement.

The incentive for the four non-ratifying states to move on early ratification is that unless and until they ratify and become active members applying the disciplines of the Agreement, they will have no say in the decision-making process leading to the opening of accession negotiations, no vote on whether to admit the U.K. (or others), no ability to take part in the negotiations and no role in determining the final outcome. However, they will clearly be impacted if the U.K. joins the Agreement, especially if they don't accede until after this occurs. Sitting on the sidelines may not be the best option and we may see some movement in the ratification process in at least some of the remaining four signatories.

Another advantage that U.K. membership may bring is to break the logjam for other potentially interested countries. Until Britain made the first move, there had been an element of "kabuki theatre" with regard to who was ready to take the plunge and formally apply. The original 11 members had not all ratified, the COVID-19 pandemic had impacted global trade and distracted attention and no one

⁵ The TCA contains a side letter granting the U.K. access to cheese tariff rate quotas (TRQ) under the reserve for the European Union within Canada's WTO cheese TRQ until no later than December 31, 2023. After this date, cheese originating in the U.K. shall be eligible to be imported under the reserve for non-European Union WTO members within Canada's WTO cheese TRQ. Canada and the U.K. will endeavour to reach an arrangement on cheese as part of the expected bilateral negotiations, no later than June 30, 2023. These multilateral TRQs are not part of the cheese access granted to the EU as part of CETA.

wanted to be rebuffed. Among the economies interested in following the U.K., the two most likely to step forward initially are Korea and Taiwan.⁶ They will be happy to watch and learn from the British experience in order to better prepare for their own accession process.

Will the United States come back to the Agreement under President Joe Biden? Rejoining does not seem to be an immediate priority for the Biden administration. The Democratic Party has never been a strong advocate for liberalized trade, but geopolitical considerations could cause the U.S. to reconsider eventually. As for China, its [expressed interest](#)⁷ seems to be more in the nature of a place-holder as it would have to substantially open a number of closed sectors of its economy and agree to disciplines on support for state-owned enterprises that would run counter to current Chinese economic policy. But the fact that China has not closed the door is a positive sign.

It is encouraging that Britain has made the first move. Negotiating U.K. entry into the CPTPP will pose some challenges for Canada, given the need to balance any concessions it gains or grants within the Agreement against negotiating coinage that it may need in future bilateral negotiations with Britain. However, U.K. participation in the CPTPP will give the Agreement a boost in terms of expanded scope, economic benefit and future expanded membership. That is well worth supporting, and I expect that Canada will join other CPTPP members in giving a green light to Britain's request to negotiate accession. That's when the hard work will begin.

⁶ It is worth noting that Canada already has a bilateral free trade agreement with Korea, which went into effect in 2015. It has no trade agreement with Taiwan, but Taiwan is a member of the WTO and already has bilateral agreements with two CPTPP members, New Zealand and Singapore.

⁷ <https://www.globaltimes.cn/page/202102/1214949.shtml>

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Hugh Stephens has 40 years of government and business experience in the Asia-Pacific region. He is currently Vice Chair of the Canadian Committee on Pacific Economic Cooperation (CANCPEC), Executive Fellow at the School of Public Policy at the University of Calgary, Distinguished Fellow at the Asia Pacific Foundation of Canada, and an Associate Faculty member of the School of Business at Royal Roads University.

Until December 2009, he was Senior Vice President (Public Policy) for Asia-Pacific for Time Warner located in Hong Kong. In recent years, he has written and commented extensively on Canada's engagement with the Asia Pacific region including articles published in The Globe and Mail, National Post, Ottawa Citizen, iPolitics, The Diplomat, Open Canada, and others. He currently maintains an active blog on international intellectual property issues (www.hughstephensblog.net).

Prior to joining Time Warner in 2000, Mr. Stephens spent 30 years in the Canadian Foreign Service. He served as Assistant Deputy Minister for Policy and Communications in the Department of Foreign Affairs and International Trade in Ottawa, and abroad as Director of the Canadian Trade Office in Taiwan, Counsellor at the Canadian Embassies in Seoul, Korea and Islamabad, Pakistan, and assignments at the Canadian Embassies in Beirut, Lebanon, Beijing, China and Mandarin language training in Hong Kong.

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