

CPTPP four years on: Unlocking its full value

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GROWING economic headwinds, owing to issues ranging from rising inflation to geopolitical tensions, continue to pose economic challenges for countries worldwide as they emerge from the disruption of the Covid-19 pandemic.

Yet even as some economies choose to turn inward, the achievements of the four-year old Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) provide a compelling argument for greater trade liberalisation and economic integration.

Research at the Asia Competitiveness Institute (ACI) has revealed signs of increasing economic cooperation among CPTPP constituent parties. Positive effects on trade and investment creation are evident, and there is great potential for the member countries to collaborate in joint research and development.

The CPTPP has also emerged as a policy benchmark, with recent digital economy agreements (DEAs) borrowing or adapting its language on sensitive digital issues. Encouraging the further proliferation and adoption of these standards could pave the way for interoperable digital standards.

The CPTPP may be in its adolescence, but the positive effects it has created so far and their implications augur well for

its future. Understanding these effects and the overall potential of the agreement in supporting the rules-based international order will be key to unlocking its full value.

Between economic benefits and policy impact

The past few years have seen growing links between CPTPP parties. A sharp recovery of intra-CPTPP trade in goods was observable between 2019 and 2021, with the value increasing from US\$467 billion to US\$535 billion. These trade creation effects were especially robust for member states that did not have prior trade agreements with fellow signatories prior to joining the CPTPP.

Overall, research showed that an increase of between 0.5 per cent and 22.9 per cent in intra-CPTPP import values and 0.7 per cent and 12 per cent in intra-CPTPP export values was correlated with a 1 percentage point reduction in CPTPP-related tariffs. It is worth noting that digital services trade expanded. There are also early but promising signs that these trade benefits are being enjoyed widely within economies, including across different sectors, firm sizes, and population groups.

Beyond trade, the CPTPP had positive effects on investment creation, and provides a useful framework for technology collaboration between members. Though

overall investment creation was affected by the Covid-19 pandemic, greenfield foreign direct investment (FDI) in the manufacturing sector rebounded strongly from US\$17.6 billion in 2020 to US\$25.5 billion in 2021.

Analysis of patent application and citation data from 2010 to 2019 also showed rich interconnected cross-border research and development activities among CPTPP members, suggesting great potential for future collaboration in joint research.

Less visible, but equally important, is the role of the CPTPP as a policy benchmark for trade agreements. As governments seek to balance the potential of data usage for public and private purposes with the risk of data leaks and cybercrime, the CPTPP's provisions on data transfer issues have emerged as an important reference point. Both the CPTPP and the Digital Economic Partnership Agreement (DEPA) between Singapore, Chile and New Zealand demand that parties "(do) not impose restrictions... greater than are required to achieve (a legitimate public policy objective)".

Likewise, Singapore's DEAs with South Korea, Australia and the United Kingdom echo the CPTPP on discouraging laws that mandate firms to site computing facilities within a particular territory.

The CPTPP's impact as a policy benchmark hinges on its ability to navigate

between allowing exceptions for public policy objectives and limiting them for security interests. Its provisions call for proportional restrictions on data flows and, unlike some multilateral agreements, allow for dispute settlement on data transfer issues between parties. While some loopholes exist, these provisions illuminate a viable path towards cooperation on data issues.

Looking ahead

The CPTPP's emerging positive effects and policy value have contributed towards its popularity. The implementation of the agreement is already gaining momentum. Malaysia recently announced its ratification of the treaty during the CPTPP commission meeting on Oct 8. The commission has also received five applications since 2018, with many others expressing interest.

Yet it is also important to not miss the forest for the trees. Beyond its direct impact on trade and investment activities, the CPTPP is well-positioned to support the rules-based international order. By attracting applicants with its economic dynamism and encouraging cooperation on specific digital issues, the CPTPP can lay the groundwork for more wide-ranging agreements and interoperable standards.

The interest of Association of South-east Asian Nations (Asean) members such as Thailand, Indonesia and the Philip-

ines in joining the grouping should be addressed, especially since Asean is launching a study on a regionwide Digital Economic Framework Agreement in 2023. Establishing a vocabulary and understanding about digital standards with more Asean members would further integrate CPTPP standards into the regional architecture.

Likewise, the CPTPP could act as a pathway towards a Free Trade Area of the Asia-Pacific (FTAAP), as mentioned by Singapore Trade and Industry Minister Gan Kim Yong at the CPTPP commission meeting. As the CPTPP expands its membership and establishes more linkages with regional economies, it would also lay more groundwork for the FTAAP, which has been a long-term goal of the Asia-Pacific Economic Forum since its launch in 1989.

Even at this early age, the CPTPP is clearly a promising instrument for trade and standard-setting. As the mid-term review for the agreement commences, policymakers should recognise the potential and work to develop it further.

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