

The CPTPP: Past, Present & Future

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Abstract

The CPTPP just celebrated its sixth birthday with the accession of its 12th member, the United Kingdom, and plans to update its provisions to meet the new challenges in global markets that also would encourage new members to join the high-standard trade pact. Seven countries currently are seeking membership and accession talks with Costa Rica will begin in 2025, leaving China, Taiwan, and others to wait in the queue. Others such as South Korea and the European Union might find the CPTPP efforts to elaborate rules on digital trade and climate of value and reconsider whether to join the pact. Doing so, along with rules covering digital trade and other key aspects of international trade and investment, could also draw renewed US interest, though near-term prospects under the new Trump administration remain unlikely.

Fifteen years ago, Lee Kuan Yew told US President Barack Obama that the United States needed to participate in negotiations on a Trans-Pacific Partnership (TPP) trade agreement among leading market economies of the Asia-Pacific region. That advice is as relevant and important today as it was then, given China's expanding regional trade and investment ties and the inward, protectionist tilt in US trade policy since the US-China trade war erupted six years ago.

Asia-Pacific economic integration has navigated choppy seas since the negotiations on a Trans-Pacific Strategic Economic Partnership started by the P-4 countries in the first decade of the 21st century.¹ Ten years later, Obama succeeded in crafting a world-class trade pact with 11 other regional partners but failed to secure Congressional ratification before turning the keys of the White House over to Donald Trump in January 2017 who promptly withdrew from the deal.

Since 2017, US participation in free trade agreements (FTAs) like the TPP has been a poisoned chalice for US politicians in both major parties. President Joe Biden put forward a diplomatic alternative via the [Indo-Pacific Economic Framework](#) (IPEF), offering Asia-Pacific partners a vehicle for consultations and cooperative actions to bolster supply chain resilience, work programs on climate and other environmental problems, and fair-trade principles (IPEF pillars 2, 3, and 4).

Unfortunately, IPEF negotiators failed to secure pillar 1 on market access issues, the guts of FTAs. Absent trade liberalization and other market access guarantees, especially involving digital trade, the IPEF has been less effective in promoting intraregional trade and investment and providing political incentives for domestic economic reform. And Trump may well dump the IPEF like he did the TPP when he returns to the White House on Jan. 20, 2025.

Fortunately, regional economic integration efforts have survived

without US engagement. Extensive efforts by Australia, Japan, New Zealand, and Singapore salvaged the TPP after the US disavowal of its own offspring. The newly renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) retained substantially intact the deal crafted by the US and 11 other TPP signatories and entered into force on Dec. 30, 2018. In December 2024, the CPTPP welcomed its 12th member when the pact entered into force for the United Kingdom.

The CPTPP: Current Status

The CPTPP is an FTA fully consistent with the requirements for such pacts set by the World Trade Organization (WTO), which covers the trade of 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the UK, and Vietnam. The group accounts for about 15% of global GDP and is the second-largest economic integration arrangement involving Asian countries after its younger but bigger brother, the Regional Comprehensive Economic Partnership (RCEP) which includes all members of the Association of South-East Asian Nations (ASEAN) plus Australia, China, Japan, New Zealand, and South Korea. Seven of the CPTPP members also are signatories to the RCEP.

The CPTPP is not the largest regional free trade agreement and lacks participation by the largest trading nations or blocs (China, the European Union, and the US). But CPTPP provisions arguably represent the gold standard for FTAs. Moreover, ministers of CPTPP members approved during their November 2023 APEC meeting in San Francisco a broad ranging General Review of CPTPP operations during its first five years to update and expand its rulebook and hopefully encourage additional partners to join the club. The review has been proceeding throughout 2024 and was discussed at the

2024 CPTPP Commission meeting in Vancouver, Canada, on Nov. 27-28, 2024.

The CPTPP review provides an opportunity to consider as well the CPTPP's future evolution. As they did at its birth, members must plan for nurturing a living agreement that evolves to strengthen the well-being of all members, whether the future includes US participation or not. At issue are two core topics: the expansion of membership, and the updating and broadening of coverage of CPTPP rules and obligations. While each can be pursued separately, the two are integrally related when it comes to the prospective addition of major economic powers.

CPTPP Review: Purpose & Scope

From its inception, CPTPP members recognized the importance of “updating and enhancing this Agreement, through negotiations, as appropriate” (CPTPP, Article 27.2.3). To that end, they have set out a detailed list of objectives for the review launched at the last CPTPP Commission meeting in November 2023 to ensure that the pact remains relevant to the new trade and investment challenges confronting members countries, to support economic growth and reduce poverty throughout the region, and “ensure the Agreement remains of the highest possible standard”.

The review aims to identify provisions that need updating and issues and areas where new provisions or chapters should be added to reinforce the overall objective of maximizing CPTPP utilization by traders and investors, and improving the value of the pact for micro, small and medium-sized enterprises (MSMEs). Doing so would also support another CPTPP priority in complementing the rules-based multilateral trading system and setting precedents for the development of new trade obligations in other plurilateral or WTO initiatives.

The terms of reference for the CPTPP General Review provide details on the objectives, scope, and methodology for conducting the CPTPP analysis. The following is a list of some of the priorities for the review:

- Strengthen supply chain resilience.
- Uphold labor rights; improve working conditions and living standards.
- Address “challenges posed by market-distorting practices”.
- Revisit the CPTPP's Investor State Dispute Settlement mechanism.
- Address emerging issues such as the digital and green economy and reinforce links between trade “and evolving global environmental issues including climate change and biodiversity loss”.
- Complement WTO rules inter alia to respond to economic coercion. This objective is a polite way of saying that CPTPP-wide anti-coercion policies are needed because Australia, Japan, South Korea, and others already have been subject to informal sanctions (e.g., state-directed consumer boycotts) by China and

others.

Expanding CPTPP Coverage

From this detailed agenda of new issues, I would give priority to two specific topics: crafting new rules on trade and climate issues, originally blocked by US TPP negotiators a decade ago for fear of losing Republican votes for the overall TPP deal (which President Obama sadly delayed and never brought to the Congress for a vote); and updating the CPTPP chapter on the digital economy.

Regarding trade and climate issues, the CPTPP members have a long list of priority topics that could be included in an updated environment chapter: establishing common accounting standards for carbon taxes, limiting subsidies in R&D in renewable energy, reducing steelmaking emissions, and accelerating methane reduction commitments. A two-year moratorium on Carbon Border Adjustment Mechanisms (CBAMs) should be considered to allow sufficient time for necessary discussions.

The goal of CPTPP climate talks should be to promote increased production of clean energy, enhanced development/diffusion of carbon mitigation technologies, and broader assistance to help developing countries finance their national decarbonization goals and adaptation policies. Such an effort could be done both as an upgrading of CPTPP provisions and as a separate plurilateral, which would be open to participation by aspiring CPTPP members, including possibly the EU. The US probably will be out of the picture for climate talks until the post-Trump era.

China, the US, and the EU are the world's three largest carbon-emitters. Their cooperation is vital to achieving effective and sustainable commitments to reduce carbon emissions and to craft international obligations to govern climate policies. But the process of setting those standards should not be deferred because all of them are not at the table; progress can be made among the CPTPP-plus countries that could provide a benchmark for future improvements as other countries – hopefully eventually including the US – offer meaningful carbon mitigation commitments.

New rules on digital trade, which the OECD defines as covering digitally-enabled transactions of trade in goods and services that can either be digitally or physically delivered, should build on the existing chapter in the CPTPP to improve implementation and update rules to reflect technological changes since the chapter was originally drafted almost a decade ago (see [Suominen 2024](#)). In addition, CPTPP officials should draw on the Digital Economy Partnership Agreement (DEPA) signed by Singapore, New Zealand, and Chile who were joined by South Korea in May 2024 (like the CPTPP, the DEPA has a notable list of countries seeking accession, including Canada, China, Costa Rica, El Salvador, Peru, and the United Arab Emirates). In late 2021, my PIIE colleagues [Gary Hufbauer and Megan Hogan](#) summarized six international digital agreements, including the CPTPP and its TPP predecessor and DEPA, that could inform the updating and scope of the existing CPTPP digital trade chapter.

Unfortunately, the [Biden administration pulled the rug out from under digital trade talks](#) in the region and in WTO negotiations, complicating efforts to align US and CPTPP policies in this critical economic security area. Would Trump change course from Biden? Former [USTR Robert Zoellick](#) has encouraged the incoming Trump administration to revisit the digital economy agenda and help shape new international rules on digital trade.

Expanding CPTPP Membership

As of October 2024, the CPTPP has received seven applications for membership: China, Taiwan, Costa Rica, Ecuador, Ukraine, Uruguay, and most recently Indonesia. Others are evaluating the costs and benefits of doing so (e.g., South Korea, the Philippines, and Thailand), meaning that 12 of the 15 RCEP members are in the pact, applying, or strongly thinking about the pros and cons of accession.² US officials seem unlikely in the near term to change their position regarding membership despite calls to do so by US business groups and foreign allies.

The UK has completed accession negotiations, which have been approved by at least six current members. It became the 12th CPTPP member on Dec. 15, 2024. The UK negotiation has set the standard for what will be expected from countries seeking CPTPP membership in terms of substantive commitments to trade and investment reforms. Notably, UK officials agreed to provide increased access for imports of goods and services from CPTPP countries beyond that covered in current UK bilateral FTAs. As with all trade agreements, there are a limited number of specific farm and other products subject to full or partial exemption from trade liberalization.

At its November 2024 meeting, CPTPP members agreed to establish an Accession Working Group for Costa Rica, leaving a few disappointed applicants to wait until next year. CPTPP negotiations with Costa Rica will move forward in 2025.

Should the CPTPP give priority to accession of RCEP members (seven of which already are in the CPTPP) to promote Asia-Pacific integration based on the CPTPP's higher standards, or to attracting applications from major powers like the US and EU? And should accession negotiations proceed one-by-one as occurred with the UK or should applicants be grouped together (e.g., ASEAN aspirants; China and Taiwan)?

Several current and prospective applicants face challenges in meeting the high standards of trade liberalization and governance demanded by CPTPP obligations. Those countries might benefit from technical support regarding what they need to do to reform their domestic policies and adjust to the opportunities and challenges of increased trade and investment with CPTPP countries. Consideration should be given to setting up a CPTPP advisory forum, perhaps staffed by experts from CPTPP public and private institutions, to provide individual and/or group "classes" for aspiring members.

Current CPTPP members differ on how to manage talks with China while keeping the door open to a possible US return. How will CPTPP

members proceed toward integrating China into the club while the US presses them to impose sector-specific restrictions on trade with and investment in China?

China applied to join on Sept. 16, 2021, but little progress has been made toward setting up an Accession Working Group. Any CPTPP member can block the process. Chinese officials seem to have written off rapid progress on its application this decade. CPTPP members do not appear to be convinced that China could comply with CPTPP obligations: major problem areas include data use/protection; subsidized exports and general support for state-owned enterprises (SOEs) that distorts competition in the Chinese market; and Chinese labor standards and practices, especially in Xinjiang and other regions.

That said, most CPTPP members do not want to say "no" to China, given large bilateral trade and investment. Most CPTPP members trade more with China than the US. At the same time, several CPTPP countries face pressure from the US to restrict trade and investment with China in strategic product sectors. In the near term, Japan and South Korea and others face a delicate diplomatic challenge to balance their national economic security interests between the Asia-Pacific superpowers. Over time, they will face increasing pressure to bend the CPTPP standards to accommodate Chinese participation. The absence of the US from the pact increases this risk.

China already has FTAs with seven of 11 CPTPP countries; all but Mexico and Canada (and soon the UK) are linked to China via bilateral FTAs, the China-ASEAN FTA, or the RCEP. Annual two-way China-CPTPP merchandise trade exceeds \$1 trillion. Chinese officials have argued that participation in these pacts indicates that China already follows FTA standards and even enhanced CPTPP requirements are within reach. Others question this broad conclusion and cite instances of economic coercion against RCEP partners that raise concerns.

Chinese officials and scholars have been benchmarking Chinese laws and regulations to CPTPP requirements for many years; indeed, they began doing so during the latter stages of the TPP negotiations. The gap between Chinese practice and CPTPP best practices varies considerably by issue. In many areas, Chinese economic reforms instituted about a decade ago (some recently reversed or undercut by new interventions) had narrowed the gap, though it remained wide in a few notable areas. China also has been using its own pilot free trade zones, especially the notable new Hainan FTZ, as laboratories to test the feasibility and desirability of specific economic reforms needed to meet CPTPP obligations.

Summing up, China won't be joining the CPTPP anytime soon. But China gains even without accession since its application effectively blocks entry by Taiwan for political reasons until both are able to join.

The most obvious next candidate for CPTPP membership is South Korea. For both economic and geopolitical reasons, that country should have joined the TPP negotiations a decade ago and has been

on the verge of applying for CPTPP membership in recent years. Korean policy is already closely aligned with CPTPP requirements, in large part because the original TPP template drew heavily on the Korea-US (KORUS) FTA. South Korea is now linked to several CPTPP countries via the RCEP and economic security concerns in the region have aligned its strategic interests with Japan and smoothed past frictions between the two countries to a significant extent. The entry of the UK into the CPTPP also should encourage South Korea to finally apply, since membership would deepen the already strong trade deal between the two countries which both sides have been working to improve further over the past year.

Less in the spotlight but perhaps even more important is potential EU membership of the CPTPP. The UK's entry removes the façade of geographic limitations to participation in the pact. The EU already has FTAs with eight of the original 11 signatories as well as South Korea (largely based on the KORUS FTA). EU talks with Australia hit a rough patch but are not insurmountable, especially given each side's interest in strengthening protections for economic security and anti-coercion measures. Moreover, EU members should be interested in enhanced cooperation with the CPTPP on digital trade, drawing on precedents from both DEPA and EU digital partnerships. Working together with CPTPP members on climate policies is another natural area of cooperation, which in turn could help spur future US interest in collaborating with the EU and the CPTPP on climate and other issues.

Could the US Rekindle an Old Flame & Join the CPTPP?

Pulling out of the TPP was a very costly mistake for the US both in economic and political terms; it gave China a huge advantage in important markets in Asia simply because US firms do not receive the same preferences accorded to Chinese firms in five of the seven countries that are in both the CPTPP and the RCEP. And it also looks bad for US officials to have rejected a deal drafted by them, and based on US law and practice!

Both Democrats and Republicans seem to have talked themselves out of joining the CPTPP despite the economic and national security reasons to do so and the strong support of large segments of the US business community. But political winds shift and with proper wordsmanship, what were once deemed "bad deals" can be restructured into "world class" trade deals. President Trump damned the North American Free Trade Agreement and the TPP but combined much of both into the USMCA that had his "fingerprints" on it and thus was good.

While unlikely, a US return to an updated CPTPP pact may be possible in 2025-2026 in the context of heightening US-China economic tensions. The CPTPP's own efforts to expand membership and coverage of its provisions, especially in areas such as digital trade and cooperation on export controls, could prompt US officials to revisit their decision not to enter the pact, especially if coupled

with commitments to encourage foreign investment in critical US industrial sectors.

CPTPP members need US participation to help balance Chinese economic initiatives in the region; the US needs support by key CPTPP countries in enforcing US export controls and economic sanctions. Expanded CPTPP membership and substantive coverage, particularly on economic security issues, could refocus US interest in the pact, especially if CPTPP membership were augmented with key US allies like South Korea and the EU.

The Challenge Going Forward

The current general review of the CPTPP and the new participation by the UK provides a great opportunity to build on and improve the already strong economic integration pact. Starting in 2025, CPTPP members will focus on both updating the CPTPP rulebook and expanding its membership with due regard for maintaining high-standard commitments that promote economic well-being for participants and develop innovative precedents that can inform and support reforms more broadly in the world trading system. This effort will have to advance in a difficult political environment of increasingly strident trade and investment tensions pitting the US and EU against China. Yet cooperation among these countries is also needed to address critical issues like digital trade and climate change. Managing the CPTPP's relationships with the US and EU, while continuing to deliberate on China's membership application, will test the diplomatic skills of officials throughout the region.

References

- 1 The Trans-Pacific Strategic Economic Partnership was established in 2006 by Brunei, Chile, New Zealand, and Singapore (the P-4).
- 2 The three CPTPP hold-outs are the poorest ASEAN members (Cambodia, Laos, and Myanmar) that would likely need substantial exceptions and special and differential (S&D) treatment provisions to assume CPTPP obligations.

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