

The CPTPP Enters into Force: What Does it Mean for Global Trade?

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The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force on December 30, 2018. The Agreement will significantly impact trade among its ratifying Parties—currently including **Australia, Canada, Japan, Mexico**, New Zealand, Singapore, and Vietnam (with Brunei Darussalam, Chile, Malaysia and Peru to come)—and beyond. The so-called “TPP-11,” signed on March 8, 2018, proceeded steadily toward completion following the United States’ withdrawal from the predecessor agreement—the Trans-Pacific Partnership (TPP)—in January 2017, and is now a reality.

The anticipated impact of the CPTPP, whose 11 parties represent approximately half a billion people and 14 percent of the global economy, will be immense, as slashed tariffs encourage significant shifts in global supply chains. Further, the CPTPP’s high-standard provisions on the digital economy, investment, financial services, labor and the environment establish new “rules of the road” that will have broad country-specific and collective impact. The Agreement’s full impact is challenging to grasp as its geographical and substantive scope is vast, and so much of it is new to governments and companies. This report summarizes: (i) key provisions, including those changed from the original TPP; (ii) country-specific implications for select Parties; (iv) the politics and technicalities of US re-entry; (iii) next steps for ratification by remaining signatories; and (v) the CPTPP’s potential impact on/interaction with other global trade developments.

Overview

The CPTPP, despite the United States’ withdrawal and the subsequent minor changes to the TPP text, is a game-changer in that it locks in institutional and rules-based reform, sets new standards for future free trade agreements (FTAs) and provides incentives to consolidate and reorder Asia-Pacific supply chains.

The CPTPP, like its predecessor the TPP, is touted as a “next-generation” trade agreement, building on the core structure of the World Trade Organization (WTO) Agreements and existing bilateral FTAs, but taking WTO and FTA rules further in a number of key areas, such as digital trade and electronic commerce, intellectual property and state-owned enterprises (SOEs). Thus, not only will the CPTPP have a tangible impact on trade in goods and services among the Parties, it is likely to have repercussive effects as its provisions are used as a model for other agreements. For example, the newly signed United States-Mexico-Canada Agreement (USMCA), the successor to the North American Free Trade Agreement (NAFTA), draws from the TPP for some of its chapters. The CPTPP’s broad tariff cuts—on approximately 90 percent of items upon entry into force, and nearly all others within 10 years—will have an immediate impact on the relative competitiveness of exporters in and out of the

Agreement. For example, US exporters will now be disadvantaged in the CPTPP zone relative in particular to competitors in Canada, Japan and Australia. Similarly, exporters in Thailand, Korea and Taiwan will be disadvantaged relative to competitors in Japan, Malaysia and Vietnam.

In addition to tariff cuts, the CPTPP includes high-standard chapters covering customs and trade facilitation; standards and technical barriers to trade; investment; services; intellectual property; e-commerce; government procurement; SOEs; labor; environment; regulatory coherence; transparency; and more. The CPTPP is distinguished from other FTAs in that its provisions are deeper and broader, and its basic rules apply equally among all signatories, even though some developing country members (e.g., Vietnam) have longer time periods to implement some of the commitments.

When the Agreement entered into force on December 30, 2018, each of the original six ratifying members immediately benefitted from its provisions, but only as they applied to the other ratifying members. For example, a company based in Australia will benefit from reduced or eliminated import tariffs in Japan, but not yet Malaysia. Provisions affecting intellectual property, investment, labor and other disciplines were also automatically activated. Vietnam joined soon after, on January 14, 2019.

Date of entry into force for the CPTPP's ratifying members:

Party	Date of Domestic Ratification	Date of Notification to CPTPP Depository	Entry into Force
Australia	October 19, 2018	October 31, 2018	December 30, 2018
Brunei Darussalam	TBC ¹		
Canada	October 25, 2018	October 29, 2018	December 30, 2018
Chile	TBC ²		
Japan	June 13, 2018	July 6, 2019	December 30, 2018
Malaysia	TBC ³		
Mexico	April 24, 2018	June 28, 2018	December 30, 2018
New Zealand	October 25, 2018	October 25, 2018	December 30, 2018

- ¹ The Bruneian government is amending rules on intellectual property and labor to comply with its CPTPP commitments. However, the government has not yet detailed a ratification timeline, and the ultimate decision to ratify appears to lie with the Sultan.
- ² The Chilean government presented legislation in October 2018 to lawmakers on CPTPP ratification. The Foreign Relations Committee of the Chamber of Deputies has convened a number of hearings on the CPTPP, with the latest taking place on January 16, 2019. Ratification is expected within the first quarter of 2019.
- ³ Following the announcement in November 2018 by Prime Minister Mahathir Mohamad for further review of the economic and social impacts of the CPTPP for Malaysia, domestic debate has intensified. Moreover, the Malaysian government must still modify 18 domestic regulations related to issues such as intellectual property, labor and government procurement in order to align the country's regulatory environment with commitments taken under the CPTPP. As such, the likely timetable for Malaysia's ratification may stretch well into 2019 or beyond owing to challenges for parliament to amend laws.

Peru	TBC ⁴		
Singapore	July 19, 2018	July 19, 2018	December 30, 2018
Vietnam	November 12, 2018	November 15, 2018	January 14, 2019

Five of the six ratifying Parties received an additional round of tariff cuts two days later on January 1, 2019—the “Year 1” cuts, which vary by good and the respective Party’s schedule. The General Notes to the Tariff Schedule of Japan set April 1 as the beginning of each tariff cycle, so the Year 1 tariff reductions will take place on April 1, 2019.

For those Parties who have not yet ratified the CPTPP, it enters into force 60 days after the date on which that signatory has notified the Depository (New Zealand) in writing of the completion of its applicable legal procedures.

The CPTPP is a comprehensive agreement with 30 chapters.⁵ Key highlights include:

- **Digital trade/e-commerce** - The E-Commerce Chapter seeks to facilitate business-related data transfers and trade in digital products, including by introducing (i) a prohibition on data localization measures; (ii) a commitment to allow the cross-border transfer of information by electronic means when such activity is for the conduct of business; and (iii) a prohibition on imposing customs duties on electronic transmissions. The Chapter also prohibits a Party from requiring access to the source code of software owned by a person of another Party as a condition for the import, sale or use of the software.
- **Investment** - The Investment Chapter establishes high-standard provisions for investors and covers the full life cycle of an investment—from establishment or acquisition, management, operation, expansion and disposition. The Chapter’s provisions include the core obligations of national treatment, most-favored nation (MFN) treatment, expropriation and compensation, performance requirements and transfers. While the Agreement includes Investor-State Dispute Settlement (ISDS) provisions, the scope for investors to make ISDS claims is narrowed (e.g., private companies cannot make ISDS claims relating to investment contracts they have entered into with governments).
- **Supply chain, goods, rules of origin, certification** - The Agreement supports the development of CPTPP-wide supply chains by generally allowing for “accumulation” within the CPTPP region. This confirms that the ability to further process or add materials of one signatory country to products in another signatory country (which will then be treated as originating in the latter country) has become a standard feature in modern trade agreements. The Agreement also includes trade facilitative provisions on self-certification of origin, advanced rulings and customs clearance timelines.
- **Services, including financial services** - The Cross-Border Trade in Services Chapter, which provides for improved protection, predictability and transparency for service suppliers, adopts a “negative list” approach, meaning that all services sectors are considered as liberalized by default, except those expressly excluded from coverage in the form of non-conforming measures. The negative lists contained in each Party’s schedule include two types of “non-conforming measures” which are exempt from the Chapter’s MFN, national treatment, market access, and/or local presence commitments: (i) measures subject to a “standstill and ratchet” obligation whereby measures cannot become more restrictive in the future and any future liberalization cannot be reversed; or (ii) reservations whereby participants maintain complete discretion as to their current and future policy. The Financial Services Chapter includes transparency obligations and commitments to allow a financial institution of another Party to supply new

⁴ Domestic political challenges may delay Peru’s CPTPP ratification timeline. The CPTPP does not require congressional approval through a legislative resolution as no normative laws or existing agreements need to be changed to align the CPTPP with domestic law. As such, the CPTPP could be approved by presidential ratification through an executive order.

⁵ The official CPTPP text is available [here](#).

financial services that a Party would allow for its own financial institutions. Furthermore, special dispute settlement provisions are tailored to the unique nature of financial services.

- **Labor** - The Labor Chapter includes binding commitments that require a Party to uphold through its domestic laws the following rights as set forth in the International Labor Organization (ILO) Declaration: (i) freedom of association and collective bargaining; (ii) elimination of forced labor; (iii) abolition of child labor; and (iv) elimination of employment discrimination.
- **Environment** - The Environment Chapter includes both binding and non-binding commitments relating to environmental protection. The binding obligations prohibit a Party from (i) failing to effectively enforce its environmental laws in a manner affecting trade or investment between the Parties; (ii) waiving or otherwise derogating from its environmental laws in order to encourage trade or investment between the Parties; or (iii) providing certain types of fisheries subsidies that negatively impact overfished stocks.

Changes from the TPP

The CPTPP is nearly identical to the TPP, but suspends 22 elements of the predecessor agreement, and incorporates the rest.

Eleven of the original 12 TPP signatories (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam) signed the CPTPP on March 8, 2018, after more than a year of re-negotiation following the United States' withdrawal. Although technically a separate treaty, the CPTPP incorporates nearly all of the provisions of the TPP as signed in 2016 by the original 12 parties (including the United States), except for a handful of provisions that the remaining member countries agreed by consensus to suspend.⁶ Most of the suspended provisions had been inserted into the original TPP text at the demand of US negotiators to safeguard the interests of various domestic stakeholders, covering such issues as market exclusivity rules for biologic drugs, strict copyright enforcement priorities, and investor-state dispute settlement. The CPTPP text also incorporates a few technical and procedural provisions concerning such issues as accession, entry into force, withdrawal and authentic texts.

Besides the suspended provisions, the CPTPP preserves all of the original and substantive TPP commitments in market access for goods, services, investment, state-owned enterprises, government procurement and business mobility. In other words, all of the existing annexes from the TPP Agreement remain unchanged, and all tariff reduction and/or elimination schedules, services and investment liberalizations, as well as market access for government procured works will take place as scheduled in the original commitments, with a majority taking effect from day one from entry into force of the agreement. There are also several bilateral side instruments (or side letters), which serve to complement and clarify the position among or between parties on specific issues of importance.

The final text of the CPTPP Agreement has been reduced from 622 pages to 584 pages with the removal of the suspended provisions, which, pursuant to Article 2 of the CPTPP, will remain suspended until the 11 signatories decide otherwise by consensus. The rationale for setting these provisions aside for later consideration and

⁶ The Parties agreed to suspend 22 provisions, mostly relating to the investment and intellectual property chapters of the original TPP as follows: (i) express shipments (Article 5.7.1(f)); (ii) Investment Agreement and investment authorization including investor-to-state dispute settlement (ISDS) (Article 9.1), and provisions concerning submission of claim to arbitration (Article 9.19.1, 9.19.2, 9.19.3) and selection of arbitrators (9.22.5); (iii) express delivery services (Annex 10-B); (iv) minimum standard of treatment in the Investment Agreement (Article 11.2); (v) resolution of telecommunications disputes (Article 13.21.1(d)); (vi) commitments relating to labor rights in conditions for participation (Article 15.8.5); (vii) further negotiations on the Investment Agreement (Article 15.24.2); (viii) national treatment (Article 18.8, footnote 4); (ix) patentable subject matter (Article 18.37.2 and 18.37.4); (x) patent term adjustment for unreasonable granting authority delays (Article 18.46); (xi) patent term adjustment for unreasonable curtailment (Article 18.48); (xii) protection of undisclosed test or other data (Article 18.50); (xiii) biologics (Article 18.51); (xiv) term of protection for copyright and related rights (Article 18.63); (xv) technological protection measures (TPMs) (Article 18.68); (xvi) rights management information (RMI) (Article 18.69); (xvii) protection of encrypted program-carrying satellite and cable signals (Article 18.79); (xviii) legal remedies and safe harbors (Article 18.82, Annexes 18-E and 18-F); (xix) conservation and trade (Article 20.17.5); and (xx) transparency and procedural fairness for pharmaceutical products and medical devices (Annex 26A).

debate, as opposed to completely removing them from the legal text, was a negotiating tactic led by Japan and Australia aimed at leaving the door open for the eventual return to the agreement by the United States. Absent the United States signaling interest to rejoin and thus rekindling the incentive of preferential access to US markets, it is unlikely that the 11 countries can or would indeed want to reach consensus on “unsuspending” any of the contentious provisions.

Country-specific implications

Each CPTPP signatory has existing bilateral and multilateral agreements with some, but not all, of the other Parties. As the CPTPP opens new markets and, in some cases, imposes new rules on domestic treatment of data, intellectual property, labor rights, and more, each Party has a unique set of economic and political circumstances to consider. A closer look at Australia, Canada, Japan, and Mexico follows.

Australia

Australia is already well-connected among the CPTPP Parties, having bilateral FTAs with Chile, Japan, Malaysia, New Zealand and Singapore, plus a multilateral deal with the Association of Southeast Asian Nations (ASEAN), which also includes Brunei Darussalam and Vietnam. A deal with Peru was signed in February 2018, but is not yet in force. Further trade liberalization among existing FTA partners, and the prospect of increased market access to Canada and Mexico, however, is significant.

The Australian Department of Foreign Affairs and Trade (DFAT) has specifically highlighted potential benefits for: (i) exporters of goods, including new reductions on Japanese beef tariffs, new access for dairy products into Japan, Canada and Mexico, and elimination of all tariffs on industrial products; (ii) exporters of services, including the legal guarantee and enforceability of CPTPP Parties’ reforms in the professional services sector, preferential temporary entry arrangements for Australian workers, and new opportunities for government procurement contracts in a range of sectors; and (iii) Australian investors, including the introduction of higher screening thresholds for investments in Mexico and Canada.

The CPTPP will impact key areas of trade and commerce across the Australian economy. The Australian government has stated that it “will help support Australian businesses to grow and see annual benefits of up to [AUD] \$15.6 billion to [the] national economy by 2030.” State parties are required to reduce barriers to trade and foreign investment. Significant changes include the elimination of tariffs on AUD \$12.7 billion of Australia’s dutiable exports to countries party to the CPTPP. Private foreign investment is projected to increase, as the Foreign Investment Review Board (FIRB) threshold for private foreign investment is set to be lowered for signatories to the CPTPP.

Despite the anticipated benefits, particularly for exporters in Australia’s critical agricultural sector, some economists have estimated the ultimate real national income boost will be just 0.5 percent by 2030—the lowest of all Parties. However, because of Australia’s established trade ties with the majority of CPTPP members, to *not* join the Agreement would have meant ceding ground to the other Parties, many of whom will newly benefit from duty rates below those of Australia’s existing FTAs.

Canada

Compared to other CPTPP members, Canada’s existing network of FTAs is relatively limited, focused on its own hemisphere. Of the CPTPP members, Canada has only completed bilateral FTAs with Chile and Peru, and is connected to Mexico via the NAFTA. While Canada is negotiating deals with Japan and Singapore, and is undergoing exploratory discussions with ASEAN, which also includes Brunei Darussalam, Malaysia and Vietnam, most of the trade relationships established by CPTPP are new. Thus, the CPTPP represents a significant opportunity for Canada to diversify its trade links and build stronger export markets in Asia. Trade with the seven new FTA partners was worth US \$71.3 billion in 2016, more than total trade with Mexico.

Much has been made of the “first-mover advantage” gained by the original class of six ratifying members, who have the first opportunity to establish markets under the CPTPP. For Canada, this advantage is especially potent,

as it now enjoys newfound trade benefits in markets like Japan compared to the United States, which is now scrambling to establish its own bilateral agreement with Japan. It is especially incumbent on Canada to diversify its trade network amidst uncertainty surrounding the future of NAFTA and its would-be successor, the USMCA.

Canada's food and agriculture industry in particular is poised to benefit, gaining preferential access where it currently faces high tariffs, such as in Japan, Vietnam and Malaysia. In return, Canada will grant CPTPP members tariff rate quotas (TRQs) for its supply managed sectors, including dairy, poultry and egg products, phased in over five years. This issue has been a point of contention among Canadian farmers, who worry that increased imports into its managed sectors will threaten their livelihoods.

The Government of Canada cites expected benefits in the financial services, fish and seafood, forestry, and metals and minerals sectors. Additionally, the government has touted its success in negotiating the suspension of certain TPP articles on intellectual property and ISDS, so that Canada can maintain its current domestic regimes. Overall, Canada's GDP gains are estimated at US \$4.2 billion, higher than under the TPP, because it is no longer competing with the United States under the same agreement.

Japan

Following the United States' withdrawal from the TPP in January 2017, Japan drove the process forward to salvage the deal. It would not have done so were the political and economic benefits not significant. Politically, Japan's role in realizing the CPTPP positions it as a regional leader, particularly vis-à-vis China. The CPTPP serves to set a floor for the anticipated US-Japan FTA negotiations, and could also give Japan leverage in the midst of other ongoing negotiations, including those for the Regional Comprehensive Economic Partnership (RCEP).

Economically, Japan is making a strategic compromise. While some key sectors will take a hit—agricultural, forestry and fisheries output is expected to lose US \$1.3 billion—overall the economy is estimated to receive a US \$71 billion boost once the CPTPP is fully implemented.

Of the CPTPP members, Japan has existing Economic Partnership Agreements (EPAs) with the ASEAN countries (Brunei Darussalam, Malaysia, Singapore and Vietnam), Australia, Chile, Mexico and Peru—all but Canada and New Zealand.

Mexico

Mexico's interest in becoming part of the CPTPP process arose from a strategic view to strengthen trade and investment ties with the Asia Pacific region and raise the bar for its entire network of FTAs, including the NAFTA. Moreover, and in light of existing uncertainty surrounding the future of its trade relationships with Canada and the United States under the new and yet-to-be-approved USMCA, Mexico is seeking to rebalance its geopolitical interests towards the Asia-Pacific region.

The CPTPP allows Mexico to have FTAs with six additional Asia-Pacific nations, including Australia, Brunei Darussalam, Malaysia, New Zealand, Singapore and Vietnam. The openness of the CPTPP process to allow membership to new potential candidates could also allow Mexico to exploit new trade and investment relationships with other Asian countries and Latin American neighbors.

Given the large and innovative scope of the CPTPP as a "new generation FTA," Mexico will benefit not only from non-tariff barriers with its CPTPP partners, but also from wide treaty coverage and strict protections in several areas, such as digital trade, regulatory coherence, intellectual property rights (IPR), SOEs, services, labor and environment, transparency and corruption. The CPTPP will support two sectors where Mexico holds trade surpluses with CPTPP partners: automotive and agroindustry. In other domestic industries, where Mexico holds significant trade deficits with CPTPP partners (e.g., footwear, textiles electronics and pharmaceutical goods) the challenge will be how to support domestic industries to adapt and face new competitors. Perhaps one of the strongest advantages of the CPTPP for an emergent economy such as Mexico will be to gain access to technology-intensive manufacturing opportunities in sectors such as telecommunications, digital trade and aerospace.

According to the Mexican Ministry of Economy (*Secretaría de Economía - SE*), upon the entry into force of the CPTPP, over 700 Mexican agricultural and industrial products will benefit from new market access opportunities under the Agreement, including Mexican auto parts, light vehicles, electrical equipment, medical devices, electronic goods, and a long list of fruits, vegetables and other perishable goods, such as meat, poultry, avocados, and orange juice. The CPTPP also ensures protections to more than 14 Mexican geographical indications (GIs) for tequila, mezcal, sotol, bacanora, charanda, talavera and olinalá pottery, amber and coffee from Chiapas, Veracruz, Ataulfo mangoes, vanilla, chili from Yucatan, and rice from Morelos.

Mexico became the first among 11 signatory countries to ratify the CPTPP Agreement on April 24, 2018. According to SE, Mexico's total trade with CPTPP countries totaled US \$67 billion in 2017.

What comes next?

New entrants and pathway to accession

The CPTPP was designed to be an open and inclusive agreement; however, the precise accession terms and conditions remain unclear. To address these uncertainties, the first ministerial working group on CPTPP accession is scheduled to take place in Tokyo on January 19, 2019, where accession guidelines and procedures for new members will be discussed. CPTPP members that have yet to ratify the Agreement (*i.e.*, Brunei Darussalam, Chile, Malaysia, and Peru) will attend as observers only.

Other countries, including Colombia, Indonesia, the Philippines, South Korea, Taiwan, Thailand, and the United Kingdom, have indicated varying degrees of interest in joining the Agreement.

- **Colombia** became the first country to give formal notification to New Zealand, the CPTPP Depository, of its interest in joining the Agreement back in June 2018.
- **Indonesia** is studying the potential benefits of CPTPP despite having previously indicated that it was less interested following the United States' departure. While the study is due for completion next year, the upcoming national elections in April 2019 may impact this timeline.
- **The Philippines'** business sector has expressed anxiety about the ability of its exports to compete with those of ASEAN neighbors Malaysia and Vietnam under the CPTPP. Finance Secretary Carlos Dominguez has said the Philippines will "certainly consider it," especially if the United States were to re-join.
- **South Korea** announced in March 2018 that the government would consult with various stakeholders and decide whether to join the CPTPP within the year. There is interest, but no official decision has been made. South Korea already has formal trade links with all Parties except Mexico and Japan.
- **Taiwan** has also been vocal in its desire to join the CPTPP and is ramping up its diplomatic efforts among the current Parties to gain support. Taiwan has even initiated "mock negotiations" to prepare for the accession process.
- **Thailand** completed a comprehensive feasibility study and public hearing process in December to assess the pros and cons of joining the CPTPP. However, with national elections set for the first half of 2019, Thailand's decision on whether to join will be deferred to the next administration.
- **The United Kingdom**, in anticipation of its potential exit from the European Union (EU), held a public consultation on whether to join the CPTPP. The consultation closed on October 26, 2018, and the results are still unknown. However, it is unlikely that any decisions will be made until the UK's exit from the EU is complete in 2019, and the government considers its trade policy options on a holistic basis. Japan has been especially vocal in its support for the UK signing on.

It is also possible that China may consider joining the CPTPP as a hedge against disruptions to its established trade network.

Possible US reentry

Despite withdrawing from the TPP immediately upon taking office, President Donald Trump has since publicly flirted with the prospect of rejoining the Agreement were the terms “substantially better” than those negotiated by his predecessor. While some lawmakers see the CPTPP as having potential economic and geopolitical benefits, President Trump has focused on pursuing bilateral deals.

Following the US midterm elections on November 6, 2018, where Democrats attained a majority in the House of Representatives, it is possible that trade policy priorities will shift slightly. However, even if House Democrats are more inclined towards the CPTPP than their Republican colleagues, it will not be a priority, and it appears unlikely that the Trump administration will be persuaded to revisit the TPP due to congressional pressure. To the extent that Democrats prioritize trade at all, the focus will be the USMCA and the proposed FTAs with the EU, UK and Japan.

That said, the speed with which the United States could potentially join the CPTPP, seek to improve the agreement, or consider other options would depend on the terms and conditions of its accession. The political and economic calculus also depends on which other countries move to accede.

- **Option 1: CPTPP.** If the United States were willing to accede to the agreement “as is” and based on its previous (TPP) market access commitments, accession would likely face little opposition, if any, from the current CPTPP parties. This approach, however, would likely be opposed by US members of Congress, which must approve any signed agreement’s implementing legislation. These members could demand the reinstatement of TPP provisions on, for example, intellectual property, or argue that the revised deal is inconsistent with related US negotiating directives set forth in Trade Promotion Authority (TPA). US business community opposition might also be expected on similar grounds. This option would also likely be politically impossible for President Trump.
- **Option 2: “CPTPP-plus.”** The United States could instead seek to accede based on its previous (TPP) market access commitments, but also request CPTPP parties to unsuspend most or all of the contentious provisions and to reinstate some or all of the United States’ 53 TPP side letters. While such efforts might be welcomed by CPTPP Parties, there is no guarantee that the current members would quickly and consensually agree to reactivate the suspended provisions. Instead, new negotiations would be likely, thus raising significant domestic political concerns among certain CPTPP Parties whose citizens oppose, for example, US IPR policies or other Trump administration positions (e.g., steel tariffs). There also is no certainty that the US Congress would approve a “new” agreement or not demand additional amendments and concessions from the other 11 members—something these other members would probably not welcome. Finally, it remains uncertain how TPA procedures would apply to the new agreement given that the original TPP text has since been altered. Given the current administration’s political need for some changes that they can claim are “improvements” to the original TPP, such as adding some side letter sweeteners to give President Trump political cover, this option may be the most plausible at least during his presidency.

Other global trade impacts

As the US-China trade war continues to escalate, some CPTPP members may be caught in the middle, and can use the Agreement to mitigate some potential economic impact. For example, Vietnam’s economy is highly dependent on exports, a quarter of which go to China. Demand may slip, especially for those goods which are re-exported to the United States. The CPTPP, then, opens up new export markets and other opportunities.

Smaller countries successfully integrated into US- and/or China-linked supply chains have reason to be nervous as conflict between the world’s two largest economies potentially leads to a structural schism. In recent remarks, Singapore’s Prime Minister Lee Hsien Loong cautioned that “[t]he circumstances may come where ASEAN will have to choose one or the other.” While that may represent an unlikely worst-case scenario, anything CPTPP countries can do to bolster supply chain integration in Asia will be insurance against further fallout.

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