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The Comprehensive and Progressive Agreement for Trans-Pacific (CPTPP)

El Acuerdo Integral y Progresivo de Asociación Transpacífico (CPTPP)

Carlos Zelada Calleja

Abstract

This essay gives an overview of the impact on the economy for some of the countries that have joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Special consideration will be given to the case of Chile, since it is still under discussion if it will join the CPTPP.

Keywords: Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, TPP-11); Trans-Pacific Partnership (TPP)

Resumen

Este ensayo ofrece una visión general del impacto económico para algunos de los países que se han adherido al Acuerdo Integral y Progresivo de Asociación Transpacífico (CPTPP). Se considerará especialmente el caso de Chile, ya que aún se está debatiendo si se unirá al CPTPP.

Palabras clave: Acuerdo Integral y Progresivo de Asociación Transpacífico (CPTPP, TPP-11); Acuerdo Transpacífico de Cooperación Económica (TPP)

1 The economic impact of the CPTPP

Some authors update the result of the implementation of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the US

withdrew from the agreement under the Trump administration. They assess the quantitative implications of the CPTPP for the US, in terms of how much money the country will lose because of the withdrawal and the effects of the agreement on the future of the countries that join the agreement (Ciuriak, Xiao and Dadkhah). These authors analyze that the political shock of the CPTPP consists of the liberalization commitments assumed by the parties to the original TPP in terms of tariffs and non-tariff barriers, in goods and services and foreign direct investment. They point out and support this assertion with data that analyze different economic indicators by area. The CPTPP is a much smaller agreement than the twelve-party TPP, but these authors stress that, in any case, some parties obtain better results without the United States in the agreement; in particular, they refer to the benefits for the nations of the western hemisphere (Canada, Mexico, Chile and Peru), as these countries avoid erosion of existing preferences in the US market, while they pick up market share in the Western Pacific from the United States. They consider that the CPTPP promises to those four countries, in first instance, to expand the benefits of the CPTPP. This reflects the fact that all four have free trade agreements in force with the United States and do not experience preference erosion in their main US markets under the CPTPP, while making additional preferential trade gains at the expense of the United States in Asian markets. Finally, these authors reflect on the fact that agreements of this type can be in force for a long time, and suggest that the eleven parties are better off implementing the CPTPP than without it, leaving open the possibility that in the future the US may join the treaty.

Other authors reflect on the situation in the United Kingdom following the

successful Brexit negotiations that led to its exit from the EU. They consider that the UK government is seeking new trade agreements focusing mainly on trade in goods between the UK and non-EU countries (Khan and Khan). These authors analyze the possible post-Brexit effects and implications of the UK's accession to the CPTPP. The paper supports the premise that the United Kingdom's accession to the CPTPP will allow it to access the Asian Pacific market, increasing the United Kingdom's trade volume. It analyzes the results of several economic studies by area and concludes that the UK has six times more trade with CPTPP members than with the EU. These authors stress that the UK is the fifth biggest economy in the world and favors trading with the world. Total UK exports in 2019 were equivalent to \$468 billion, while imports amounted \$692 billion. It exported 8.11% of goods to CPTPP partners, while importing 7.27%. The UK main exports come from the manufacturing sector (machinery, processed food, chemicals, paper products and other related goods) and they have a major share in the UK GDP. These authors conclude that joining the CPTPP will lead to the elimination of tariff rates on 95% of products traded in that area, thus achieving an advance in technology and creating employment, thus favoring the UK in the short and long term.

Some authors remember the Pacific Three Closer Economic Partnership. Its negotiations were launched on the sidelines of the 2002 APEC Leaders Meeting in Los Cabos, Mexico, by Chilean President Ricardo Lagos and Prime Ministers Goh Chok Tong of Singapore and Helen Clark of New Zealand (Ko). That author quantifies the opportunity cost of the US withdrawal from the Trans-Pacific Partnership (TPP). Ko compares the likely economic effects of the TPP with those of the CPTPP (that is, without the United States). That author studies the opportunity costs of the US withdrawal from the TPP, not only for the United States and the remaining eleven CPTPP members, but also for non-members of the TPP. The results reveal that the US opportunity costs due to its withdrawal from the TPP would be a real GDP loss of 0.76% and a welfare loss of \$107 billion, which is supported by a decrease in its total exports of 8.43% and a decrease in its total imports of 6.31%. The United States, Japan, Brunei, Malaysia and Vietnam would face opportunity costs in terms of real GDP. Canada, Mexico, Chile, Australia, New Zealand and Singapore would gain an additional increase in real GDP and welfare with increased exports of goods and services due to the US withdrawal. Non-members of the TPP and CPTPP, like China and Korea, will increase their exports by more than 1%.

Another author raises a critical position regarding the subscription of the TTP for Chile. He asserts that, although the treaty is one of the most important negotiations currently underway, the 11 negotiating countries constitute a very heterogeneous group in economic, political and cultural terms, and therefore with very diverse incentives to participate in this agreement (Furche). This author asserts that Chile is in a particular situation, since it has agreements in force with all the other partners. This generates less incentives for its participation, precisely because there is no space to obtain relevant gains in terms of market access and improvement of trade disciplines. Furche further points out the existence of important pressures to increase concessions granted by Chile in sensitive areas, such as intellectual property, capital movements and environmental regulations, among others, as well as the incorporation of new disciplines and regulations in other areas of special sensitivity, such as eventual restrictions in the area of digital rights, regulatory coherence or for the establishment and operation of State-owned companies. This author argues that, in practice, the TPP is a way to renegotiate the Free Trade Agreement with the U.S., and thus to obtain what they didn't get on that occasion. Furche also presents background information suggesting that regulations do not reflect national interests nor favor development. On the contrary, he argues that these are commitments that limit the adoption of public policies in the short or long term. The benefits that could be derived from the agreements on regulatory convergence and trade facilitation seem insufficient to provide a favorable balance for Chile, considering the magnitude and sensitivity of the concessions that should be accepted. Furthermore, from the perspective of Chile's political position on the international stage, joining the (CP)TPP means joining a more global strategy of containing and balancing China's influence in the Asian region promoted by the United States, which will be counterproductive for Chile considering the importance of China for the Chilean economy. Finally, Furche suggests improving the debate with the political, productive and social actors involved.

2 Conclusions

Thus, it is possible to arrive at the following results regarding the convenience of ratifying the CPTPP.

First, we emphasize that there will be trade benefits for Chile if the CPTPP enters into force, especially for small and medium-sized enterprises, with

increased trade with relevant Asian economies such as Japan, Malaysia and Vietnam (Cáceres Zapata 18). Chile does not have strong incentives to join the CPTPP because market access will not be structurally relevant, because it has Free Trade Agreements with all CPTPP parties. But this is not enough to argue that there will be no benefits. On the contrary, we suggest that not signing it will have a negative impact on the national economy, it would go against Chile's traditional policy on free trade agreements and regarding its commercial openness. The CPTPP would raise international standards and that would make Chile's economy more attractive to foreign investments. That would be especially relevant in order to reactivate the economy after the COVID-19 pandemic.

To conclude, we consider that the adoption of the CPTPP is good for Chile. We will finish this study with the recommendation of ratification of the treaty. That said, we recognize that its impact on the economy, under current conditions, will not be significant. However, the economic purpose is not the only one that makes it advisable to sign the CPTPP. It is also important to avoid protectionism and populist measures, especially in the context of the COVID-19 pandemic and a severe economic recession. It is important to maintain and consolidate a trend, a traditional political practice of Chile, a country with an open economy, which is inserted in the international community and which plays a leading role in the opening of markets through the negotiation of free trade agreements. These factors have been decisive for Chile's development over the past 30 years. It seems necessary to strengthen that trend and become a developed country.

3 About the Author

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