



Rebuilding the Global Economy

A series outlining policy priorities and solutions

MEMORANDUM ON

A THREE-PART STRATEGY TO TAKE THE COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP TO THE NEXT LEVEL

To: Leaders of the Parties to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

From: Charles D. Lake II

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EXECUTIVE SUMMARY

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement among the countries that had originally negotiated the Trans-Pacific Partnership (TPP) with the United States. While the United States withdrew from the TPP in 2017, the remaining 11 countries negotiated the CPTPP among themselves. They are Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. In the context of the COVID-19 pandemic, US presidential election, and increasing US-China hegemonic competition, CPTPP countries—under Japan's strong leadership as chair in 2021 and Singapore's in 2022—have an important and timely opportunity to implement an ambitious three-part strategy:

- **Expand** the agreement's scope to cover emerging issues such as digital governance, supply chain resilience, and foreign investment reviews.
- **Rebrand** the pact as the "Comprehensive Agreement for International Partnership" or CAIP to appropriately reflect its expanded scope.
- **Engage** a broad group of like-minded, market-oriented countries to join in the effort to establish a new framework with a set of rules approved by all participants as a preferred alternative to the state capitalist model.

The parties to the CPTPP have largely delivered on a regional framework that sets the highest standards. With continued strong leadership from CPTPP 2021 Chair Japan, 2022 Chair Singapore, and other CPTPP governments, the strategy outlined herein will help: (1) address new challenges to maintaining an open global trading system; (2) foster sustainable, balanced, and inclusive global growth in the years ahead, as governments seek to address the long-term damage wrought by COVID-19; (3) fill the gap left by the collapse of the negotiating function of the World Trade Organization (WTO) while creating pressure to reinvigorate it; (4) build consensus around an alternative to China's state capitalist model; and (5) ensure that CPTPP remains the centerpiece of any future US reengagement and is not supplanted by a wholly new framework.

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KEY PRIORITIES

EXPAND: Bring into CPTPP the best practices for key disciplines, addressing the post-COVID-19 world

CPTPP already incorporates advanced WTO-plus disciplines on state-owned enterprises, e-commerce, and a host of other cutting-edge issues, as well as ambitious gains on industrial, services, and agricultural market access. Yet economic and technological developments have rapidly emerged over the past few years. The challenge now is to build on CPTPP's breakthroughs to ensure that it remains at the forefront of global trade developments. As the WTO shows, failure to continually update an agreement risks a loss of relevance as members and traders look elsewhere for new opportunities.

Digital governance. The best practices emerging from recent accords could inform a new initiative to enhance the norms established by CPTPP. In particular, Japan has been a leader in championing international initiatives to promote high standards of digital governance through its Data Free Flows with Trust (DFFT) concept launched during its G20 presidential year of 2019. CPTPP incorporates principles and rules governing digital trade, and Singapore has taken a leading role to forge subsequent regional and bilateral agreements (Australia-Singapore, Singapore-New-Zealand-Chile digital economy agreements) that have refined and expanded the framework established by CPTPP.

Supply chain resilience. The border closures, quarantines, shutdowns of markets, food production facilities, and key transportation and storage infrastructure, and loss of access to critical drugs, materials, and parts that have resulted from the COVID-19 pandemic dramatically underscore the need to improve the resilience of supply chains and address overreliance on Chinese production. Already, countries have begun efforts that could become building blocks for greater cooperation.

High-level plurilateral approach to investment reviews. Concerted, often state-backed foreign investment by entities of state capitalist countries in strategic sectors is compelling like-minded countries to coordinate their investment screening regimes. A number of countries are increasingly working to enhance coordination and create common standards that incorporate and align recent trends in the United States and its allies.

REBRAND: Rename the pact to reflect a broader than regional, global and thematic scope

To reflect its truly global nature, the agreement should be rebranded with a new name, for example, the "Comprehensive Agreement for International Partnership" or CAIP. A new name would allow participating countries such as the United States to avoid any negative perceptions associated with the Trans-Pacific Partnership or "TPP" and help to promote the initiative as part of recovery efforts to rebuild from the COVID-19 crisis.

ENGAGE: Work to expand the pact to like-minded, market-oriented countries

Opening the pact to more countries that can meet its standards. Consistent with CPTPP's history as an inclusive, open-architecture arrangement, this expansion into the CAIP should not be limited by geography. Eligibility should reflect the membership's common commitment to market principles and recognition that accession to harmonized, high-standard "software" for trade can play a major role in driving shared prosperity, bolstering competitiveness and setting global rules and standards on key issues. Such an inclusive

approach could expand membership, including to fast-growing economies such as India and China, should they demonstrate their readiness to commit to the agreement's disciplines.

The United States potentially open to reengaging. President-elect Joseph Biden has called for a “pause” in trade deals but has also called for reestablishing US leadership in the world and rebuilding US relationships with allies. Getting the United States into a transformed CPTPP—i.e., CAIP—framework is likely to involve US demands for significant changes. It would also require rebuilding congressional support and an extension of Trade Promotion Authority, which expires on July 1, 2021.

CONCLUSION

A strategy to “Expand, Rebrand, Engage” can enable leaders to “make their own luck” by creating opportunities for expanding trade and capitalizing on those opportunities when they emerge.