



Llywodraeth Cymru
Welsh Government

The UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership: A Welsh Government Perspective

2023

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1. Ministerial Foreword

The UK formally left the European Union on 31 January 2020 and began negotiating its own trade deals with partners across the world. Accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the CPTPP) is one of the most significant negotiations that has taken place in that time. The CPTPP differs significantly from the bilateral negotiations that the UK has undertaken to date and, subsequently, my views on this deal differ from those on the bilateral deals agreed.

The UK's accession to the CPTPP marks an important shift in the UK's trade policy towards the Indo-Pacific region, signifying the region's increasing importance. This is an important region, both for the UK and for Wales. According to latest data, 5.8% of Wales' total goods exports were destined for CPTPP member countries during this time, with a value of £1.2bn in the year ending June 2023. However, there are three areas, which make our response to the UK's accession to CPTPP somewhat less enthusiastic than our counterparts in the UK government.

Firstly, the CPTPP was an existing plurilateral agreement and, whilst there was some opportunity to seek carve outs to elements of the existing deal, the UK had to prove compliance with the existing terms of CPTPP, rather than negotiate new provisions. This has resulted in the UK having to agree to certain provisions that fall short of the level of ambition we would normally expect to see in new and comprehensive Free Trade Agreements (FTAs), particularly in areas such as labour, environment and women's economic empowerment. It also means being party to provisions that we would normally ask the UK government not to accept, such as the inclusion of the Investor State Dispute Settlement (ISDS) mechanism.

Secondly, it is worth noting that the UK government has already signed, or is already re-negotiating, bilateral trade agreements with many CPTPP members, such as Japan, Australia, New Zealand, Canada and Mexico. Therefore, whilst the Indo-Pacific Region does represent an important

region, it is important to assess CPTPP on what it adds in addition to these bilaterals and, whilst there are some limited benefits, it is difficult to understand where significant benefits would lie for Welsh producers.

Lastly, it is important to remember that the majority (around 57.9%, £11.8bn) of Wales' goods exports continue to be destined for the EU market. It is vital that we do not lose sight of the importance of this market and ensure that any new FTA is fully compatible with the deal we now have with the EU and must not harm the UK/EU trading relationship or set a precedent for future trade deals with other trading partners.

The engagement with UK government has varied throughout the accession process. Whilst there was a lack of engagement at the beginning of the process, I was pleased to see engagement improve over time and my officials reported a good level of engagement in the weeks leading up to the initial agreement to join CPTPP. However, the engagement in the period between the announcement of the agreement in principle through to signature was less positive, particularly when it came to discussions around the UK government analysis on the impact of the deal.

I am hopeful that we will see continued improvement in engagement for future free trade negotiations, particularly around the sharing of information relating to analysis.



Vaughan Gething MS
Minister for the Economy

2. Executive summary

- 2.1 The CPTPP is a free trade agreement involving 11 countries (Canada, Mexico, Peru, Chile, New Zealand, Australia, Brunei, Singapore, Malaysia, Vietnam and Japan). It first came into force for some Parties in December 2018. The UK is the first country to accede to CPTPP since the original 11 signatories in 2018.
- 2.2 The UK already has FTAs with nine of the 11 CPTPP countries. The UK's agreements with Australia and New Zealand were its first newly negotiated FTAs following exit from the EU. The remainder (Australia; Canada; Chile; Japan; Mexico; New Zealand; Peru; Singapore; and Vietnam) are continuity agreements replicating FTAs to which the UK was party as a member of the EU, although some of these deals have been, or are being, re-negotiated. Notably, the UK's accession to the CPTPP would put the UK on FTA terms immediately with Malaysia and Brunei.
- 2.3 In February 2021, the UK formally applied to join the CPTPP. At that time the UK government's scoping assessment¹ estimated that accession will raise UK GDP by 0.08% over the long term (15 years). Applications to accede to the CPTPP have since been made by: Ecuador; China; Costa Rica; Taiwan; and Uruguay. The existing Parties to the CPTPP agreed, in June 2021, that the UK's accession could begin. The UK government's impact assessment², published on signature, estimated that the agreement is expected to increase long-term UK GDP by around £2.0 billion each year when compared to projected levels of GDP in 2040 in the absence of the FTA.
- 2.4 For CPTPP Parties to agree to the UK's accession the UK had to demonstrate that relevant UK legislation is compliant with the CPTPP agreement. The accession process for the CPTPP is qualitatively different from the process of negotiating new FTAs in that the Agreement's 'core text' is already agreed and applies to all members. It is possible to agree exemptions to the agreement through side letters or footnotes but these exemptions need to be agreed by CPTPP members. Appended to the text are members' market access schedules, detailing the degree of liberalisation offered to other members in goods and services.
- 2.5 On 31 March the UK government announced that an agreement had been reached for the UK to accede to the CPTPP. The official signing took place in Auckland, New Zealand, on 16 July.
- 2.6 The value of total goods trade between Wales and CPTPP was around £2.5bn in the year ending June 2023, of which imports and exports were worth £1.3bn and £1.2bn respectively. Around 5.8% of Wales' total goods exports were destined for CPTPP member countries during this time.
- 2.7 Joining the CPTPP was a high priority for the UK government who viewed membership as a key part of the wider strategic interests of the UK, repositioning the UK's trading relationship towards the Indo-pacific Region. CPTPP may offer opportunities with countries which we currently do not have a trade deal with, for example Malaysia. CPTPP may also create some additional market access in the Indo-pacific region. However, we do not agree that gaining access to the CPTPP market should be of the greatest priority, given the EU remains our more important trading partner.

1 [UK approach to joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\) – GOV.UK \(www.gov.uk\).](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/uk-approach-to-joining-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnership-cptpp-2021.pdf)

2 [CPTPP: impact assessment – GOV.UK \(www.gov.uk\).](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/cptpp-impact-assessment-2021.pdf)

Trade in Goods

- 2.8 Although CPTPP will provide tariff reductions on UK exports to other CPTPP members, the overall benefit of this will be less significant because the UK already has comprehensive bilateral trade deals in place, which allow for tariff free trade in a high number of goods, with all but two CPTPP members. Reduction in tariffs for UK exports to Malaysia will be the main tariff benefit for businesses when using CPTPP.
- 2.9 As with any trade agreement, preferential tariffs under CPTPP can only be accessed when the relevant rules of origin are met by exporters. Due to our geographic location, UK and Welsh manufacturers are more likely to have some proportion of their goods made from European components, materials and parts. These European inputs will not be counted as originating within the UK, unless specific rules are met to allow for their inclusion under CPTPP. Whilst the cumulation arrangement for rules of origin will allow materials, components and parts from other CPTPP members to be counted as originating in UK exports, UK manufacturers often continue to source from neighbouring European countries rather than CPTPP countries due to transportation and production costs. The COVID-19 pandemic also resulted in many businesses choosing to localise their supply chains. As the rules of origin arrangements (and the origin procedures) contained in the bilateral agreements may be more accessible than those found in CPTPP, businesses may wish to use the bilateral trade deals over CPTPP, especially if there are no differences in the reduction of tariffs to be gained.
- 2.10 With the reduction in tariffs available under CPTPP, consumers and businesses will potentially have more access, and at lower prices, for various imported goods (again it is important to note we already have a number of bilateral deals in place with CPTPP members). However, tariffs reduction can also lead to increased competition that some domestic producers may find challenging. In addition, due to lower production and salary costs, CPTPP potentially offers a viable option for the reshoring of manufacturing and production to move from the UK to some CPTPP countries (especially where there are better opportunities in the pacific region and businesses can export goods tariff free to the UK).
- 2.11 The Technical Barriers to Trade (TBT) chapter aims to reduce as many non-tariff barriers (NTBs) as possible for the exporting/importing of goods from one CPTPP member to another. The commitments and mechanisms agreed within the chapter are very similar to those contained in TBT chapters in the FTAs the UK has with individual CPTPP members, although the provisions contained in the bilateral trade deals often go further in tackling NTBs. The National Treatment of Conformity Assessment Bodies (NTCAB) will potentially allow UK manufacturers to save time and money getting their products tested locally to ensure they meet requirements of another CPTPP member prior to exporting to them (although CPTPP and UK manufacturers can also potentially trade with one another via demonstration of compliance with the CE marking and EU regulations).
- 2.12 The tariffs on agrifood goods vary depending on whether the UK has an existing bilateral FTA with each partner country. The deal does give some additional market access for Welsh companies looking to export to CPTPP countries. For example, whisky exports to Malaysia will see tariffs of around 80% removed over a 10 year staging period. For dairy, while Canada has granted shared access of its CPTPP cheese Tariff Rate Quota (TRQ), this is a shared quota of 16,500 tonnes, which represents a fairly small amount of additional market access for our producers. For imports to the UK, Australia, New Zealand and Singapore have not been granted tariff reductions or access to increased Tariff Rate Quotas in addition to their existing bilateral FTAs on products such as beef and sheep meat, which is welcomed by the Welsh Government. One area where the Welsh Government raised concerns around the elimination of duties is on palm oil, for which all duties are eliminated at entry into force. This applies to all Parties and is not subject to a requirement that all palm oil imported to the UK must be from certifiable sustainable sources.

2.13 While there are elements of the Sanitary and Phytosanitary (SPS) chapter that the Welsh Government welcomes, there are some elements which have raised concerns. The SPS provisions differ from those that the UK has agreed to in the recent FTAs, such as Australia and New Zealand, with CPTPP placing an emphasis on a 'science-based' approach to risk assessment. Our approach to SPS in Wales is based on the precautionary principle. Whilst this still represents a 'science-based' approach, we will continue to take regulatory action in Wales in the event of uncertainty, where we believe there could be potential harm to human, animal or plant health. We have received reassurances from UK government that CPTPP accession will not require a change in our approach to SPS measures or lead to changes in existing import bans.

Trade in Services

2.14 As with goods market access, the Agreement does not significantly increase the UK's services market access to CPTPP countries, as the UK already has preferential arrangements in place with most members. The main exception is Malaysia, where UK service suppliers will have increased market access, including in areas such as government procurement.

2.15 CPTPP provides UK services companies with increased regulatory certainty that should provide confidence in trading with CPTPP countries. This will be particularly beneficial in emerging areas such as E-Commerce and Cyber Security where global rules are less defined. In these areas UK's involvement in further shaping the CPTPP rules may lead to a key role in a global context and we hope that the UK government continues to engage constructively with Welsh Government post-CPTPP accession on these matters.

2.16 The Agreement should make it easier for UK service providers and investors to travel to, live, and/or work temporarily in Malaysia and Brunei, as there are no bilateral agreements in place containing similar provisions. This could provide UK service providers and investors with greater opportunities in those countries. The Agreement does also slightly increase the length of time UK business visitors are allowed to stay in specific member countries where there is already a bilateral agreement in place. For example, certain types of UK business visitors will be able to stay in Peru³ and Vietnam for up to six months compared with three months under current bilateral agreements. This could provide UK service providers and investors with greater opportunities in these countries.

2.17 In broad terms, the UK's commitments are limited to business persons from CPTPP countries that provide similar reciprocal access for UK business persons in equivalent categories. There are specific UK commitments on business visitors for establishment purposes, business visitors, contractual service suppliers, independent professionals, and 'intra-corporate transferees' (ICTs), who can bring their dependants to the UK, obtain work rights for partners, and stay for up to three years. Investors will be able to stay in the UK for up to 12 months.

2.18 Our view is that any opportunities and/or risks created by investment provisions are likely to be marginal as the UK is already party to international agreements, including Bilateral Investment Treaties (BITs) that contain investment provisions, with most CPTPP members. Whilst we believe the risks arising from the Investor State Dispute (ISDS) provisions in the CPTPP are small, we do not wish to see ISDS provisions included in FTAs by default. ISDS can pose more risks than benefits and should be considered carefully before being sought in future deals.

3 Peru is covered by the UK-Andean countries trade agreement.

2.19 The Agreement does not offer the opportunity for the UK to register its Geographical Indication (GI) protections under the CPTPP. The UK can seek GI protections in bilateral agreements with CPTPP partners and has indicated it intends to do so in future bilateral agreement negotiations. UK producers are also free to seek GI protection through the domestic route (i.e., not through an FTA) in any country which operates a GI regime.

Additional Considerations

2.20 The labour chapter reaffirms the Parties' commitments to international labour standards and protections to ensure open and fair competition, as members of the International Labour Organisation (ILO). However, several members of CPTPP are yet to ratify some of the eight core conventions of the ILO, whereas the UK has ratified all of these. The Parties also commit to not derogate from the labour standards listed in the Chapter with a view to boosting competitiveness. However, there's concern that the reference to enforce the labour standards agreed "in a manner affecting trade or investment between the Parties" appears to limit the potential for enforcement significantly. This clause suggests that any non-compliance in labour activity that does not fall under trade or investment is not included in the scope of the agreement. Consequently, the ability to build a sufficient evidence base on the grounds of non-compliance could be burdensome and may grant a competitive advantage to those with lower standards.

2.21 The environment chapter may be considered a useful starting point to create an opportunity for discussion on environmental issues with other CPTPP members. However, the provisions generally demonstrate a lower ambition, with fewer commitments and weaker language than the preferred Welsh Government provisions for this chapter. This is especially of relevance when considering that

some of the existing members have standards lower than our own. The chapter includes specific provisions in several areas which Welsh Government would expect to see in any FTA environment chapter including but not limited to: multilateral environmental agreements, protection of the ozone layer, protection of the marine environment from ship pollution, sustainable forest management and biodiversity. There are notable omissions including no reference to air quality, circular economy or sustainable agriculture. There is limited reference to climate change, beyond provisions for the transition to a low emissions economy and the promotion of trade and investment in environmental goods and services. We believe our approach to reduce the impacts of climate change should underpin and be a common thread throughout the environment chapter in FTAs.

2.22 Although the CPTPP contains a specific chapter on Small and Medium Enterprises, the commitments and provisions are high-level and lacking in benefits for UK businesses. This contrasts with SME provisions that the UK has in the bilateral FTAs with some CPTPP members. The limited benefits of this SME chapter compared to SME chapters secured in the UK's bilateral negotiations exemplifies the difficulties inherent in acceding to a multilateral agreement such as the CPTPP.

Conclusion

- 2.23 The impact of the UK's accession on Welsh businesses and consumers, and on the economy of Wales more broadly, is not likely to be significant. However, there are wider geopolitical considerations at play in terms of the UK government's decision to pursue accession. This assessment does not focus on these considerations.
- 2.24 Although there are some potential benefits of the UK accession to CPTPP for Welsh businesses, this is likely to be limited due to the number of existing bilateral FTAs with CPTPP members.
- 2.25 Some of the provisions in areas such as labour and the environment do not meet the level of ambition we would normally expect the UK to seek during negotiations. Whilst we acknowledge that the nature of CPTPP meant that the UK was unable to amend existing treaty text, we would not want acceptance of CPTPP provisions to set a precedent for future negotiations with other trading partners.

3. The Well-being Goals and Free Trade Agreements

3.1 The Well-being of Future Generations (Wales) Act 2015⁴ ('the Act') requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, aiming to help prevent persistent problems such as poverty, health inequalities and climate change. The Act is about improving the social, economic, environmental and cultural well-being of Wales.

3.2 The Act established seven well-being goals that public bodies in Wales, including the Welsh Government, must work to achieve, as well as five ways of working that should be used to achieve them. While only the UK government has the power to conclude international agreements that bind the UK, any trade agreement will likely have long-term impacts on the economic and social wellbeing of Wales and therefore the link between the well-being goals and international trade is significant.

National well-being goals

3.3 The seven established national well-being goals relate to the UN Sustainable Development Goals. The Well-Being of Future Generations Act requires policymakers in Wales to put the sustainable development principle into practice:

“Act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.”

3.4 Underpinning these goals is the principle of sustainable development incorporated into the foundation of devolution in Wales from 1998.

3.5 The Well-Being of Future Generations Act also includes five ways of working intended to demonstrate best practice and to support the well-being of future generations. These are integration, collaboration, long term, involvement and prevention.

3.6 As the UK government is not accountable under the Well-being of Future Generations Act, the final Agreement did not have to consider any impact on the seven well-being goals, nor does the UK government have to use the five ways of working when developing its own trade policy or negotiating deals. However, the well-being goals and ways of working form the foundation of the views given by the Welsh Government during negotiations and how the deal is analysed in Wales.

4 Well-being of Future Generations (Wales) Act 2015.

Trade policy development in Wales

- 3.7 Historically, trade negotiations have focused narrowly on the economic benefits of developing closer trading relationships with other trading partners. However, more recent free trade agreements, such as the UK-Australia and UK-New Zealand FTAs, have expanded to include a wider set of cross-cutting areas, such as small and medium enterprises (SMEs), gender, labour and environmental policy including climate change. The impact of trade agreements on wider policy areas cannot be overlooked and, if not considered fully, trade deals can have unintended consequences, both positive and negative, in a range of areas. Trade and trade agreements have the potential to affect how we live, including on our social and built environment, what we eat, the things we buy and the services we use. They also have the potential to affect communities and jobs, our physical and mental wellbeing⁵, and our ambitions around sustainability and the environment.
- 3.8 Trade agreements create international obligations which, in principle, bind future generations. Those obligations may diverge over time from domestic policy aspirations and can be complex and time-consuming to renegotiate or overturn.
- 3.9 Trade agreements are negotiated settlements. They do not necessarily contain all the key policy objectives of one trading partner but are an agreed compromise. This can mean that parties to FTAs can experience different and asymmetrical benefits and risks. For example, if one country enforces high environmental standards whilst another does not, then the country with higher standards could see its economy and society undercut by increased imports of lower quality or lower standard goods. If this were to be the case for Wales, there could be detrimental impacts on Welsh businesses and environmental regulations.
- 3.10 Therefore, the potential impact that trade policy could have on our well-being goals, whether through affecting businesses, consumers, communities, domestic policy or the impact that we have globally, is at the forefront of our minds. This impacts on both the views we gave to the UK government during trade negotiations and how we analysed the proposed and the final agreed text in the trade agreements. In Wales, we consider trade policy through a Well-being of Future Generations lens, rather than in purely economic terms.
- 3.11 The analysis conducted on the Agreement for this report has been done through this Well-being of Future Generations lens, considering how chapters of the Agreement relate to the national well-being goals (table 1). The link between the terms of the Agreement, its short, medium and long-term impact once implemented, and the Well-being of Future Generations Act is not always straightforward; however, the following table outlines the potential of where we see the Agreement impacting and/or aligning with our seven national well-being goals.

5 [What could post-Brexit trade agreements mean for public health in Wales? - World Health Organization Collaborating Centre on Investment for Health and Well-being \(phwwhocc.co.uk\)](https://phwwhocc.co.uk).

Table 1: List of Chapters & Analysis

01 Initial Provisions and General Definitions

02 National Treatment and Market Access for Goods

1 2 3 4 5 6 7

03 Rules of Origin Procedures

1 2 4 6

04 Textile and Apparel Goods

1 2 4 6

05 Customs Administration and Trade Facilitation

1 4

06 Trade Remedies

1 4 7

07 Sanitary and Phytosanitary Measures

2 3 7

08 Technical Barriers to Trade

1 2 3 4 6

09 Investment

1 2 4

10 Cross-Border Trade in Services

1 2 4 7

11 Financial Services

1 2 4 7

12 Temporary Entry for Business Persons

1 2 5

13 Telecommunications

1

14 Electronic Commerce

1

15 Government Procurement

1 5 6 7

16 Competition Policy

17 State-Owned Enterprises and Designated Monopolies

1 4 7

18 Intellectual Property

1 2 3 4 7

19 Labour

4 7

20 Environment

1 3 4 7

21 Cooperation and Capacity Building

1

22 Competitiveness and Business Facilitation

1 2 4 6

23 Development

4 6

24 Small and Medium-Sized Enterprises

1 4 5 6 7

25 Regulatory Coherence

1 2 3 4 6 7

26 Transparency and Anti-Corruption

1 2 3 4 6 7

27 Administrative and Institutional Provisions

4 7

28 Dispute Settlement

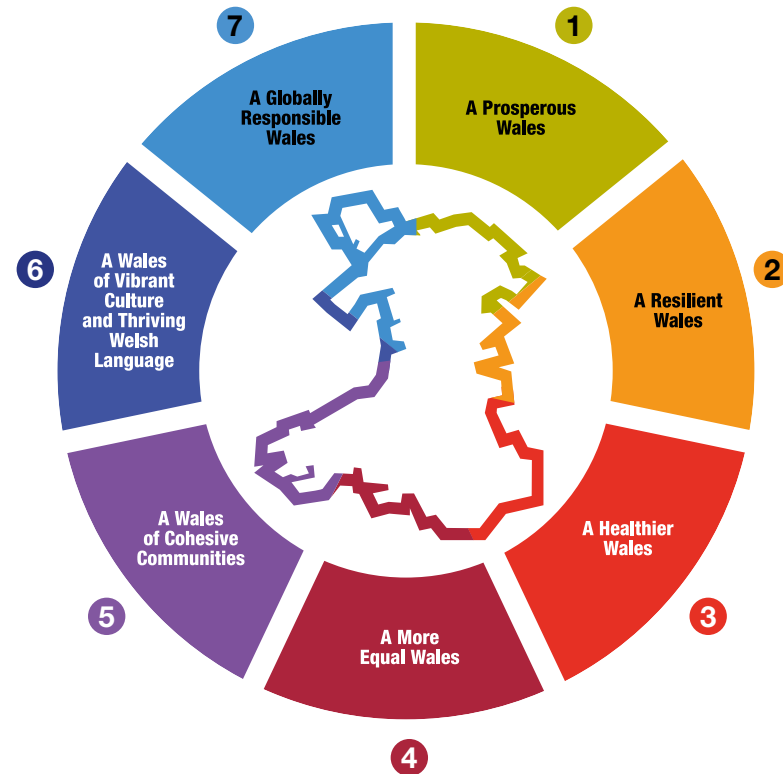
1 2 7

29 Exceptions and General Provisions

3

30 Final Provisions

1 2 3 4 5 6 7



4. Overview of CPTPP

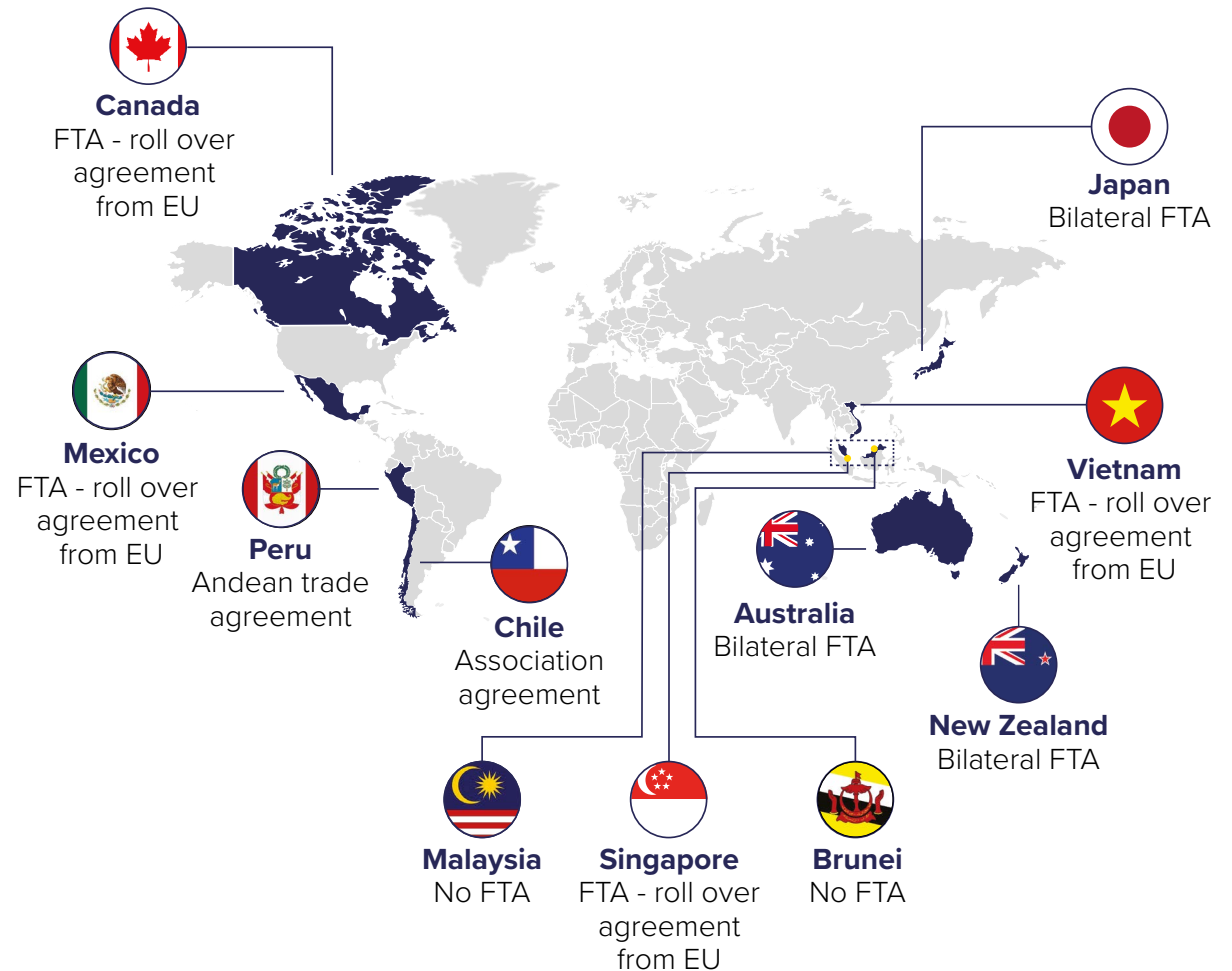
- 4.1 The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is a free-trade agreement (FTA) between 11 countries around the Pacific Rim: Canada, Mexico, Peru, Chile, New Zealand, Australia, Brunei, Singapore, Malaysia, Vietnam, and Japan.
- 4.2 CPTPP countries are home to around 500m people and account for a share of around 13% of global GDP in 2019. Based on figures from the Office for National Statistics (ONS), the CPTPP is an important trading partner, with over £25 billion in UK exports and bilateral trade worth around £91 billion in 2020.
- 4.3 The value of total goods trade between Wales and the 11 CPTPP countries was around £2.5bn in the year ending June 2023.
- 4.4 Unlike the EU, the CPTPP is not a single market or customs union, and members can negotiate their own trade deals with others.
- 4.5 The CPTPP incorporates and amends the Trans-Pacific Partnership Agreement (TPP). The US was party to the original negotiations on TPP, but under the Trump administration decided not to ratify the Treaty and join the Partnership. The remaining 11 countries amended the Agreement to produce the CPTPP, which entered into force for some of the founding Parties in 2018.
- 4.6 The rules under CPTPP, for example on food safety standards or data transfer, are the same for all Parties (including new members). However, each member has its own schedule of commitments for goods and services specifying how far they are willing to cut tariffs and open markets for services and procurement. In some cases, the commitments are offered to all other members, while in others they are restricted to specific negotiating partners.
- 4.7 Applying to join CPTPP was a different process from negotiating new FTAs in that there was a 'core text' that had already been agreed and which applies to all members. Although it is possible to agree exemptions to the Agreement through side letters or footnotes, the UK needed to prioritise where these exemptions were sought.
- 4.8 The negotiations to accede to the CPTPP also overlapped with some of the bilateral negotiations the UK was, or is, pursuing with some CPTPP members, such as negotiations with Australia, New Zealand, Canada and Mexico. The interaction between the accession process and the bilateral deals was something that we frequently raised with UK government.

What's unique about CPTPP?

Opportunities for the UK

- 4.9 Joining the CPTPP has been a high priority for the UK government, and a key part of the UK government's wider Indo-Pacific Strategy, which seeks to reposition the UK's trading relationship towards the Asia Pacific region.
- 4.10 The UK government has stated that it sees several opportunities in joining CPTPP, including being party to an agreement that eliminates tariffs on goods including whiskey and cars, allows business people to travel between CPTPP countries more easily, contains digital trade rules that could allow data to flow freely between members, and sets rules of origin that allow content from any country within CPTPP to count as 'originating'.
- 4.11 However, it should be noted that the UK government has already agreed continuity trade deals with Japan, Vietnam, Singapore, Canada and Mexico, has a trade agreement with the Andean countries (including Peru) and has negotiated new deals with Australia and New Zealand. Therefore, the additional economic benefit from joining CPTPP at this stage is uncertain.

Deals already in place with CPTPP Countries



4.12 In terms of Welsh trade, our analysis shows that CPTPP is a fairly small trade partner. 5.8% of Welsh goods exports went to CPTPP countries in the year ending June 2023 (the largest of which were Japan 1.5% and Canada 2.1%). 5.6% of Welsh goods imports were from CPTPP members (Japan 2.5% and Canada 1.2%).

Table 2: Welsh Goods Trade with CPTPP Members

Country	Value of Goods Exports (£m)	Exports ranking	% of total Welsh goods exports	Value of goods imports (£m)	Imports ranking	% of total Welsh goods imports
Canada	£426.50m	10th	2.10%	£275.2m	24	1.20%
Japan	£305.10m	15th	1.50%	£575.4m	12th	2.50%
Singapore	£170.00m	20th	0.80%	£225.6m	27th	1.00%
Australia	£144.50m	22nd	0.70%	£94.9m	40th	0.40%
Malaysia	£58.30m	37th	0.30%	£61.3m	50th	0.30%
Mexico	£45.70m	42nd	0.20%	£12.2m	71st	0.10%
Vietnam	£9.50m	71st	0.00%	£57.3m	51st	0.20%
New Zealand	£21.00m	53rd	0.10%	£11.2m	74th	0.00%
Chile	£6.90m	76th	0.00%	£6.2m	79th	0.00%
Peru	£2.90m	86th	0.00%	£3.4m	84th	0.00%
Brunei	-	-	-	-	-	-
Total CPTPP countries	£1.19bn		5.8%	£1.32bn		5.6%

Table 3: Comparison of Trade Blocs (Goods)

Trade bloc	Value of Goods Exports (£m)	% of total Welsh goods exports	Value of goods imports (£m)	% of total Welsh goods imports
EU	£11.8bn	57.90%	£8.1bn	34.60%
NAFTA	£3.8bn	18.80%	£4.6bn	19.50%
CPTPP	£1.2bn	5.80%	£1.3bn	5.60%
GCC	£1.0bn	5.00%	£1.7bn	7.20%
ASEAN	£0.3bn	1.50%	£0.5bn	2.20%
SAFTA	£0.3bn	1.30%	£0.7bn	2.80%
EFTA	£0.3bn	1.40%	£1.1bn	4.50%
Andean	£0.1bn	0.70%	£0.03bn	0.10%
EEA EFTA	£0.1bn	0.60%	£0.9bn	4.00%

4.13 In terms of services trade, experimental statistics are produced by the Office for National Statistics (ONS). Due to disclosure rules, the value of trade is not available for several countries, therefore it is not currently possible to determine the value of Wales' total services trade with CPTPP. However, the countries the data is available for are found in the table below, with the latest data available being 2021.

Table 4: Welsh Services Trade with CPTPP Members

Country	Value of Service Exports (£m)	% of total Welsh service exports	Value of Service Imports (£m)	% of total Welsh service imports
Australia	£80m	1.2%	£30m	0.8%
Canada	£89m	1.3%	£58m	1.5%
Japan	£107m	1.6%	£70m	1.8%
Singapore	£116m	1.7%	£61m	1.6%
Total	£392m	5.8%	£219	5.7%

4.14 Whilst there are potentially opportunities for the UK, it should be noted that there will potentially be increased risks as well, especially when it comes to the manufacturing of goods and products. This is because CPTPP may offer businesses more opportunities to offshore/re-shore manufacturing from the UK to CPTPP countries, especially where those countries have lower production costs.

5. Welsh Government Involvement during the Negotiations

- 5.1 Whilst only the UK government has the power to conclude international agreements that bind the whole of the UK, the Welsh Government has the power, under Section 62 of the Government of Wales Act 2006⁶, to make representations about any matter affecting Wales. We have sought to engage with the UK Government on the negotiation of all new FTAs as constructively as possible, given the impact trade agreements can have across society in Wales.
- 5.2 The Senedd also has the power to pass laws relating to the observation and implementation of international obligations, meaning both the Welsh Government and the Senedd have a crucial role in implementing any legislative changes needed in devolved area as a result on new FTAs.
- 5.3 The CPTPP accession process has differed significantly from the negotiation of a new FTA. Consequently, engagement between UK government and the Devolved Governments has also differed from other negotiations, such as Australia or New Zealand. Engagement has focused around two activities: compliance and market access.
- 5.4 During the accession process the UK needed to demonstrate compliance with the existing CPTPP rules and assess where it would need to seek exemptions to any existing CPTPP rules it could not adhere to. Discussions between UK government and Devolved Governments on compliance focused predominantly on devolved areas. Some information on the UK government's broader approach was shared, however there was a limited role for the Devolved Governments in this stage of accession.
- 5.5 During the initial compliance exercise, the Welsh Government did raise concerns around some of the existing CPTPP rules that the UK would need to comply with, as well as concerns that some of the existing text did not include the provisions we would ordinarily want to see in new FTAs. Many of these issues are discussed in this report. Engagement during the initial stages of the negotiations was insufficient to address some of these concerns and, although we were provided with the opportunity to make these concerns know, the UK government was unable to provide reassurance in several areas. Engagement did improve towards the later stages of negotiations and, in some cases, discussions provided adequate reassurance regarding our concerns. The concerns covered in this report represent areas where UK government has been unable to reassure us or where our assessment on certain provisions continue to differ from UK governments.

6 [Government of Wales Act 2006](#).

- 5.6 The second key point of engagement was on market access negotiations. These negotiations differed slightly from the negotiation of new FTAs, as the UK will inherit existing CPTPP members market access agreements, whilst still needing to make a new market access offer to CPTPP members. Engagement on the market access element of accession was positive and marked a significant improvement in engagement in this area compared to previous FTAs. We welcomed these improvements and were also pleased to see that the final agreement reflected some of our asks in this area.
- 5.7 Disappointingly, the engagement between the announcement of the agreement in principle through to signature became less positive. The UK government's impact assessment was not shared or discussed with us before publication.
- 5.8 In addition to official level engagement, Ministerial engagement took place through both Ministerial bilaterals and the Ministerial Forum for Trade. Ministerial level engagement has been predominately positive, allowing the Minister for Economy to express some of the concerns raised at official level.
- 5.9 We want to see improved engagement for future free trade negotiations, particularly around sharing information relating to analysis.

6. Assessment of the Agreement Text

Trade in Goods

Chapter 2: National Treatment and Market Access for Goods

- 6.1 Unlike other FTAs that the UK has agreed, there was no fundamental negotiation process over the UK's application to join this multilateral agreement. There were no opportunities for the UK to amend or modernise the rules and commitments that already form part of the Agreement, rather it was up to the UK to demonstrate how it would meet these commitments if the CPTPP Commission allowed the UK to access.
- 6.2 Where the UK could not meet the rules and commitments of the Agreement, it had to seek an exemption through several side letters with CPTPP members.
- 6.3 In joining the CPTPP, the UK has signed up to the provisions contained in this chapter that liberalise the trade of goods amongst CPTPP members. Provisions include agreeing to progressively eliminate import tariffs (customs duties) on goods from other CPTPP members provided they are originating; ensuring that imported goods are treated the same as domestic goods (this includes how goods are treated by devolved governments as regional levels of government); and not putting in place any import or export restrictions on goods allowed in.
- 6.4 Such provisions may make it easier and cheaper for Welsh businesses when exporting their goods to, or importing their ingredients and components from, other CPTPP members.
- 6.5 Most goods will be tariff free once the CPTPP enters into force, although tariffs on certain sensitive goods will be gradually phased out over time to allow UK domestic industries to adjust to the increased competition from imports that can result from such tariff reductions. As with other CPTPP members, the UK will also have in place Tariff Rate Quotas (TRQs) – whereby only a certain amount of the good in question will be tariff-free – as a process to help protect certain domestic industries.
- 6.6 For some sensitive agri-goods such as beef and sheep-meat those countries with whom we have an existing bilateral FTA, such as Australia and New Zealand will not have access to the TRQ, for others such as Singapore, Japan and Vietnam access will remain as per agreed bilateral agreements. Tariffs on sheep-meat will be eliminated for all countries other than Australia and New Zealand, while for Beef all members without a bilateral agreement will share a single duty-free TRQ whose volume will increase incrementally over 10 years, capped at a permanent quota of 13,000 tonnes from year 10. In comparison to the level of market access agreed in recent bilateral FTAs this represents a relatively low increase for eligible CPTPP members. Further information on TRQs for agriculture goods is contained in the section on 'Tariffs on Agrifood Goods'.

- 6.7 Some concerns have been raised about the removal of tariffs at entry into force of the agreement for palm oil from Malaysia. While existing tariffs on palm oil are low, there is concern around whether and how the UK will look to ensure that only palm oil from certified and traceable sustainable sources will be imported. This is a key feature of the UK's ambitions in Multilateral Environmental Agreements such as COP28. A separate but non-binding Joint Statement on Sustainable Agricultural Commodity Trade and Cooperation to Conserve Forests between the UK and Malaysia has been agreed. This agreement reaffirms both Parties shared and ongoing commitment to work together to conserve forests and to support and promote sustainable supply chains, and sustainable production of commodities. While it does directly reference Palm Oil, it does not bind either party to any specific commitment to sustainable sources of palm oil as part of the CPTPP.
- 6.8 As the UK already has bilateral FTAs with several CPTPP members, the increased opportunities for businesses are likely to be limited to countries with which there are no FTAs in place, namely Malaysia and Brunei. If other nations were to join the CPTPP in the future, then the trade and economic opportunities would be more substantial (although we would want to ensure any country acceding to the CPTPP was compliant with its terms and did not undermine our own standards and regulations).
- 6.9 The chapter also includes a range of provisions to help ensure that tariffs are not applied to certain types of goods to aid economic trade and businesses. This includes ensuring that no tariffs are applied on goods that are re-entering a country from another CPTPP member country following repair and/or alterations (with the exception of ships, boats and other floating structures that re-enter Canada); no tariffs are applied on commercial samples of negligible value or printed advertising materials; and no tariffs are applied on goods that are being imported temporarily for certain purposes, for example where the goods are being used for events, broadcasting and sporting activities. However, such provisions will not remove the need to abide with the necessary administrative processes to take advantage of these Articles (such as the completion of carnet applications⁷).
- 6.10 The chapter contains details on the specific import licensing and export licensing procedures that Parties and businesses are to follow when trading under the terms of CPTPP. These procedures can be unique to CPTPP and different to those that the UK might have agreed (or will agree) with individual CPTPP Parties in bilateral agreements. Therefore, Parties and businesses will need to ensure that the correct procedures are being followed when trading under CPTPP, compared to bilateral agreements.
- 6.11 The chapter also has a specific section related to the trade in agricultural goods. Notable provisions within this section includes CPTPP members agreeing not to have in place any export subsidies on any agricultural good that is destined to go to another CPTPP member; CPTPP members working together to establish a World Trade Organisation (WTO) Agreement on Agricultural Export State Trading Enterprises (to support the elimination of trade distorting restrictions related to the export of agricultural goods, and the elimination of any special financing that a WTO Member grants directly or indirectly to state trading enterprises related to the export of an agricultural Good); and the rules that will allow for export restrictions on agricultural goods to happen.
- 6.12 Of particular interest is the provision in place in this section of the chapter related to agricultural safeguards. Under the WTO Agreement on Agriculture, WTO members can temporarily impose additional tariffs, known as special safeguards, on specific agricultural products if the import volumes of those products exceed a defined amount, or if prices fall below a certain level. Under the provision agreed in CPTPP, members will exempt imports of agricultural goods from other Parties that are subject to preferential treatment from increased tariffs in the event they were to apply

- a special safeguard under the WTO Agreement on Agriculture. We have concerns that this could potentially eliminate the 'protection' arrangement for the UK to take against CPTPP members, even if the high import volumes originate from them.
- 6.13 A notable provision within the chapter is the article on trade of products of modern biotechnology. Modern biotechnology is a term used to refer to biotechnological techniques for the manipulation of genetic material and the fusion of cells beyond normal breeding barriers. The most obvious example of modern biotechnology is the use of genetic engineering to create genetically modified organisms (GMOs). Through the provision CPTPP Parties aim to create a more transparent environment on the trade of products of modern biotechnology between themselves, including the creation of a working group to collaborate and share information. The article does not restrict CPTPP members from regulating on products of modern biotechnology or require CPTPP members to change their laws in relation to products of modern biotechnology.
- 6.14 The final section of this chapter focuses on the details, processes, and administrations to do with TRQs. Under the agreed terms, TRQs can only be amended if certain transparency and consultation requirements are met and provided that no other CPTPP members object to the TRQ changes being made. There are detailed and specific rules in place on how CPTPP members can allocate their TRQs. Although the rules are aimed at CPTPP members, their complexity could potentially result in difficulties for UK exporters when they wish to utilise existing processes already established between founding CPTPP members. UK and Welsh government will need to ensure that businesses are able to utilise this element of the deal, working closely with exporters to increase their understanding of the TRQ processes, and working with CPTPP members to ensure UK businesses are able to access the TRQs accordingly.
- 6.15 Businesses will also need to ensure that they are trading under the correct preferential tariffs, and complying with the correct rules and processes, when trading with members of CPTPP where there is also a bilateral FTA in place. Businesses may find situations whereby the preferential tariff outcomes in CPTPP are more favourable than in the bilateral FTA (e.g., where the rates are 0% in CPTPP compared to 5% in a bilateral FTA), but the rules of origin arrangements to qualify for the 0% are more difficult and costly than compared to the bilateral FTAs.
- 6.16 This is one example of the potential complexity for businesses when different deals are in place with the same country. Businesses will need to assess which trade deal works best for them and comply appropriately with the tariff and administrative arrangements for that trade deal.
- 6.17 More generally we believe most Welsh businesses are unlikely to rely on other CPTPP members to be part of their supply chain for the import (and export) of components and materials in the manufacturing of their goods. This is due to the transportation costs and length of time involved in moving components and materials from one side of the world to another, especially when more readily available (and possibly cheaper) supply chain requirements can be met in Europe.
- 6.18 Whilst we have an implementation plan in place for new FTAs in Wales, the UK government must also devote resource to support businesses to understand the different trade deals it has negotiated, or is negotiating, so that they can be utilised legally and effectively by businesses. If the utilisation rates of FTAs by UK businesses are low, but the utilisation rates of FTAs by their overseas competitors are high, then there is the real risk that the UK has opened its market to increased competition with limited gain for our own businesses.

Tariffs on industrial goods

6.19 Under CPTPP, tariffs on all industrial goods (except for egg albumin) will be fully liberalised (with the majority at entry into force) which potentially offers opportunities and benefits for Welsh manufacturing companies looking to export their products to CPTPP member countries, or source raw materials and components from CPTPP member countries. However, CPTPP is unlikely to provide any additional tariff benefits for industrial goods where a bilateral deal is already in place between the UK and another CPTPP member country.

Tariffs on agrifood goods

- 6.20 The tariffs on agrifood goods apply variously depending on whether the UK has an existing bilateral FTA with each partner country. The deal does give some additional market access for Welsh companies looking to export to CPTPP countries. Whisky exports to Malaysia, for instance, will now see tariffs of around 80% removed over a 10-year staging period. For Malaysia and Mexico, tariffs on UK exports of chocolate and sugar confectionery will be reduced to 0%.
- 6.21 On beef the deal will see tariffs on UK exports to Mexico reduced to 0% after 4 years of staging and for Peru reduced to 0% after 5 years of staging.
- 6.22 For dairy while Canada has granted some shared access of the CPTPP cheese TRQ this is a shared quota of 16,500 tonnes, a relatively low figure, which is unlikely to meet the needs of our cheese producers.
- 6.23 In return on imports to the UK, Australia, New Zealand and Singapore have not been granted any additional tariff reductions or access to increased Tariff Rate Quotas in addition to their existing bilateral FTAs on products such as beef and sheep meat which is welcomed by the Welsh Government. The only increase to the Beef TRQ allows Brunei, Canada, Chile, Malaysia, Mexico, and Peru

access to a shared duty-free TRQ which will increase incrementally over 10 years to a maximum quota of 13,000 tonnes. For sheep-meat, Australia and New Zealand must adhere to the staging agreed in the bilateral FTAs, for all other CPTPP countries all duties are eliminated at entry into force.

- 6.24 An area where the Welsh Government raised concerns around the elimination of duties is palm oil for which all duties are eliminated at entry into force. This applies to all Parties and is not subject to a requirement that all palm oil imported to the UK must be from certifiable sustainable sources.

Chapter 3: Rules of Origin and Origin Procedures

- 6.25 To be able to take advantage of any preferential tariff opportunities made available under CPTPP, businesses must be able to demonstrate that their goods are compliant with the agreed rules of origin contained throughout this chapter and supporting annexes. Businesses must also comply with the administrative origin procedures – such as with record keeping, origin verification and certificate of origin requirements – as part of their process for accessing preferential tariffs available under CPTPP.
- 6.26 **Businesses that manufacture and export textile and apparel goods will need to also specifically note the provisions and rules for these particular commodities as outlined in chapter 4 of the CPTPP Agreement on textile and apparel goods.**
- 6.27 Rules of origin exist to demonstrate that the goods which businesses want to trade and export between trade partners in an FTA originate from ('made by') the FTA partner country in question. Unless stipulated (such as for certain agricultural goods), goods do not need to be completely manufactured and made from materials within an FTA partner country, but enough value or processing must have occurred within the country for goods to be classed as originating. This requirement is to eliminate other non-FTA partner countries

- from taking advantage of the FTA, as well as to ensure that only sufficiently processed goods can take advantage of the agreed preferential tariffs in an FTA.
- 6.28 Rules of origin are one of the key non-tariff barriers to trade, especially within FTAs. They can have a significant impact on how businesses trade internationally and, if they are not considered and agreed appropriately, for example by not accounting for certain manufacturing processes or global supply chains of businesses, then they can limit the ability of businesses to use the benefits of FTAs.
- 6.29 For some goods, businesses may decide not to use FTAs, especially where WTO Most Favoured Nation (MFN) tariffs are the same as the tariffs in the FTA (e.g., 0%). This is because there is a much greater administrative burden on businesses to comply with rules of origin under an FTA than simply trading on WTO MFN terms.
- 6.30 There are provisions in the chapter that define what is (or is not) an originating good. The definitions used should be familiar to businesses that have used FTAs before, and similar to definitions used by the UK in other FTAs secured.
- 6.31 The chapter contains rules that allow non-originating ingredients, components and materials (and non-originating processing) used in the manufacture of finished goods to still benefit from the CPTPP preferential tariffs, as long as the use of them complies with the rules as set out and agreed in the chapter. This includes the Product Specific Rules (PSR) agreed under CPTPP that can be used by businesses to access preferential tariffs. As the name implies, PSRs are specific rules related to the processing or manufacturing of specific products on non-originating ingredients, components or materials in order for the product manufactured to obtain originating status.
- 6.32 Although these rules will help to account for the global supply chains and cross border manufacturing processes typical of modern businesses, these rules are complicated and must be followed correctly, potentially creating a challenge for businesses, especially first-time exporters, to utilise them. Business understanding of the methods (build-down, build-up, and focused value) to work out the 'Regional Value Content' (RVC) of their goods will need to be adequately supported going forward to ensure businesses can benefit from the preferential tariffs available.
- 6.33 Although the build-down and build-up methods can be found in the UK's other FTAs, such as UK-Australia, they are likely to be new for many UK businesses, especially those trading with the EU. The UK-EU TCA utilises a different approach for calculating non-originating materials under the 'maximum non-originating %' method, which is different to the build-up and build-down approach. Different methods and calculations all have the potential to result in additional cost and complexity for businesses.
- 6.34 Automotive goods also have the added requirements of dealing with net cost calculation methods on PSRs.

Simple Illustrative Example Only:

“Pymptiau Wales” makes vacuum pumps that are used as parts and components in a variety of finished goods, including cars. These commodities come under commodity code 8414.10.

For these goods to qualify for the preferential tariffs available under CPTPP, “Pymptiau Wales” will have to be able to demonstrate that it can meet one of the following product specific rules of origin:

- a) A change to a good of **subheading 8414.10 from any other heading**;
- b) Have a regional value content of not less than **30% under the build-up method**;
- c) Have a regional value content of not less than **40% under the build-down**;
- d) Have a regional value content of not less than **50% under the focused value method taking into account only the non-originating materials of heading 84.14**.

The cost breakdown of a vacuum pump made by “Pymptiau Wales” is:

- Value of the Good = £3000
- Value of non-originating materials = £1200
 - Value of non-originating materials under HS code 84.14 only = £800
- Value of originating materials = £850

“Pymptiau Wales” cannot use the transformation rule (a) as its product is not changed from another single commodity; therefore, it has to use the other PSRs (b, c, or d).

The build-up method (b) to work out the RVC is:

value of originating materials / value of the good x 100

$$(\pounds 850 / \pounds 3000) \times 100 = \mathbf{28.3\% RVC}$$

The build-down method (c) to work out the RVC is:

(value of the good – value of non-originating materials) / value of the good x 100

$$((\pounds 3000 - \pounds 1200) / \pounds 3000) \times 100 = \mathbf{60\% RVC}$$

The focused value method (d) to work out the RVC is:

(value of the good – focused value of non-originating materials) / value of the good x 100

$$((\pounds 3000 - \pounds 800) / \pounds 3000) \times 100 = \mathbf{73.3\% RVC}$$

As a result, “Pymptiau Wales” can use either the build-down or focused value method to qualify for preferential tariffs under CPTPP.

However, “Pymptiau Wales” could bypass CPTPP altogether and avoid calculating rules of origin by exporting to its customers in Canada under WTO terms, since Canada has a WTO MFN tariff of 0% on vacuum pumps.

- 6.35 The rules on accumulation should benefit business in Wales, allowing for the full cumulation of ingredients, components and materials between CPTPP partners. This means that a UK finished good made from Canadian, Japanese and Australian parts could count as being of UK origin for the purposes of CPTPP. However, EU components and inputs of that same finished good cannot qualify towards originating content and careful calculations will be needed to ensure their compliance (i.e., such as appropriate production has been undertaken on those EU non-originating components and inputs). Further, there is no third party cumulation provision within the different bilateral agreements the UK has with the individual CPTPP Parties (except for EU cumulation under the UK-Japan CEPA). This means that if businesses want to cumulate components and inputs from multiple CPTPP members under the CPTPP Agreement, they cannot then use the CPTPP rules of origin arrangements to trade under the terms of the bilateral FTAs.
- 6.36 Given the geographical distances involved between the UK and other CPTPP Parties, businesses will need to pay particular attention to the rules in relation to transit and transshipment. If in transit, businesses wish to conduct any onward production of their goods, or the goods need to be separated outside of customs administration territories, this will impact the originating status of the goods and the ability to claim preferential tariffs. The geographical distances between the UK and other CPTPP countries makes it unlikely that a significant number of Welsh businesses will be able to be part of supply and processing chains with CPTPP member countries that are reliant on 'just-in-time' production, or where there is a reliance on 'time/temperature sensitive' production requirements.
- 6.37 It is important to note that textiles and apparel goods have their own dedicated chapter with specific rules of origin arrangements related to the trade of these goods.
- 6.38 In terms of certification of origin, CPTPP allows for this to be placed on any document, including an invoice, which will make it easier for businesses. The certificate also does not need to follow a prescribed format, as long as the stipulated minimum data requirements are met. The certification of origin can be completed and issued by the exporter, importer or producer providing further flexibility to businesses. Furthermore, CPTPP Parties have agreed to not require certification of origins whereby the value of the good is under US \$1,000 (or equivalent in the importing Party's currency). These goods however cannot form part of a series of imports carried out or planned with the aim of evading compliance with rules of origin requirements. Businesses will need to check the precise currency value of CPTPP Parties whereby certificates of origins are waived should they wish to take advantage of this rule, along with any specific rules they have for implementing this. For example, Canada has agreed to waive certificates of origin for commercial goods valued at CAN \$1,600 or less, but requires a commercial invoice with a statement that the good is originating.
- 6.39 As with all FTAs, businesses will need to ensure that they are familiar with the administrative arrangements around how origin must be declared and documented, including the agreed length of time for record keeping and the processes around verification of origin by respective customs authorities. Cases of non-compliance, incorrect documentation and/or inaccurately declared origin are subject to potentially high penalties by respective Parties.
- 6.40 Annex 3-D (Product Specific Rules of Origin) and Annex 3-D Appendix 1 (Provisions related to Product Specific Rules of Origin for certain vehicles and parts of vehicles) have not been reviewed fully as they will require extensive input by industry to ascertain whether their needs are met.

- 6.41 As previously mentioned in the 'National Treatment and Market Access for Goods' chapter, businesses will need to choose when to trade under CPTPP, as opposed to the bilateral FTAs with CPTPP members. Businesses must ensure that they are complying with the correct rules of origin should they trade with countries that the UK have a trade deal with both bilaterally, and under CPTPP. It will not be possible to use rules of origin and origin procedures agreed in the bilateral agreement to access CPTPP preferential tariffs. This includes the rules and procedures agreed around certification of origin.
- 6.42 The UK has also agreed a side letter with Malaysia allowing for automotive vehicles to qualify as originating, provided that there is at least 25% originating content. This is more liberal than the 55% originating content requirement (using the build down method of calculation) which is required more broadly with other CPTPP members. Although this will make it easier for UK manufacturers to export finished vehicles to Malaysia, it will also make it easier for Malaysian manufacturers to export to the UK as well.
- 6.43 This analysis has been carried out at a high level and may not include any unique arrangements on specific goods. Therefore, due to the overall complexity of Rules of Origin, industry and businesses should always seek expert advice and guidance on how the specific arrangements affect their particular product if they wish to make use of preferential tariffs available under CPTPP.

Chapter 4: Textile and Apparel Goods

- 6.44 **Please refer to the previous chapter for more observations on the rules of origin chapter which may also be relevant to this chapter.**
- 6.45 Textiles and apparel companies will need to take care to ensure that they use the correct rules of origin arrangements for their particular goods, complying with the rules found in two chapters (this chapter and the main rules of origin chapter) to work out which one would apply. In general, it would be the rules in chapter 3 that would apply, unless there is a rule contained in this chapter that would override it.
- 6.46 For example, the de minimis rule available under CPTPP (and found in chapter 3) allows for non-originating materials to qualify as being originating, as long as the value of such materials do not exceed 10% of the value of the good. However, this de minimis rule does not apply to textile and apparel goods since there is an overriding de minimis rule contained in this chapter. The de minimis rule here changes to allow for non-originating materials to qualify as originating if the total weight of those materials is not more than 10% of the total weight of the finished good (to note that other de minimis rules apply in terms of non-originating fibres or yarns, and elastomeric yarn).
- 6.47 The chapter also has a rule for "sets" of textile and apparel goods, which again would override the "sets of goods" rule available under chapter 3. For textile and apparel goods, the rule here stipulates that each individual good making up a set must be all originating, or the total value of the non-originating materials has to be less than 10% of the total value of the set. For example, if a woolly hat is sold together with gloves and a scarf as part of a set, the hat, gloves and scarf need to all be originating from the UK and/or one or more CPTPP Parties to qualify for the preferential tariffs under CPTPP. Alternatively, if the total value of the set is £50, then the value of the non-originating good in the set (e.g. gloves) will need to be less than £5 (calculated in accordance with CPTPP requirements).

- 6.48 There is a rule in the chapter that allows certain handmade or folkloric goods⁸ to be exported either under preferential or zero tariffs, as long as the importing CPTPP Party has identified the goods for that purpose and the goods meet any conditions which are agreed between the importing and exporting CPTPP Parties concerned. This rule is unlikely to benefit Welsh textiles and apparel companies that are manufacturing mass quantities of goods for domestic and international sale, but it may be of benefit to eligible independent SMEs. Welsh Government will work together with UK government to qualify this in the implementation of CPTPP.
- 6.49 If the reduction or elimination of customs duties under CPTPP results in increased imports of textiles and apparel goods that causes or threatens serious damage to the domestic textiles and apparel industry of a CPTPP Member, then that Member is able to take certain agreed emergency and safeguarding actions in order to rectify this. This involves increasing tariffs to WTO MFN applied rates.). This is a temporary measure, and trade liberalising actions must be taken by the importing CPTPP Member to compensate the exporting Member for the impact of the increased tariff rates (unless agreed otherwise by the Members in question).
- 6.50 In addition to this chapter, textiles and apparel goods also have their own set of PSRs that are separate from the main PSRs.
- 6.51 As with the analysis conducted for chapter 3, the analysis here has also been carried out at a high level and as such textiles and apparel businesses will need to ensure they understand and are compliant with the rules of origin arrangements before choosing to trade under CPTPP.

Chapter 5: Customs Administration and Trade Facilitation

- 6.52 The purpose of the Customs Administration and Trade Facilitation chapter is to reduce the level of financial and administrative cost to businesses when dealing and complying with customs control for the purposes of trade.
- 6.53 The commitments and provisions within the chapter are designed to encourage cooperation between the different CPTPP customs authorities, promote efficient customs procedures and provide transparency and fairness to traders.
- 6.54 In CPTPP these commitments and provisions are often high-level and non-binding to reflect the multilateral nature of CPTPP and the complexities and differences between the customs arrangements of each CPTPP member. This differs to the binding commitments found in the UK's bilateral FTAs with individual CPTPP members, such as Australia and New Zealand. Some of the main provisions or commitments are detailed below.
- 6.55 CPTPP members will cooperate and share information about imports and exports, including providing other members with advance notice of any administrative, legal, or regulatory implementation, change, or modification to their customs arrangements that would be applicable under this chapter. Furthermore, CPTPP members will try and establish or maintain channels of communication including establishing contact points to improve co-ordination. This commitment often goes further in bilateral FTAs where Parties will commit to establishing these single points of contact in order to help deal with customs issues.

8 Hand-loomed fabrics of a cottage industry; hand-printed fabrics with a pattern created with a wax-resistance technique; hand-made cottage industry goods made of such hand-loomed or hand-printed fabrics; or traditional folklore handicraft goods.

- 6.56 Under CPTPP, businesses are able to obtain written advance rulings to help them to determine the tariff classification and origin of their goods prior to importing or exporting. CPTPP customs authorities must provide advance rulings within 150 days of receiving the request, and once provided, the ruling remains in effect for at least three years. However, the rulings can be revoked or modified if there is a change in law or circumstances on which the ruling was based. Given the existence of a similar provision in the UK's bilateral FTAs with CPTPP members, businesses must ensure that the advance ruling they obtain refers to the correct FTA they wish to use. For examples, advance rulings received for CPTPP cannot be used to trade under the terms of the UK-Australia FTA. Although there is a quicker response time for advance rulings to be issued under the UK-Australia and UK-New Zealand FTA (90 days), there is no clause on how long those rulings must remain in effect (unlike in CPTPP).
- 6.57 CPTPP commits the Parties to providing advice or information on import and export rules 'expeditiously'. The type of information to be provided includes requirements for qualifying for tariff rate quotas, country of origin marking, the application of duty drawback and duty relief, and the eligibility requirements for goods that are re-entering a country following repair and alteration.
- 6.58 Although there are commitments related to digitisation and automation of customs procedures, including making systems accessible to users, there is only a best endeavour clause to try and implement a single-entry point/facility (e.g., Single Trade Window) for businesses to complete their import/export documentations. CPTPP members will also try to use international and common customs standards (including those from the World Customs Organisation) in dealing with the release of goods. As there are firmer commitments in the UK's bilateral agreements with some CPTPP members, businesses may be able to take advantage in those FTAs countries digitisation and Single Trade Windows.
- 6.59 Businesses will be able to take advantage of the commitments available in relation to express shipments. In particular CPTPP commits to the release of express shipments within six hours of arrival if all of the requirements for those goods are met. In addition, CPTPP also commits more generally to the release of goods from customs authorities within 48 hours of arrival of their arrival (as long as required documentation has been submitted, and the goods are not subject to physical examination or inspection). However, there is no provision and commitment available on the release of perishable goods (which again differs from the UK's bilateral FTAs where this is available).

Chapter 6: Trade Remedies

- 6.60 Trade remedies are actions that are available for governments to take in response to unfair trading practices or substantially harmful import surges in goods.
- 6.61 Trade remedies are underpinned by three separate WTO agreements: Agreement on Safeguards, Agreement on Subsidies and Countervailing Measures, and the Agreement on the Implementation of Article VI (more commonly known as the Antidumping Agreement).
- 6.62 Safeguard measures, available under the Agreement on Safeguards, allows tariffs to be applied on certain goods in response to sudden and substantial increases of those goods from other countries. Countervailing measures, available under the Agreement on Subsidies and Countervailing Measures, allows for tariffs to be put in place to protect domestic producers from the import of heavily subsidised goods. Anti-dumping measures, available under the Antidumping Agreement, allows for tariffs to be imposed in response to the dumping of goods (i.e., when exporters are selling goods at a much lower price than offered domestically, or at prices that are unprofitable).

- 6.63 CPTPP members have agreed to go further than the WTO agreements in some respects where possible. These 'WTO plus' areas focus on encouraging certain practices and procedures, and ensuring the transparency of them, when it comes to implementing trade remedies by CPTPP members.
- 6.64 As part of the commitments made in this chapter, CPTPP members have agreed to exclude each other from any global safeguard measures they take on goods that fall under a TRQ in CPTPP, as long as they are not the cause of harm to the domestic industry in question.
- 6.65 The chapter also allows CPTPP members to apply a transitional safeguard measure, if their domestic industries are threatened or harmed by the influx of imports coming from other CPTPP members as a result of tariff liberalisation agreed under CPTPP. These transitional safeguard measures are only available under specific circumstances, and only available during the transitional period (i.e. the timeframe in which tariffs are being reduced under CPTPP as agreed by members). Furthermore, when a CPTPP member wishes to apply a transition safeguard measure, compensation must be provided to those CPTPP members that will be affected by the measure. If compensation is not mutually agreed within 30 days the affected CPTPP members can suspend concessions (e.g. liberalised tariffs) that are equivalent to the value of the transitional safeguard measure being applied. This latter obligation (which is also in the UK's other FTAs) will potentially provide challenges for the UK in addressing how it can protect one domestic industry at the expense of another should it need to apply a safeguard measure.
- 6.66 Clarity on the specific timeframe and circumstances will need to be communicated clearly by UK government upon the implementation of CPTPP so UK and Welsh businesses understand how this will work for them if needed. In addition, how the commitments in CPTPP will work against the agreed commitments and safeguard measures/mechanisms found in the separate bilateral trade deals with some of the CPTPP members (i.e. Australia, New Zealand) will also need to be well communicated.
- 6.67 Trade remedies will offer a level of protection for Welsh industries should they encounter uneven or unfair competition from their counterparts in the other CPTPP countries. However, as with all FTAs, an increase in competition and imports are inevitable and as such trade remedies are unlikely be used to address the economic consequences of agreeing and implementing FTAs. Trade remedies also have to be enforced by governments based on requests and evidence from industry. Therefore, UK and Welsh industries in all sectors will need to familiarise themselves with how trade remedies work, and how to raise a case for trade remedies to be taken by UK government against unfair competition from within and outside of FTAs.

Chapter 7: Sanitary and Phytosanitary Measures

- 6.68 While there are several elements of the SPS chapter that the Welsh Government welcomes there are some elements which continue to evoke concerns. The SPS provisions differ from those that the UK has agreed to in the recent FTAs, such as Australia and New Zealand. CPTPP places an emphasis on a 'science-based' approach to risk assessment i.e. CPTPP requires its members SPS measures to either conform to the relevant international standards, guidelines or recommendations or be based on documented and objective scientific evidence. In Wales we use a precautionary approach to SPS. The precautionary approach is still a science-based approach based on available evidence, but one that allows us to take regulatory action in the event of uncertainty.

- 6.69 We have received assurances from the UK government that these provisions will not impact on our approach to our SPS regime in Wales or result in changes to existing import bans on certain goods. Despite these assurances we would still not want acceptance of the provisions in CPTPP to set a precedent for the inclusion of such text in future trade deals. Whilst we acknowledge that the UK government had little choice but to accept these provisions within CPTPP, we would be strongly opposed to seeing them replicated in other trade deals.
- 6.70 Through the accession process the UK was required to provide substantial evidence to existing Parties that its SPS measures comply with the CPTPP provisions. Having done this it has been determined that there is no need for the UK (and subsequently Wales) to amend any of its existing legislation to meet the requirements of the SPS chapter.
- 6.71 A key principle for the Welsh Government in all FTA negotiations is securing the right to regulate on domestic regulation and to determine the equivalence of other Parties SPS measures. While the SPS chapter does include an article on equivalence (7.8), different CPTPP members will have different approaches to risk and Article 7.9 on science and risk may lead members to challenge the basis on which some decisions are made. The measures CPTPP members have in place will vary compared to the UK and there could be a request for the UK to recognise a measure as equivalent, which under our approach to SPS, would not be viewed as equivalent.
- 6.72 The dispute settlement procedures that apply to Chapter 7 allow measures to be challenged on various grounds. This could include measures which create barriers to exports and which are inconsistent with obligations under the Agreement. A Party raising a concern around any matter relating to the UK SPS standards would have to raise an initial concern with a Cooperative Technical Consultation. The Agreement does however provide a one year from the date of

entry into force exemption from dispute settlement applying to the articles on equivalence, audits and import checks and for two years from date of entry into force for science and risk analysis. There are two additional provisions (7.8.6 and 7.9.2) where no Party has recourse to the dispute settlement.

Animal Welfare

- 6.73 The CPTPP text does not make any specific reference to animal welfare which is of concern to the Welsh Government given our commitments to high standards in this area. This is also of concern to stakeholders in Wales as our own producers must conform to our own animal welfare standards while CPTPP partners may be able to produce agri-food products to standards lower than our own. The inclusion of provisions relating to animal welfare is a priority for the Welsh Government and we are concerned that the lack of text addressing this issue may set a precedent and pose a risk to the ability of the UK Government to secure such provisions in future FTAs.

Anti-Microbial Resistance (AMR)

- 6.74 There are no specific references to AMR in the CPTPP texts, this is a concern for Welsh Government. Anti-microbial resistance is recognised as one of the largest global threats to human health and as such it is disappointing that the agreement does not address this. It is known that some partner countries in CPTPP do not share the same level of regulatory standards as the UK for the use of antibiotics in the production of agri-food. While the UK government has been clear that joining the CPTPP will not restrict the UK's sovereign right to set our own policies on AMR the lack of text addressing this issue and making commitments to limit the unjustified use of antimicrobials as growth promoters may also set a precedent and pose a risk to the ability of the UK government to secure such provisions in future FTAs.

Chapter 8: Technical Barriers to Trade

- 6.75 Technical barriers to trade (TBT) is a term used to describe the mandatory technical regulations and voluntary standards used to mandate or define specific characteristics of a product or related processes or production methods. This can include characteristics such as the design, size and shape of the product (including the functionality and performance of the product) and the associated labelling and marking requirements. TBT also covers the conformity assessment procedures and requirements, which essentially are the testing, inspection and certification of products to ensure that they meet the mandatory technical regulations and voluntary standards required of them.
- 6.76 The WTO TBT Agreement puts in place the international framework and rules as to how TBT issues should be defined and addressed by WTO members to facilitate international trade.
- 6.77 TBTs, specifically technical regulations, are introduced by governments to support a policy objective (such as protecting human and animal health and safety or tackling climate change) or to protect consumers from potentially accessing deceptive and fraudulent products in the marketplace. TBT requirements can differ widely between countries creating financial and administrative burdens for businesses looking to trade. TBT chapters aim to eliminate these Non-Tariff Barriers (NTBs), allowing manufacturers to access trade partner markets more easily. The TBT Chapter in CPTPP aims to deliver on this objective and to enhance transparency and promote cooperation between CPTPP members. The chapter applies to the central level of governments (i.e., the UK government) in their preparation, adoption and application of technical regulations, standards and conformity assessment procedures. States, provinces, regions and devolved governments of CPTPP Parties are not necessarily in scope of the obligations contained throughout the TBT chapter, although there is an obligation on central governments to take reasonable measures to ensure that their regional governments comply with the obligations. As a result, there can potentially be technical barriers that exist for businesses which will not be addressed as part of the agreed provisions.
- 6.78 Only certain provisions from the WTO TBT Agreement have been incorporated into the text. This approach reflects the different regulatory environments and systems of the different CPTPP members. This approach should not pose problems for the UK and Wales, however, it should be noted that the dispute settlement process under CPTPP is not available for any dispute that exclusively alleges a violation of the WTO TBT Agreement provisions as incorporated under this chapter (even though the chapter itself is subject to dispute settlement by CPTPP Parties for any violation of the agreed commitments made elsewhere). Any disputes exclusively alleging violations of the incorporated WTO TBT Agreement provisions, could be resolved through requesting information or technical discussions under the Agreement, or via the Trans-Pacific Partnership Commission established under Art 27.1. If an alleged violation of an incorporated TBT provision also amounted to a potential violation of the corresponding provisions in the TBT Agreement itself, could be raised a separate dispute under WTO rules.
- 6.79 As part of the UK acceding to CPTPP, the UK will need to implement and allow for the National Treatment of Conformity Assessment Bodies (NTCABs) as set out in this TBT chapter. As the UK does not currently allow for the delivery of NTCAB in its current conformity assessment policy, the UK will need to change domestic legislation and processes for conformity assessment for the UK to comply with CPTPP upon ratification of the deal.

- 6.80 The Welsh Government, and other devolved governments, will also need to comply practically with the NTCAB provision under CPTPP. This means that should Welsh Government wish to introduce regulations that require compliance with conformity assessment procedures then it must allow for overseas CABs to be a part of those procedures and cannot mandate for any domestic based CAB testing arrangement (i.e., accredited overseas CABs must be able to test to Welsh standards and regulations). There are currently no Welsh regulations which require compliance with conformity assessment procedures, although Welsh Government reserves the right to do so in the future.
- 6.81 NTCAB will effectively mean that Conformity Assessment Bodies (CABs) from other CPTPP countries can apply to the United Kingdom Accreditation Service (UKAS), and other relevant UK authorities/ departments, to become accredited, in order to deliver conformity assessment services in their own countries on regulated goods destined for the UK (GB) market. These overseas CABs will be treated on an equal footing to domestic CABs. Similarly, UK CABs can apply to other CPTPP Parties' accreditation bodies to become accredited CABs for their countries, and allow them to deliver their services on UK manufactured goods destined for CPTPP markets.
- 6.82 Whilst we understand that NTCAB could reduce the cost of trade for businesses, the provision could set an unhelpful precedent for future trade deals whereby, other trade partners may seek to use opportunity to try and influence the UK to change its accreditation system for conformity assessment. Changes to the UK's accreditation system for conformity assessment could potentially lead to risks in product safety and divergence from the EU, which in turn will lead to increased barriers for Welsh and UK businesses in trading with our biggest trading partner. There is also the possibility that NTCAB could allow accreditation bodies from outside of the UK (i.e., not UKAS) to offer accreditation on non-regulated areas.
- 6.83 The Chapter contains an extensive section containing measures in relation to improving transparency between CPTPP members in the development and implementation of technical regulations. Although these transparency measures are between the central governments of the CPTPP members, regional governments will be asked to comply where possible.
- 6.84 The Welsh Government already has a transparent process in the development of our regulations and already commits to notifying the WTO of any regulations that have the potential to impact on trade. Therefore, the impact of the transparency measures in this chapter is expected to be low.
- 6.85 Under the provisions for cooperation and trade facilitation, CPTPP members acknowledge that a range of mechanisms exist to facilitate the acceptance of conformity assessment results, such as mutual recognition arrangements and accepting supplier's declaration of conformity. It should be noted that the chapter defines a mutual recognition arrangement as 'an international or regional arrangement (including a multilateral recognition arrangement) between accreditation bodies recognising the equivalence of accreditation systems (based on peer review) or between conformity assessment bodies recognising the results of conformity assessment.' This is different to a Mutual Recognition Agreement (MRA) which is defined as a binding government-to-government agreement.
- 6.86 Under the cooperation and trade facilitation article CPTPP members recognise that there are a broad range of mechanisms that exist to support greater regulatory alignment, including the promotion of the acceptance of technical regulations of another CPTPP member as being equivalent. Equivalency arrangements allows different regulations in different countries to be considered as equal in order to reduce NTBs, but it can also potentially increase product safety risks since the UK may be recognising standards (which underpin

those regulations) that it may not normally recognise, and/or has had no role or influence in their development. The equivalency provision itself is not a concern, especially given the caveated nature of how equivalency will be determined by CPTPP members. However, it is how the provision may be implemented that could bring about issues, as the UK may focus on the regulation without considering wider aspects such as the underpinning standards, and regulatory model, of the CPTPP partner country that is asking for regulatory equivalence to be granted.

- 6.87 In addition to the main TBT chapter, there are seven specific sector annexes. These annexes are on cosmetics, medical devices, pharmaceuticals, wines and spirits, information and communications technologies, proprietary formulas for certain food products/additives, and organic products. The annexes include sector-specific obligations aimed at reducing unnecessary NTBs to trade in those specific goods/products.

Annex 8-A: Wine and distilled spirits

- 6.88 The Agreement standardises the labelling and marking procedures required in the Parties for wine and distilled spirits, minimising bureaucracy and simplifying the sale and export of such products in CPTPP markets.
- 6.89 The provisions in the annex are based around those found in the World Wine Trade Group (WWTG) Agreements, which several of the founding CPTPP members (Australia, Canada, New Zealand) are signatories. The UK is not a member of the WWTG.

- 6.90 The UK was able to secure an exemption from one of the provisions within the annex⁹ that prohibits CPTPP members from being able to restrict the use of traditional terms (such as 'chateau' and 'tawny') in their wines and spirits imports. This provision would have conflicted with the obligation that the UK has with the EU under the UK-EU Withdrawal Agreement¹⁰ to protect 'traditional terms' for wine. In securing this exemption, the UK can meet its obligations under both the CPTPP Agreement and the UK-EU Withdrawal Agreement.

Annex 8-B: Information and Communications Technology Products

- 6.91 Section A seeks to ensure protection for proprietary information in the field of ICT products which use cryptography and which are designed for commercial applications. Among other things it prohibits technical regulations and conformity assessment procedures that require the disclosure of proprietary information as a condition of the manufacture, sale, distribution, import or use of the product. This provision will help protect Intellectual Property (IP) and could help to encourage businesses to export to other Parties.
- 6.92 Section B seeks to simplify how exporters declare that Information Technology Equipment (ITE) is electromagnetically compatible, i.e., that it does not emit electromagnetic disturbances that could interfere with other ITE. Provision is made for the Parties to accept a supplier's declaration of conformity as evidence that ITE is electromagnetically compatible. However, there is flexibility as provision is made so that Parties can test equipment or request further evidence from an exporter, should they wish to. Supplier's declaration need not be accepted in the case of medical device or medical device systems that may be considered as ITE.

⁹ Para 17.

¹⁰ Article 54.

- 6.93 Section C encourages the Parties to implement specific mutual recognition arrangements for conformity assessment of telecommunications equipment and equivalence of technical requirements, seeking to facilitate trade of such equipment.

Annex 8-C: Pharmaceuticals

- 6.94 The annex includes several provisions the Welsh Government supports as they promote transparency and consultation. Such provisions include requiring CPTPP members to make information about agencies that are authorised to regulate pharmaceutical products publicly available.
- 6.95 The annex also states that CPTPP members will avoid unnecessary duplication in approvals processes and that they will make information on technical requirements and regulatory bodies publicly available. In addition, CPTPP members agree to not requiring financial or sales data on the marketing of a product as a basis for granting marketing approval. These provisions should not impact on medicine pricing for the NHS or the role of NICE as they relate to the granting of licences to enable entry into the market (although inadvertent consequences may yet come to fruition following ratification and challenge via this provision).
- 6.96 In addition, the annex contains provision requiring decisions made on marketing authorisations of pharmaceutical products to be subject to appeal or review processes. There is flexibility, as Parties are allowed to have appeal or review procedures which are carried out by the regulatory bodies involved, or which are carried out externally.

Annex 8-D: Cosmetics

- 6.97 CPTPP members commit to applying a risk-based approach to regulating cosmetic products, and consider regulations related to cosmetics as being of less risk to human health or safety than medical devices or pharmaceutical products.

Annex 8-E: Medical Devices

- 6.98 The medical devices annex shares similar objectives to those in the pharmaceuticals annex, encouraging CPTPP members to take a scientific and risk-based approach to regulating medical devices and avoid duplication in regulatory practice.
- 6.99 Parties are required to consider relevant scientific or technical guidance documents developed through international collaboration when developing or implementing regulations for marketing authorisation. They are also encouraged to consider similar kinds of regionally-developed documents that are aligned with international efforts. Parties are required to classify medical devices based on risk and to regulate devices consistently accordingly.
- 6.100 Similar to pharmaceuticals, sale data, pricing or related financial data concerning the marketing of a medical device cannot be required as part of granting marketing authorisation to medical devices, UK government has stated that this should not impact on the role of NICE and NHS operations.

Annex 8-F: Proprietary Formulas for Pre-packaged Foods and Food Additives

- 6.101 Annex includes obligations to ensure the confidentiality of information on proprietary formulas gathered in the preparation, adoption or application of technical requirements (e.g., labelling). The provisions are not expected to provide issues or impact on devolved powers.

Annex 8-G: Organic Products

- 6.102 Parties are encouraged to exchange information on matters relating to organic production and certification, and to work towards developing, strengthening and improving international guidelines and standards.
- 6.103 Further, Parties are encouraged to consider, at pace, requests for equivalence of standards and technical regulations of conformity assessment procedures for organic products.
- 6.104 The provisions are not expected to cause issues or impact on devolved powers.

Chapter 25: Regulatory Coherence

- 6.105 The aim of this chapter is to acknowledge, facilitate and encourage the use of good regulatory practices and cooperation amongst all CPTPP members, when it comes to the planning, designing, issuing, implementing, and reviewing of regulatory measures.
- 6.106 As non-tariff barriers have replaced actual tariffs as being the main cost of trade with international partners, the chapter helps to encourage consistency in the different regulatory frameworks of CPTPP members, and in the procedures applied in the development of regulatory measures. The commitments made within this chapter does not impact on CPTPP Parties right to regulate.
- 6.107 The chapter is similar to the 'good regulatory practice' chapters found in other FTAs secured by the UK government, such as UK-EU, UK-Japan and UK-Australia.

- 6.108 Regulatory practices outlined and agreed in the chapter by CPTPP Parties includes encouraging regulatory agencies to conduct regulatory impact assessments to assess the need for regulation and the evidence (scientific, technical, economic, etc.) on which it is based, including examining possible alternatives; ensuring regulatory measures are publicly available and easy to understand; encouraging the carrying out of periodic reviews of regulatory measures to ensure that they are still effective/relevant; and encouraging annual public notice of regulatory measures it intends to issue over the next 12 months.
- 6.109 The Welsh Government already has in place a transparent and robust regulatory framework that allows it to comply with the obligations as outlined in the chapter, even though this chapter only binds the central governments of the CPTPP members. In relation to the annual public notice, the UK government will comply with this requirement via the annual King's Speech that outlines the main upcoming legislative programme for the UK. For the Welsh Government, the First Minister provides an annual statement on our upcoming legislative programme.
- 6.110 The chapter puts in place various cooperation provisions, including a Committee on Regulatory Coherence, to help prevent conflicting or duplicate regulatory measures from being developed, especially amongst CPTPP members.
- 6.111 CPTPP members are asked to establish and maintain a national or central body to help coordinate and review regulatory processes and mechanisms. Welsh Government expects this role to be undertaken by DBT as part of the Better Regulation Executive.

6.112 In terms of the regulatory measures in scope of this chapter, CPTPP members must determine and make these publicly available within one year after the date of entry into force of CPTPP. As a result, the UK will need to carry out this exercise within 12 months of CPTPP entering into UK law.

Trade in Services

Chapter 9: Investment

6.113 Signing up to the investment chapter of CPTPP creates both risks and opportunities. However, as the UK is already party to international agreements and treaties with most CPTPP members that contain investment provisions, including Bilateral Investment Treaties¹¹ (BITs), the risks and opportunities created are marginal.

6.114 The UK's BITs contain investment protection and investor-state dispute settlement¹² (ISDS) provisions like those in the CPTPP. Investors can choose under which treaty they wish to bring a claim, although they are not able to bring a claim under multiple treaties. The UK also has Free Trade Agreements (FTAs) in force with Australia and New Zealand which contain investment protection provisions but do not contain ISDS provisions.

6.115 A key benefit of the chapter for UK investors is that investment protection provisions in the CPTPP will apply to Japan, Canada and Brunei, countries with which the UK does not currently have any such provisions in place.

6.116 Current UK investment into CPTPP countries is significant, totalling £117.3 billion¹³. UK investors may benefit from more clearly defined investment protection provisions in the Agreement, particularly from minimum standard of treatment, national treatment and Most-Favoured-Nation (MFN) clauses. For example, should a UK investor wish to make a claim under these provisions in the Agreement, clearer language is provided which better defines the legal basis for doing so compared with the BITs.

6.117 The main risks created by the UK's accession to the Agreement are in relation to its ISDS provisions, which could mean that the UK government will face increased exposure to ISDS claims under the CPTPP investment chapter. This could lead to an increase in the number of claims faced and an increase in costs associated with defending claims and paying awards to successful claimants.

6.118 However, it is important to note that the UK has never received a successful claim from CPTPP investors, nor investors from any other country. In addition, the scope of the ISDS section is limited in several ways. Most notably, there are exceptions throughout the Agreement and the investment chapter that limit the scope of the provisions, a good example is an exclusion relating to tobacco control measures in Article 9.16, which Parties may elect to adopt.

11 The UK has bilateral investment treaties (BITs) containing investment provisions with Malaysia, Peru, Vietnam, Chile and Mexico, which will co-exist with the CPTPP. The UK and Singapore are negotiating an investment treaty which will update an existing BIT, signed in 1975. It is unclear at this stage of negotiations whether investment provisions in the new treaty which overlap with the CPTPP's provisions will co-exist or not.

12 Investor state dispute settlement is a dispute resolution mechanism that allows foreign investors to pursue remedies directly against a CPTPP Party in relation to breaches of CPTPP investment provisions.

13 [ONS Foreign direct investment \(FDI\) totals for inward and outward flows, positions and earnings, released 24th January 2023.](#)

- 6.119 Furthermore, as the UK already has ISDS provisions in place via BITs with six CPTPP countries, the only additional risk created by the CPTPP's provisions is that claims could be made against the UK government by investors from Japan, Canada and Brunei. This is because the CPTPP is the only agreement under which the UK has ISDS provisions in place with these countries. Whilst the risk of the Welsh Government acting in a way that would mean investors from Japan, Canada or Brunei could bring a successful case against the UK is low, the costs involved, even in defending a claim, would likely be significant. We are currently unclear how any such claim would be funded. We remain concerned about this small but significant risk and will continue to seek clarity from the UK government on how disputes under all UK FTAs will be funded.
- 6.120 The Welsh Government raised several concerns during the negotiations about the strength of the investment chapter clauses on health, environment and the right to regulate in general. The Welsh Government sought assurances at an official and Ministerial level about the legal protections within the CPTPP, namely whether they are sufficient for the Welsh Government to continue to regulate in all devolved policy areas for the benefit of the people of Wales without facing ISDS claims.
- 6.121 UK government has provided robust written reassurances citing explicit protections in the CPTPP for the state's right to regulate proportionately, fairly and in the public interest across health and environment policy areas. Furthermore, UK government has advised that the CPTPP's explicit protections and commitments mean that members can regulate for their own levels of environmental protection to achieve net zero goals and protect the environment.

- 6.122 Whilst we believe the risks arising from the Investor State Dispute (ISDS) provisions in the CPTPP are small, we do not wish to see ISDS provisions included in FTAs by default. ISDS can create more risks than opportunities and should be considered carefully before being sought in future deals.

Chapter 10: Cross-Border Trade in Services

- 6.123 This chapter sets out rules governing trade in services between CPTPP members.
- 6.124 The chapter applies to cross-border trade in services including measures which affect the production, distribution, marketing, sale, or delivery of a service, and should enable Welsh companies to compete on level terms in CPTPP markets.
- 6.125 The chapter includes:
- National Treatment and Most Favoured Nation provisions meaning that Parties cannot discriminate against service suppliers in favour of their own domestic suppliers.
 - Market access provisions preventing Parties from placing restrictions on services suppliers including quotas, economic need tests and local employment requirements.
 - Local presence rules which mean that Welsh businesses will not be required to set up an office or any form of enterprise in a CPTPP market to supply services there.
- 6.126 It is important for Welsh companies to be aware of Parties' non-conforming measures detailed within respective Annex 1 country-specific schedules.

- 6.127 The chapter enables Parties to deny the benefits of the chapter to service suppliers in certain cases where the supplier is an enterprise owned or controlled by a non-Party or by the denying Party itself. These provisions aim to allow Parties to prevent service suppliers of non-Parties from benefiting from the Agreement in certain situations and aim to prevent domestic suppliers claiming rights under the Chapter which are meant for foreign suppliers only.
- 6.128 The chapter contains a professional services annex that encourages the recognition of professional qualifications between CPTPP members. This includes encouraging dialogues between regulators and the establishment of a Professional Services Working Group to monitor and facilitate progress.

Chapter 11: Financial Services

- 6.129 This chapter provides rules and commitments for cross-border trade in financial services and removes some restrictions on financial institutions and investors.
- 6.130 The provisions build on the core General Agreement on Trade in Services (GATS) obligations around National Treatment, MFN (most favoured nation) treatment and market access, also promoting increased transparency and regulatory cooperation amongst CPTPP members.
- 6.131 Welsh companies can supply financial services and certain insurance services on a cross-border basis. Welsh companies should assess Annex 11-A for the specific services definitions of each Party.
- 6.132 Financial institutions can outsource their back-office functions, providing respective domestic requirements are met in the host country.
- 6.133 CPTPP Parties cannot require a financial institution of another Party to appoint senior managers or board members from a particular nationality. However, most countries have some derogations on the Senior Management and Board of Directors article except for the UK, Japan, and Peru.
- 6.134 To help companies navigate the regulatory environment CPTPP member countries are obligated to publish their finance regulations in advance, where practicable, and provide reasonable opportunities for members to respond.
- 6.135 The Chapter contains non-conforming declarations which are contained under Annex III, including existing measures which are currently non-conforming (Section A), and in areas where countries may wish to retain policy flexibility space (Section B). The UK appears to have fewer non-conforming declarations than the other countries, which is considered due to the UK's existing liberal regulation regime and through being an acceding Party to the CPTPP Agreement with it more difficult for the UK to negotiate non-conforming declarations.
- 6.136 All member countries have derogations with a few examples including operating restrictions on financial institutions and requirements for local registration, national citizen requirements on boards of directors, and some provisions not applying at regional and local levels. Welsh exporters should assess the Annex III information diligently as part of export strategy preparations to ensure an accurate understanding of the provisions available.
- 6.137 Additional annexes relevant to this chapter include: 11-A,11-B,11-C and 11-D.

Chapter 12: Temporary Entry for Business Persons

- 6.138 The Agreement makes it easier for UK service providers and investors to travel to, live, and/or work temporarily in Malaysia and Brunei, as there are no bilateral agreements in place containing similar provisions. This could provide UK service providers and investors with greater opportunities in those countries.
- 6.139 The Agreement also slightly increases the length of time UK business visitors are allowed to stay in specific member countries where there is already a bilateral agreement in place. For example, certain types of UK business visitors will be able to stay in Peru¹⁴ and Vietnam for up to six months compared with three months under current bilateral agreements. This could provide UK service providers and investors with greater opportunities in these countries.
- 6.140 In broad terms, the UK's commitments are limited to business persons from CPTPP countries that provide similar reciprocal access for UK business persons in equivalent categories. There are specific UK commitments on business visitors for establishment purposes, business visitors, contractual service suppliers, independent professionals, and 'intra-corporate transferees' (ICTs), who can bring their dependants to the UK, obtain work rights for partners, and stay for up to three years. In addition, investors will be able to stay in the UK for up to 12 months.
- 6.141 The UK will participate in the Committee on Temporary Entry for Business Persons on accession to the CPTPP, which meets every three years.

Chapter 13: Telecommunications

- 6.142 The Telecommunications chapter sets out regulatory disciplines within CPTPP members' telecommunications networks and infrastructure to ensure companies experience a transparent and non-discriminatory trade environment.
- 6.143 A summary of the main provisions includes:
- Access to public telecommunications services on reasonable and non-discriminatory terms.
 - Independent regulatory bodies, with decisions and procedures to be applied impartially and transparently.
 - Responsibility on CPTPP Parties to maintain safeguards against anti-competitive trade practices by their major telecommunications suppliers.
- 6.144 Telecommunications policy is not devolved to Wales, therefore there have been fewer policy discussions between Welsh Government and UK government in this area than in areas of the CPTPP Agreement which are devolved. Notwithstanding, Welsh Government recognises the importance of the telecommunications chapter due to the economic and social implications and will therefore seek close engagement with UK government to ensure that Welsh interests in the area are effectively presented.

¹⁴ Peru is covered by the UK-Andean countries trade agreement.

Chapter 14: Electronic Commerce

- 6.145 CPTPP recognises the role of e-commerce in enabling economic growth and has a range of dedicated provisions to improve consumer confidence and remove barriers to usage and development.
- 6.146 A key area of the chapter relates to cross-border transfer of information when conducted as part of a business activity. The Welsh government raised concerns with UK Government throughout negotiations about the potential impact of these provisions on the EU's recognition of the UK as a 'data adequate' country.
- 6.147 If the UK lost its data adequacy status, the EU would require 'appropriate safeguards', as specified under Article 46 of Regulation (EU) 2016/679, to be put in place by companies transferring data between businesses/organisations in the EU and businesses/organisations in the UK. Implementing such safeguards would mean additional administrative and reporting requirements for EU businesses and disruption for Welsh businesses, as they would also need to undertake additional, potentially costly, compliance activities.
- 6.148 The Welsh Government remains concerned about the CPTPP's provisions due to the significant number of high-value Welsh businesses which rely on smooth data transfers with the EU. The UK government has provided reassurances that the CPTPP commitments on data will not change or weaken the UK's position in meeting their EU data protection obligations, which Welsh Government will continue to monitor.
- 6.149 The chapter also contains a range of user protection provisions covering electronic transactions, online consumer protections and personal information, to boost consumer and user confidence when using e-commerce platforms.

- 6.150 The Cross-Border Transfer of Information and the Location of Computing Facilities provisions allow countries to impose restrictions if they relate to achieving a legitimate public policy objective. The Paperless Trading provision is also included as a best endeavour and is not an obligation. CPTPP members could use these exceptions to avoid fully implementing e-commerce provisions which underlines the requirement for Welsh companies to check e-commerce trading rules within each CPTPP country.
- 6.151 Other chapters relevant to E-Commerce chapter includes Chapter 9 (Investment), Chapter 10 (Cross-Border Trade) and Chapter 11 (Financial Services).

Chapter 15: Government Procurement

- 6.152 The chapter sets out standards for how governments in member countries must buy goods, services and construction activities. The UK's accession to the Agreement opens up some sectors of some of the CPTPP countries' government procurement for UK businesses, whilst also protecting key sectors of UK government procurement such as healthcare services and social services.
- 6.153 The Welsh Government is, overall, satisfied with the provisions that were agreed, as the UK's market access schedule (Annex 15-A) is very similar to the UK's Agreement on Government Procurement (GPA) schedule and closely resembles the UK's coverage in the GPA and in its other FTAs. There are five amendments included in the CPTPP, which differ slightly to the GPA and require amendments to procurement regulations. Three amendments have already been included in procurement legislation and the two outstanding technical amendments are due to be actioned soon. The access afforded to CPTPP countries by the UK does not generally exceed the access provided in the UK's other international agreements. We were able to consider these proposed amendments and ensure that Welsh interests in procurement were represented during engagement with UK Government and prior to the CPTPP being agreed.

- 6.154 There may be opportunities for businesses in Wales to take advantage of the government procurement chapter, more so for service suppliers than goods suppliers, given the distance between the UK and many CPTPP members. For example, national treatment and non-discrimination provisions may benefit Welsh exporters tendering for government contracts in some CPTPP member countries by enabling them to compete on a level playing field with domestic companies in those markets.
- 6.155 The main additional benefits of the CPTPP government procurement chapter to Welsh businesses relate to trade with Malaysia, as it is not a Party to the WTO GPA and the UK does not have, or is not pursuing, a bilateral agreement containing GPA-level government procurement chapters. Welsh businesses will therefore have an increased level of access to Malaysia's government procurement market.

Chapter 17: State-Owned Enterprises and Designated Monopolies

- 6.156 This chapter contains rules aimed at ensuring open and fair competition in the way commercially orientated state-owned enterprises (SOEs) and designated monopolies (DM) carry out their business (broadly speaking).
- 6.157 It contains provisions which enable CPTPP Parties to discipline unfair advantages conferred on SOEs, although it should be noted that many Parties have negotiated exceptions to a variety of commitments, including the UK during its accession procedure.

- 6.158 Transparency is a key aspect of this chapter where Parties have an obligation to share a list of their respective SOEs with other Parties. UK government has agreed an exception detailed in Annex 17-D meaning UK SOE information is not required to be disclosed if an organisation is owned or controlled by a sub-central level of Government. This means there is no obligation placed on the Welsh Government to publish information about any of the SOEs it operates which is welcome, given that any such SOEs are unlikely to be large enough to cause market distortion or unfair competition which the chapter seeks to prevent. Many other CPTPP members have also secured this derogation, or similar.
- 6.159 The Welsh Government's position on SOEs is that nothing should restrict its ability to use devolved powers to operate or create SOEs in Wales. Whilst Wales does have SOEs according to the CPTPP definition, because of the de minimis threshold of 200m Special Drawing Rights (SDR), or exceptions for services in the exercise of government authority, these fall outside of scope of the substantive rules. At this time there is no perceived risk to the Welsh Government's autonomy in relation to SOEs, but this will be kept under review in the event of any future obligations.

Chapter 18: Intellectual Property

- 6.160 The Intellectual Property (IP) chapter sets standards for protection and enforcement of IP rights including copyright, trademarks, geographical indications, and patents.

- 6.161 Parties reaffirm existing obligations under Trade-Related Aspects of Intellectual Property (TRIPS) and commit to offering more extensive IP protections in several areas (TRIPS-plus). Protections relating to public health and access to medicines are weaved throughout the chapter. For example, it is stated that the obligations of the chapter do not and should not prevent a Party from taking measures to protect public health and taking measures to promote access to medicines for all, which is positive. Furthermore, The Parties affirm their commitment to ratifying or acceding to key international agreements such as the Madrid Protocol.
- 6.162 National Treatment provisions mean that each Party is required to treat nationals of another Party no less favourably than it treats its own nationals in respect of the protection of IP rights covered under the chapter.
- 6.163 Transparency provisions commit each Party to making information about its IP regime, including laws, regulations, geographical indications, and procedures, publicly available, which is positive.
- 6.164 Provisions for Parties to work together to reduce the complexity and cost of obtaining patents will be welcome to Welsh businesses looking to protect their ideas and innovations in CPTPP markets. However, the achievement of these aims will depend on the commitment shown by member countries and so the implementation of the provisions will be key in determining whether any benefits materialise.
- 6.165 Comprehensive provisions on trademarks are outlined, including rules on procedures for examining and registering trademarks, and for trademark classification. The chapter affirms Parties' commitments to key trademark agreements including the Paris Convention. The UK trademark system is consistent with the CPTPP rules.
- 6.166 The Agreement does not offer the opportunity for the UK to register its GI (geographical indications) protections under the CPTPP. The UK can seek GI protections in bilateral agreements with CPTPP partners and has indicated it intends to do so in future bilateral agreement negotiations. UK producers are also free to seek GI protection through the domestic route (i.e., not through an FTA) in any country which operates a GI regime.
- 6.167 The UK's patent regime is largely consistent with CPTPP provisions. The chapter contains a grace period¹⁵ provision which allows public disclosure of an invention to be made within twelve months prior to the date of the filing of the application in the territory of the Party. Grace periods are utilised in approximately 30 countries, most notably the US. The EU regime, the European Patent Convention (EPC), also contains a grace period provision, but it is very limited in scope and lasts for only six months.
- 6.168 The Welsh Government raised concerns throughout the negotiations about the incompatibility of the CPTPP grace period provision with the UK system, and about the risk of the UK losing membership of the EPC. Losing EPC membership would be damaging to Welsh businesses as there would be an immediate increase in costs for UK-based and international companies seeking to protect inventions in the UK, and remaining EPC member countries. Companies would need to file patent applications in both the UK and EU to maintain IP protection in those regions.
- 6.169 The UK government has negotiated an exception to the grace period provision in the form of side letters with all CPTPP countries. The UK's membership of the CPTPP is therefore consistent with our obligations as a member of the EPC. The UK has committed to promoting international harmonisation on the grace period and will report annually to other CPTPP Members regarding progress on this matter.

¹⁵ A grace period is a period of time, before a patent application for an invention is filed, in which the invention can be disclosed without its novelty being lost – [Patent Harmonisation: US & UK study on Grace Periods \(publishing.service.gov.uk\)](#) – Accessed on 19 January 2023.

- 6.170 UK rules on pharmaceutical products are consistent with the CPTPP provisions. There is a requirement in the CPTPP that a generic or biosimilar medicines company must notify the pharmaceutical originator company when it submits a marketing authorisation application to a regulator to produce and supply an equivalent version. Concerns were raised by UK stakeholders during negotiations including the British Generic Manufacturers' Association that this requirement would provide patent holders with additional time to take legal action designed to prevent or delay competition. It was argued this would delay generic and biosimilar companies from bringing their medicines to market, reduce competition, and keep medicine prices high. The NHS would then suffer financial losses, as generic medicines are estimated to save the organisation billions of pounds annually across the UK¹⁶. The UK government was able to satisfy CPTPP members that the UK's rules lead to equivalent outcomes and that no changes were therefore required domestically. The UK government has agreed side letters with Canada and Vietnam which confirm this position.
- 6.171 The Agreement contains rules protecting industrial designs and affirms the Parties recognition of the importance of improving industrial design registration systems. Parties commit to 'giving due consideration' to ratifying or acceding to the Geneva Act which is the relevant part of the Hague Agreement. The UK is already a member of the Geneva Act.
- 6.172 The UK's copyright system is consistent with the provisions in the Agreement but a minor domestic change will be required via a UK government CPTPP Bill. The change will expand the eligibility criteria through which a performer can qualify for rights in performances.

- 6.173 Enforcement and infringement provisions, including relating to the online environment, commit the Parties to ensuring their laws permit actions and procedures to be taken forward to address any act of infringement of IP rights covered by the chapter. CPTPP rules are more prescriptive than the WTO TRIPS rules on enforcement in several areas.

Chapter 19: Labour

- 6.174 This chapter reaffirms the Parties' commitments to international labour standards and protections to ensure open and fair competition, as members of the International Labour Organisation (ILO).
- 6.175 However, several members of CPTPP are yet to ratify some of the eight core conventions of the ILO, whereas the UK has ratified all of these. These are summarised in Table 5.

Table 5: ILO core conventions not ratified by CPTPP members

CPTPP member	Number of ILO core conventions ratified (out of 8)	ILO core conventions not ratified
Australia	7	<ul style="list-style-type: none"> Minimum Age Convention, however, this is being progressed.
Brunei	2	<ul style="list-style-type: none"> Forced Labour Convention Freedom of Association and Protection of the Right to Organise Convention Discrimination Convention Right to Organise and Collective Bargaining Convention Equal Remuneration Convention Abolition of Forced Labour Convention
Canada	8	NA
Chile	8	NA
Japan	7	<ul style="list-style-type: none"> Discrimination Convention
Malaysia	5	<ul style="list-style-type: none"> Freedom of Association and Protection of the Right to Organise Convention Discrimination Convention Abolition of Forced Labour Convention
Mexico	8	NA
New Zealand	6	<ul style="list-style-type: none"> Freedom of Association and Protection of the Right to Organise Convention Minimum Age Convention
Peru	8	NA
Singapore	5	<ul style="list-style-type: none"> Abolition of Forced Labour Convention Freedom of Association and Protection of the Right to Organise Convention Discrimination Convention
Vietnam	7	<ul style="list-style-type: none"> Freedom of Association and Protection of the Right to Organise Convention

- 6.176 The obligation for countries to “completely suppress such forced or compulsory labour”, other than military, civil service, court orders, for emergencies and minor communal orders is not ratified by Brunei.
- 6.177 The obligation for countries to give their workers the right to autonomy in union organisation and defend workers interests is not ratified in four of the eleven CPTPP countries; these are Brunei, Malaysia, New Zealand, and Singapore. Brunei has no legal basis for either collective bargaining or strikes as there is almost no trade union activity within the country. This is due to the suspension of democratic rights preventing this from happening. Non-Brunei citizens are excluded from most labour laws including freedom of association.¹⁷ In Malaysia, the law grants workers limited rights to organise and to bargain collectively. Large groups of workers such as migrants, and those in certain classifications in the public sector, face restrictions on the right to organise and to bargain collectively. The right to strike is not adequately recognised and many legal restrictions exist, both in terms of workers who are denied the right to strike and in terms of procedures.¹⁸ New Zealand’s labour law only protects strikes for collective bargaining or health and safety. The ILO convention also protects strikes on economic and social grounds and “secondary strikes,” i.e., striking in support of another group of employees on strike. In Singapore, various legal provisions, many of which date from colonial rule, restrict trade union rights, particularly regarding trade union registration and to freedom of association in the public sector.¹⁹
- 6.178 Protection against discrimination for joining a trade union and taking collective action is only not ratified in Brunei. Non-Brunei citizens face serious labour market discrimination as they fall outside of the scope of most labour legislation.
- 6.179 Ensuring all forced labour is abolished is not ratified by two of the CPTPP countries. The countries not currently enforcing this are Brunei, Malaysia, and Singapore. Brunei does have a law prohibiting forced and compulsory labour despite it not ratifying the ILO conventions. Malaysia has a National Action Plan to eliminate forced labour by 2030. Singapore saw this convention denounced in 1979 “due to divergences with the ILO in the interpretation of national legislation with regard to this Convention”²⁰, however there is no indication of forced labour in Singapore.
- 6.180 The right to not be discriminated against on the grounds of race, colour, sex, religion, political opinion, national extraction, or social origin has not been ratified by four of the CPTPP members; these are Brunei, Japan, Malaysia, and Singapore. Brunei has not ratified the fundamental anti-discrimination conventions. In Japan, the conservative notions around ethnic purity still remains strong, however Japan has implemented a convention against all forms of discrimination against women. Despite Malaysia’s prohibition on discrimination, there are exceptions favouring the indigenous peoples of Malaysia including ethnic Malays and members of tribes indigenous to the states of Sabah and Sarawak for favouring Malaysia and the natives of states of Sabah and Sarawak. Singapore doesn’t place legal obligation on employers to act in a non-discriminatory fashion but is contracted to eliminate all forms of discrimination against women.

17 [INTERNATIONAL TRADE UNION CONFEDERATION \(ituc-csi.org\)](https://www.ituc-csi.org/).

18 [20100113134001CLS Malaysia 2010 clean final \(ituc-csi.org\)](https://www.ituc-csi.org/20100113134001CLS_Malaysia_2010_clean_final).

19 [Think Centre Singapore](https://www.thinkcentre.org/).

20 [wcms_752611.pdf \(ilo.org\)](https://www.ilo.org/wcms_752611.pdf).

- 6.181 The requirement for people to be at least 15 years old, or 14 for member states whose education systems are developing, before working, and 18 before carrying out dangerous work has not been ratified by two of the CPTPP members; these are Australia and New Zealand. Australia however is currently undertaking a comprehensive assessment of current law for compliance with this convention and is being considered for ratification. In New Zealand, there is currently no minimum age to start working in New Zealand, if work does not interfere with school and there are no health or safety hazards.
- 6.182 The obligation for member states to take steps to prohibit the worst forms of child labour has been ratified by all members of CPTPP.
- 6.183 The Parties also commit to not derogate from the labour standards listed in the Chapter with a view to boosting competitiveness. However, there is concern that the reference to enforce the labour standards agreed “in a manner affecting trade or investment between the Parties” appears to limit the potential for enforcement quite significantly. This clause suggests that any non-compliance in labour activity that does not fall under trade or investment is not included in the scope of the Agreement. Consequently, the ability to build a sufficient evidence base on the grounds of non-compliance would be a heavy burden and may grant a competitive advantage.
- 6.184 Not only this, but CPTPP members who are considered as developing countries, raising a dispute over non-compliance may make workers worse off. For example, if a dispute was raised over forced labour, if those workers were to not participate in the labour market anymore, then they would be financially worse off as they then wouldn't have a job, or alternatively may turn towards other forms of work in the shadow economy.

- 6.185 The Chapter includes mechanisms to promote cooperation through having a Labour Council who meet within one year of the date of entry and every two years thereafter. This Council will establish priorities, agree on a work programme, and facilitate implementation of the Chapter. The use of a dispute settlement should be used as a last resort and labour consultations should be used as the primary mechanism for resolving any matter.

Chapter 20: Environment

- 6.186 The fundamental objectives of this chapter are ‘to promote mutually supportive trade and environmental policies; promote high levels of environmental protection and effective enforcement of environmental laws; and enhance the capacities of the Parties to address trade-related environmental issues, including through cooperation’.
- 6.187 We welcome some elements of the chapter, such as the recognition of the importance of mutually supportive trade and environmental policies, maintaining our high environmental standards and the flexibility to build on these to support domestic circumstances and policy goals. The continued focus on Multilateral Environmental Agreements to support both domestic and global ambitions, and a focus on measures that support the transition to a resilient low carbon economy are welcome.
- 6.188 Whilst the text may be considered a useful starting point to create an opportunity for discussion on environmental issues with other CPTPP members, the provisions generally demonstrate a lower ambition, with fewer commitments and much weaker language than we would want included in an FTA. This is especially relevant when considering that standards vary across different members.

- 6.189 There are also notable omissions including air quality, circular economy and sustainable agriculture. There is no explicit reference within the chapter text to 'climate change', beyond provisions for the transition to a low emissions economy and the promotion of trade and investment in environmental goods and services. We believe that the UK's aim to reduce the impacts of climate change should underpin and be a common thread throughout the environment chapter in trade deals.
- 6.190 There is also a risk of the UK's standards being undermined indirectly by the importation of products made under lower environmental standards or our own measures being challenged should CPTPP members believe they are not compliant with the agreement.
- 6.191 While we welcome the separate joint statement on environment secured with several CPTPP partners referencing some of these issues, the statement could have achieved a higher level of ambition. Within the statement, the Welsh Government welcomes explicit reference to climate change and the recognition of the important aims of the Paris Agreement. The published statement is non-binding and non-enforceable, does not include all CPTPP partners and does not go further than any of the commitments made in the existing bilateral agreements in place with the five countries named.
- 6.192 The text refers to Parties committing to striving for high levels of protection in their domestic laws and policies, and to continue to improve their respective levels of environmental protection. The general commitments include reference to non-derogation to encourage trade, however, there are no articles in the text committing Parties to non-regression of standards more broadly. The right to regulate clauses should protect our ability to continue to regulate and set environmental standards as appropriate for our domestic circumstances.
- 6.193 The Welsh Government also has concerns about the inclusion of the Investor State Dispute Settlement (ISDS) mechanism, discussed at paragraphs 6.113-6.122 in this report.
- Chapter 21: Cooperation and Capacity Building**
- 6.194 The chapter contains a series of aspirational statements and commitments where Parties acknowledge the important role of cooperation and capacity building activities to accelerate economic growth and development.
- 6.195 The Welsh Government's Programme for Government commits to delivering an ambitious programme of export support and trade promotion through the implementation of the Export Action Plan for Wales. As part of this, in March 2023 the Minister for Economy announced investment of over £4m to deliver a major package of support to help Welsh businesses export globally.
- 6.196 The funding enables a range of support, from inspiring businesses to take up exporting; building export capability; helping businesses find overseas customers; and accessing overseas markets, including those where Free Trade Agreements are agreed.
- 6.197 This includes actions to support businesses to prepare for and maximise opportunities from any new free trade agreements, including, for example, through dedicated 'on-the ground' support and advice via a team of International Trade Advisers, based across Wales; a programme of webinars on specific exporting topics and markets; and trade missions to key markets, including Japan (Oct 2023) and Australia (March 2024), with potential plans for market visits to other CPTPP member countries in the future.
- 6.198 The Welsh Government has highlighted the priority areas on the FTA committees and FTA agreements on engagement to the UK government.
- 6.199 There is no dispute settlement application attached to this chapter.

Chapter 22: Competitiveness and Business Facilitation

- 6.200 This chapter focuses on strengthening supply chains which are central to international trade and investment. The CPTPP countries have strongly integrated value chains between themselves, due to their geographical proximity and sectoral specialisation.
- 6.201 A Committee on Competitiveness and Business Facilitation is established to encourage information sharing on efforts to enhance competitiveness in CPTPP Parties to promote further trade, investment, and economic integration; and to explore ways to take advantage of the trade and investment opportunities the CPTPP creates.
- 6.202 There could be potential benefits to Welsh businesses, exporters and consumers from greater participation in these Supply Chains with opportunities for businesses to enter markets by specialising in intermediate activities within a chain and to enhance into higher-value segments of their industries.
- 6.203 However, Wales's current engagement in CPTPP supply chains is limited especially when compared to our relationship with the EU. The geographical distances between the UK and other CPTPP countries makes it unlikely that a significant number of Welsh businesses will be able to be part of supply and processing chains with CPTPP member countries that are reliant on 'just-in-time' production, or where there is a reliance on 'time/temperature sensitive' production requirements.

Chapter 23: Development

- 6.204 The chapter contains a series of aspirational statements where Parties acknowledge the important role of trade and investment in delivering economic growth, reducing poverty and raising living standards. Parties also recognise the importance of promoting and implementing development policies, as well as ensuring that inclusive growth includes a more broad-based distribution of economic benefits, enabling the sustainable delivery of basic services and expansion of opportunities for people to live healthy and productive lives.
- 6.205 Parties also acknowledge how women's engagement in the workforce and in business, both domestically and internationally, promotes economic growth. Parties agree to cooperate to increase women's ability to fully access and take use of the opportunities made possible by the CPTPP and to 'consider' undertaking joint activities with the aim of building women's skills and capacity, enhancing their access to markets and financial support, and developing women's leadership networks.
- 6.206 The UK, however, was able to secure firmer commitments for supporting women's economic empowerment in recent trade deals with Japan, New Zealand, and Australia. These agreements have a dedicated chapter to trade and gender in which Parties agree how important it is to advance gender equality for inclusive economic growth and to have a trade policy that is sensitive to, knowledgeable about, and committed to gender equality if women are to take part on an equal basis in local, regional and global economies.

- 6.207 Parties also affirm their recognition of the importance of education, science and technology, research and innovation promotion in accelerating growth, enhancing competitiveness, creating jobs and expanding trade and investment. The chapter also states that Parties 'may' encourage' policy design and initiatives to develop expertise and management skills, with the aim of helping business turn innovation into products and start-up companies. The text is largely declaratory but does attempt to open a conversation about linking science, education etc. with Parties' trade and investment growth agendas.
- 6.208 There is no dispute settlement application attached to this chapter.

Chapter 24: Small and Medium-Sized Enterprises

- 6.209 Although the CPTPP contains a specific chapter on Small and Medium Enterprises, the commitments and provisions are high-level and lacking in benefits for UK businesses. This is in contrast to SME provisions that the UK has in the bilateral FTAs with some CPTPP members. The limited benefits of this SME chapter compared to SME chapters secured in the UK's bilateral negotiations exemplifies the difficulties inherent in acceding to a multilateral agreement such as the CPTPP.
- 6.210 CPTPP Parties have agreed to establish and maintain their own publicly accessible website containing information about the Agreement, including information designed to assist SMEs to benefit from the opportunities created by the wider provisions in the Agreement.
- 6.211 The chapter establishes a committee on SMEs that will meet regularly to review how CPTPP helps SMEs, to consider ways to further enhance CPTPP benefits to SMEs and to exchange experiences on best practices to support SMEs and exploring opportunities for capacity building opportunities to enhance SME export counselling, assistance and training programmes.

- 6.212 It is noted that the commitments are less detailed than in bilateral FTAs signed by the UK government. For example, a commitment to name specific points of contact in each country on SMEs is useful but the UK already has this provision in place via bilateral FTAs it has agreed with most of the Parties. Therefore, this provision only provides benefits for UK businesses trading with Malaysia and Brunei, countries with which the UK does not have an FTA in place.
- 6.213 In reality SMEs are more likely to find the commitments and provisions contained in the UK's bilateral FTAs more useful and beneficial for their trading activities.
- 6.214 Dispute settlement does not apply to this Chapter.

Chapter 26: Transparency and Anti-Corruption

- 6.215 Transparency provisions seek to ensure the regulatory and legislative systems amongst all the CPTPP Parties are open and transparent. Since navigating different regulatory systems and requirements can be difficult for businesses, the transparency articles aim to reduce the burden on businesses when considering expanding into CPTPP markets.
- 6.216 The chapter creates standards and best practice requirements around the publication of laws and regulations that are created by CPTPP Parties and ensures that such information is readily available in an open and accessible format, for example in a national official journal or online. This includes administrative rulings of general application i.e., rulings or interpretations that apply generally, rather than to individual persons or goods. The transparency section also requires that these measures are administered fairly and reasonably and includes requirements about impartial and independent review and appeal of administrative action with respect to matters covered under CPTPP.

- 6.217 Although the UK already has anti-corruption provisions in place via bilateral agreements with most CPTPP members, corresponding provisions in the Agreement will provide reassurance for Welsh businesses looking to trade and/or invest in CPTPP countries, that the business environment is generally safe. In other words, businesses can trade and invest with the confidence that legal provisions will help prevent, and/or protect against, any instances of corruption.
- 6.218 The chapter contains measures to eliminate bribery and corruption, including commitments to adhere or accede to international guidance or conventions such as the Asia Pacific Economic Cooperation (APEC) Conduct Principles for Public Officials and the United Nations Convention against Corruption (UNCAC), the only legally binding multilateral anti-corruption treaty.
- 6.219 Anti-corruption provisions are subject to the Dispute Settlement chapter of the Agreement except for Article 26.9 – Application and Enforcement of Anti-Corruption Laws. This exception ensures that each Party retains the right for its authorities to make decisions and exercise discretion when enforcing domestic anti-corruption laws.

Chapter 28: Dispute Settlement

- 6.220 The chapter sets out the binding rules and procedures applicable when a dispute arises between CPTPP States²¹. A number of provisions are exempt from the chapter. Each chapter contains a statement specifying whether CPTPP dispute settlement arrangements apply.

- 6.221 Three circumstances are covered:
- a) The interpretation or application of the CPTPP.
 - b) Where a Party's measure, such as a proposed or existing law or regulation, is alleged to be inconsistent with the CPTPP or that another Party has otherwise failed to carry out its obligations under the Agreement.
 - c) Where a Party considers that a benefit that would have been expected to arise from specific chapters has been nullified or impaired as a result of a measure of another Party which is not inconsistent with the Agreement.
- 6.222 The complaining Party has the right to choose the forum in which it wishes to settle the dispute. There is a requirement that Parties must engage in formal consultations and seek to resolve any dispute via the consultation process outlined. Alternative methods of dispute resolution, such as mediation, are allowed.
- 6.223 Procedures for establishing a panel to consider disputes are listed, including the terms of reference a panel must adhere to and its composition. The panel's role is to consider the dispute, make findings or determinations and recommendations if requested. The Chapter sets out a range of qualifications panellists must possess to participate in panel proceedings including independence, and experience of international trade.
- 6.224 Procedures for panel hearings and how panels must consider disputes are set out. Transparency is a key feature, with provision made for hearings to be open to the public and for submissions to be accessible to the public. Various rules about the content of panel reports are also detailed.

²¹ Disputes between investors and States are covered in Chapter 9, Section B of the Agreement.

- 6.225 Arrangements are set out for when a panel determines that a Party's measure (law or regulation) is inconsistent with its obligations under the CPTPP or that a Party has failed to carry out its obligations. The complaining Party can unilaterally suspend benefits if the two Parties have been unable to agree compensation, or if they have agreed compensation and the responding Party has failed to observe the terms of what they agreed.
- 6.226 Whilst the risk of the Welsh Government acting in a way that would mean a CPTPP State could bring a successful case against the UK is low, the costs involved, even in defending such a claim, would likely be significant. We are currently unclear how any such claim would be funded. Therefore, we remain concerned about this small but significant risk and will continue to seek clarity from the UK government on how disputes under all UK FTAs will be funded.

Annex 1: Economic Analysis

Section 1: Introduction

This section gives an overview of the modelling undertaken by the UK government's Department for Business and Trade (DBT) to assess potential economic impact of the accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The broad approach adopted to assessing the economic impact of the CPTPP involves comparing the UK's performance on a range of economic indicators between a baseline scenario (prior to implementation of CPTPP) and following full implementation of the CPTPP).

Central to implementation of this approach, is the use of the UK Government's Competitive General Equilibrium (CGE) Model, GETRADE. CGE models attempt to represent the economy as a system of equations and account for the interactions between various sectors, households, and markets. CGE models are commonly used to model trade deals because they can capture the complex effects that such agreements can have on different sectors, regions, and individuals. The models can also provide insights into trade flows of third parties, reflecting trade creation and trade diversion effects, as well as the allocation of resources within an economy.

Modelling Assumptions

The GETRADE model captures two key drivers of international trade:

- The gains from trade arising from specialisation across countries.
- Using a variety of imported inputs in intermediate production can help firms lower production costs creating gains from trade.

The model makes a set of stylised assumptions about the resources in an economy, most notably:

- full employment of labour: in the long run the economy fully adjusts to new trade policy and displaced workers would be reallocated to jobs in other sectors.
- the capital supply in the model is not fixed, allowing for capital stock accumulation to occur by assuming a fixed rate of return to capital.
- perfect labour mobility between sectors in the same country but not across skill types or between different countries.
- countries are primarily linked via trade in goods and services; there are no migration or international capital flows.

The model does not capture dynamic effects, for example on productivity or reductions in resource misallocation across heterogeneous firms.

Data

The modelling of the baseline is based on version three of the Global Trade Analysis Project (GTAP) dataset for 2017, the latest year available at the time of the analysis. The GTAP dataset aims to provide a consistent representation of the world economy for a pre-determined reference year. The dataset is constructed from several data sources, including national input-output tables, trade, macroeconomic, energy and protection data.

The analysis covers the following regions: UK, CPTPP11, South Korea, Thailand, USA, EU27, the Pacific Islands, Least Developed Countries (LDCs) and the rest of the world. A total of 61 sectors have been modelled, but these sectors are aggregated up to 23 sectors for presentational purposes.

The Baseline Scenario

The baseline scenario used in the modelling reflects the levels of trade, tariffs, and other economic conditions where the UK has not acceded to CPTPP.

The modelling of the baseline scenario attempts to capture relevant changes to UK and CPTPP members' trading relationships with other countries since 2017. Thus, the impact of recent FTAs, such as the UK-Australia and UK-New Zealand FTAs are incorporated into the baseline.

Introduction of changes

Having established a baseline, the next stage of the modelling introduces three sets of changes to trade policies arising from the UK's accession to CPTPP into the model i.e.:

- Changes in tariffs
- Changes to trade costs associated with changes to non-tariff barriers in goods sectors and
- Changes to regulatory restrictions on services.

Simulation and Analysis

Once the trade policy changes and assumptions are incorporated into the model, simulations are run to estimate the economic effects of the trade deal. The UK government's analysis models the potential changes in key economic indicators, such as economic output, employment, trade balances, sectoral output, and consumer prices resulting from the UK joining CPTPP versus not doing so, over the long term.

Impact on UK nations and regions

The UK government has extended the core CGE modelling to generate indicative estimates of the potential net impact on the UK nations and regions by weighting the UK-wide change in sectoral output by regional and sector output. The UK level results and results for the UK nations and regions are not directly comparable since:

- i. The results for the UK nations and regions are presented in nominal terms i.e., do not adjust for effects of rising prices and are therefore higher than real terms estimates. Real terms measures are the better measures of growth as they provide estimates of the volume of additional activity.
- ii. The measures of economic output used are different but related. The UK level analysis uses Gross Domestic Product (GDP) and the regional analysis uses Gross Value Added (GVA). The two are linked through the equation:

GVA + taxes on products – subsidies on products = GDP Regional Multipliers

The UK Government conducts additional analysis that attempts to capture potential regional multipliers which arise when tradeable sectors and exporters pay higher wages and the expansion of trade leads to the creation of jobs in other non-tradeable sectors, through a 'local employment multiplier effect'.

To calculate the regional impact, the approach multiplies the region by sector GVA value by each sector's location quotient and the modelled CGE change for that sector. The location quotient attempts to proxy for potential second order effects in each region. The sectoral changes are then constrained to ensure that the overall change in a sector matched the sectoral change from the CGE results.

The multipliers increase the modelled impact of the UK joining CPTPP on the UK's nations and regions. However, this approach has several methodological and practical limitations most notably:

- An inconsistency with the UK level approach where no multiplier effects are assumed.
- Uncertainty around the degree to which the location quotient is an accurate proxy for multiplier effects.

Sensitivity Analysis

The UK Government's analysis then tests the robustness of the results to variations in some of the key assumptions and parameters underpinning the model.

Caveats

CGE models can provide insights into the potential consequences of different trade policy choices including an indication of the potential magnitude of economic impacts resulting from these policy changes. However, models, including GETRADE, are simplifications of the real world and their results should be interpreted with caution. Individual results are not precise estimates and should be interpreted as indicative of the direction and broad scale of impacts.

The results show the expected long run (10-15 years after accession) impacts but say little about the short-term impacts of the UK's accession.

Summary of findings

The UK government's analysis suggest joining the CPTPP is expected to increase long-run UK GDP by around £2.0 billion each year when compared to projected levels of GDP in 2040 in the absence of the FTA.

The gains are mostly driven by:

- i. Increases in goods and services exports. As barriers to trade are removed and the cost of importing UK goods is lowered for CPTPP firms, UK exports to CPTPP are estimated to increase by £2.6 billion (3.6%) when applied to projected levels in 2040 in the absence of the FTA.
- ii. Increase in household incomes. The modelling estimates an increase in wages for UK households by around £1.0 billion every year in the long run, when compared to 2021 levels.

Overall

The results are presented in 2021 prices; however, DBT has also applied these results to its projections for trade growth to provide estimates that incorporate the projected growth in trade by 2040, irrespective of the trade agreement.

Given there is currently limited economic modelling capability for Wales of the type used for this assessment²², the Welsh Government has been unable to conduct or commission CGE modelling of the final deal and its direct impact on Wales for this report. However, if this capability was available, it is unlikely the outputs would vary significantly from those produced at the UK level – although it is possible additional sensitivity analysis would be undertaken. The results should be presented within a wider context, whereby the potential benefits associated with the UK joining CPTPP are compared with the losses from the UK's exit from the EU.

To this end, DBT's CGE analysis for the UK, from which there are some limited results on the high-level impacts on Wales, can be drawn upon. At the more detailed level, the impacts on Wales can be inferred by considering what portion of the net benefits estimated for the UK could be attributed to Wales.

To provide the necessary context, it is important to note the UK government's analysis presents the impacts of the UK joining CPTPP versus the UK not joining CPTPP. Central estimates are presented together with sensitivity analysis which aim to reflect the uncertainty associated with estimating the long-term impact of the Agreement.

As shown by the UK government's own economic modelling, securing FTAs with third countries will do little to compensate for the loss of access to EU market, increasing UK GDP by less than 1% compared to a loss of up to 10% had the UK failed to reach a deal with the EU. In simple terms, this would leave the Welsh economy worse off over the long term (15 years). Whilst the UK's accession to CPTPP could facilitate increased trade between Wales and CPTPP member countries, the evidence is clear that the impact of this Agreement is minimal when compared with the loss of access to the EU market, of which Wales' goods exports are particularly reliant on. Having said that, even a small percentage change in GDP is equivalent to a considerable amount in monetary terms and could be of substantial benefit to the small number of Welsh importers and exporters that trade with CPTPP member countries.

Section 2: What will be the effect on economic well-being?

Benefits of trade

Countries engage in trade because it is mutually beneficial and can lead to several benefits for businesses, consumers, and the wider economy. Businesses gain from greater revenue and profit, which can lead to more investment, productivity, and innovation. Agreements with a wider range of countries can also lead to supply chains diversifying for businesses which can improve economic resilience – an issue which has been raised during and following the COVID-19 pandemic and as a result of the Russia-Ukraine conflict. Consumers can gain from greater choice in the variety and quality of goods and services, potentially lower prices through increased competition, higher real wages and living standards. Trade allows countries to allocate their resources to activities in which they are more productive. Increasing openness through trade is also found to have a dynamic benefit in that it drives increased domestic productivity through greater competition and contestability. The complexity in capturing this through economic modelling may therefore lead to an underestimation of the benefits of trade.

Domestic policies may reduce trade flows between countries and the associated benefits. The most common policy measures are tariffs, tariff rate quotas (TRQs) and subsidies, but can also include complex regulations (for example, health and safety, packaging, labelling and product regulations) and customs procedures. These restrict free trade, which distorts the market price, lowering competition and reducing choice for consumers, though may provide other benefits.

²² Economic modelling for Wales poses a number of challenges. Most of these are related to data availability. There are some improvements in train here, led by both the ONS and the Welsh Government (including the experimental Trade Survey for Wales). However, the close integration of the economy in Wales with the wider UK means that modelling of the economy in Wales would probably need to be "nested" in a wider model of the UK. This kind of modelling would be relatively novel and unlikely to deliver robust results in the near term.

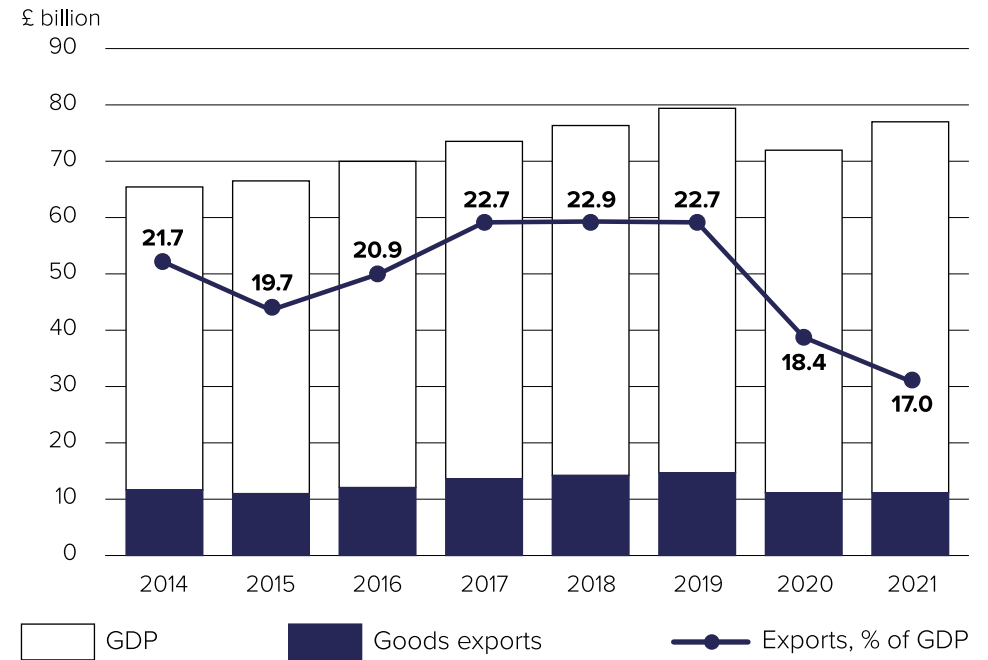
Given the benefits of free trade, liberalisation generally has a positive impact on GDP and citizens' welfare. However, changes in the pattern of trade does lead to some sectors expanding and some sectors declining in response to increased international competition.

Wales as a trading nation

Trade is a vital part of ensuring the prosperity of Welsh people through fuelling the economy, generating jobs and providing choice for consumers at the most competitive prices. This section predominantly focuses on the importance of goods exports (i.e. goods that are exported outside of the UK) to the Welsh economy. Whilst we focus on exports, it is important to note that imports are also important. Whilst the link between reducing tariffs on imported goods or reducing trade barriers to make importing goods easier and the availability and price of those goods is not always guaranteed or straightforward, imports still remain an important factor in influencing consumer choice and the price of goods available.

In 2019, (the last stable year of data), goods exports to outside the UK made up a considerable part of the Welsh economy, equivalent to nearly 23% of Welsh GDP²³.

Chart 1: Wales' goods exports as % of GDP



Source: WG analysis of ONS and HMRC RTS.

23 Despite 2020 data being available, 2019 is used here to avoid over-interpreting the impact of the COVID-19 pandemic on Wales' trading performance.

International exports provide an important market for Welsh firms, and imports provide inputs to businesses and goods for consumers, usually keeping prices down and increasing choice. Recent years have been particularly volatile for global trade, and even more so for the UK and Wales, with the challenges observed due to the UK's exit from the EU compounded by volatility from the COVID-19 pandemic and the Russian invasion of Ukraine. Despite both UK and Wales' export recovery being slower than other G7 countries (who all exceeded their pre-pandemic level of exports by 2021), the value of Wales' goods exports recovered beyond pre-pandemic values in the second half of 2022 and are now valued at £20.4bn in year ending Q2 2023.

Whilst a recovery of the value of goods exports is positive news, it should be noted that Welsh goods exports appear to continue to be much lower than would have likely been the case in the absence of recent events. It is however not possible to determine the precise scale of the impact or disentangle the impact of the UK's exit from the EU from that of the pandemic. However, it appears likely that EU exit is playing a significant role.

Global economic events, particularly the war in Ukraine, are affecting the value of trade, especially with inflationary pressures pushing up the price of products. This issue is prevalent since Q1 2022, with price volatility impacting on a broad range of products. The petroleum sector is thought to be particularly affected, with the value of petroleum exports from Wales increasing sharply, whilst the volume is growing at a much slower rate. This effect on the value of exports presents challenges in interpreting Welsh trade performance. It could be presenting an overly optimistic picture given that the observed recovery is likely to be driven by inflationary pressures; disproportionately affecting the value compared with the volume of trade.

Between 2017 and 2021²⁴, goods exports have on average, consistently accounted for a higher proportion of GDP for Wales than any other part of the UK. This suggests Wales may be more directly exposed to economic shocks from changes in trading relationships than elsewhere in the UK.

Table 1: Goods exports as % of GDP for UK countries (5-year average)

Devolved Government	Goods exports as % of GDP (2017-21 average)
Wales	21.5%
Scotland	18.2%
Northern Ireland	17.9%

Source: WG analysis of ONS and HMRC RTS.

Latest data for the year ending March 2023 shows the majority (around 57.2%) of Wales' goods exports continue to be destined for the EU market. Wales' dependence on the EU market reflects how deeply embedded within EU supply chains Welsh businesses are, indicating that joining CPTPP is likely to have only a minimal impact on Wales' overall exporting performance.

The EU continues to be an important market for Welsh goods exports, with the majority (57.2%) of Welsh goods exports heading there according to latest data for the year ending March 2023. However, this importance has been decreasing over recent years from 60.6% in 2019. Whilst for Wales, the importance of the EU market has weakened, the opposite is true for both Northern Ireland and Scotland who now export a higher proportion of their exports to the EU than previously. This Welsh shift away from the EU market for Wales is not unexpected given the change in trading terms with the EU following the end of the transition period. The re-structuring of supply chains, coupled with the increasing focus towards non-EU markets, particularly as the UK Government secures trade deals with countries including CPTPP (with many more in negotiation), could partly explain this, however more data is needed before conclusions can be drawn.

24 2021 is the latest available data for Wales' GDP.

Table 2: Goods exports to the EU by UK nation (£bn and %)

	Goods Exports to EU (£bn)		EU exports as % of all international goods exports	
	2019	YE Q2 2023	2019	YE Q2 2023
Wales	£10.8 bn	£11.8bn	60.6%	57.8%
Northern Ireland	£5.4 bn	£6.6bn	59.1%	64.1%
Scotland	£16.7 bn	£21.8bn	49.6%	59.4%

Source: HMRC Regional Trade in Goods.

Analysis suggests that overall, Wales' trade with CPTPP countries has been growing on average over the last five years. This is coupled with CPTPP being a growing proportion of Wales' total trade over the last seven years. While Wales' exports to CPTPP appear to be growing on average this is at a slower rate to total trade, and imports also appear to be growing but at a faster rate than total trade. There are several countries within CPTPP however where Wales' trade has been declining. In terms of total trade and exports, Singapore has been a declining country on average over the past five years. In terms of imports, Wales' imports have been declining from New Zealand, Chile, and Canada on average over the last five years. It is important to note that due to small values of trade in some countries within CPTPP, trade is often very volatile and therefore true growth patterns are not prevalent in analysis.

Analysis of Wales' comparative advantage in goods, suggests Wales' top exporting strengths lie within 'Transport equipment', 'Power generating machinery & equipment', and 'Live animals'. In comparison, CPTPP member countries specialise in a variety of different sectors. For example, New Zealand's top exports include products of animal origin (Dairy, eggs, honey and meat) and Australia specialise in exports of natural resources (mineral fuels and ores), whilst Canada's relative strengths lie in mineral fuels and automotive exports. Despite there being differences across key areas of specialisation for both countries, lack of detailed product level data means we are unable to identify whether the specific products produced by each country are economically complementary or not.

Analysis by DBT²⁵ estimates that in 2016, around 196,000 FTE jobs in Wales were supported by exports of both goods and services, equivalent to around 6.3% of all jobs. Of all the UK nations and regions, Wales was found to have the lowest proportion of its jobs supported by total exports, slightly below the North-East and Northern Ireland. Given the strong contribution of goods exports to Wales' economy (as earlier highlighted), this suggests that the contribution of services exports to Wales' economy lags behind relative to other parts of the UK. In addition, we believe this disparity between the contribution of exports to GDP versus how many jobs are supported by exports in Wales could be driven by a few high value industries including (but not limited to) the petroleum industry which, despite being high value in terms of exports for Wales, supports only a very small number of direct jobs within Wales.

DBT's analysis estimated that around 3.0% of the UK's jobs supported by exports were within Wales. In 2016, the top three sectors where the most jobs were directly supported by exports in Wales were: security and investigation activities (13,000), accommodation and food service activities (9,000), and retail trade (8,000). Jobs in Wales indirectly supported by exports were primarily found within security and investigation activities (7000 jobs), and retail trade (5,000 jobs).²⁶

25 DBT, [Estimating the relationship between exports and the labour market in the UK](#).

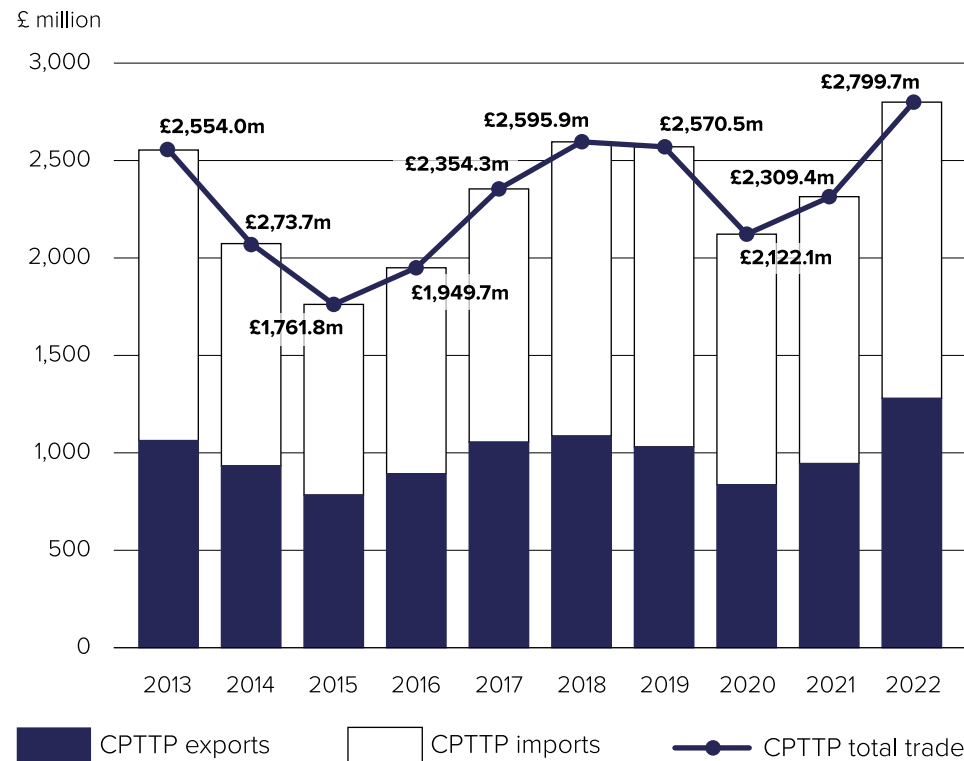
26 [Number of regional jobs linked to EU exports – GOV.UK \(www.gov.uk\)](#).

Section 3: Trade between Wales and CPTPP member countries

Trade in Goods

- The value of Welsh goods trade with CPTPP partner countries has fluctuated since 2013, dipping to around £1.8bn in 2015, largely driven by falls in Petroleum trade with Canada, before recovering to its 2013 level of £2.6bn by 2018.
- More recent data shows the value of total goods trade between Wales and 10 of the 11 CPTPP countries²⁷ was around £2.5bn in the year ending June 2023, showing the recovery in trade values since the COVID-19 pandemic.
- Imports and exports were worth £1.3bn and £1.2bn respectively.
- This latest data shows CPTPP accounted for around 5.8% of Welsh goods exports, and around 5.6% of Wales' total goods imports.

Chart 2: Trade in goods between Wales and CPTPP member countries (£m)



Source: HMRC RTS.

27 There is no record of trade in goods between Wales and Brunei.

Table 3: Welsh Trade in Goods by individual CPTPP member country

Country	Value of Goods Exports (£m)	Exports ranking	% of total Welsh goods exports	Value of goods imports (£m)	Imports ranking	% of total Welsh goods imports
Canada	426.50	10th	2.10%	275.2	24th	1.20%
Japan	305.10	15th	1.50%	575.4	12th	2.50%
Singapore	170.00	20th	0.80%	225.6	27th	1.00%
Australia	144.50	22nd	0.70%	94.9	40th	0.40%
Malaysia	58.30	37th	0.30%	61.3	50th	0.30%
Mexico	45.70	42nd	0.20%	12.2	71st	0.10%
Vietnam	9.50	71st	0.00%	57.3	51st	0.20%
New Zealand	21.00	53rd	0.10%	11.2	74th	0.00%
Chile	6.90	76th	0.00%	6.2	79th	0.00%
Peru	2.90	86th	0.00%	3.4	84th	0.00%
Brunei	-	-	-	-	-	-
Total CPTPP Countries	1.19bn		5.8%	1.32bn		5.6%

Source: HMRC RTS, Year ending June 2023.

The following tables provide the top five imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Table 4: Top 5 import sectors from CPTPP to Wales on average from 2020-2022

Goods Imports (2020-22 average)	Value (£m)
Metalliferous ores & metal scrap	£416.2
Power generating machinery & equipment	£204.3
Petroleum, petroleum products & related materials	£200.0
Coal, coke & briquettes	£122.5
Ele machinery, app & appliances & ele pt thereof n.e.s.	£92.7

Source: HMRC RTS.

Table 5: Top 5 export sectors from Wales to CPTPP on average from 2020-2022

Goods Imports (2020-22 average)	Value (£m)
Petroleum, petroleum products & related materials	£167.4
Power generating machinery & equipment	£159.8
Medicinal & pharmaceutical products	£85.7
Non-ferrous metals	£73.7
Metalliferous ores & metal scrap	£72.6

Source: HMRC RTS.

Further information on the top imports and exports by sector for each individual country is available in Annex B.

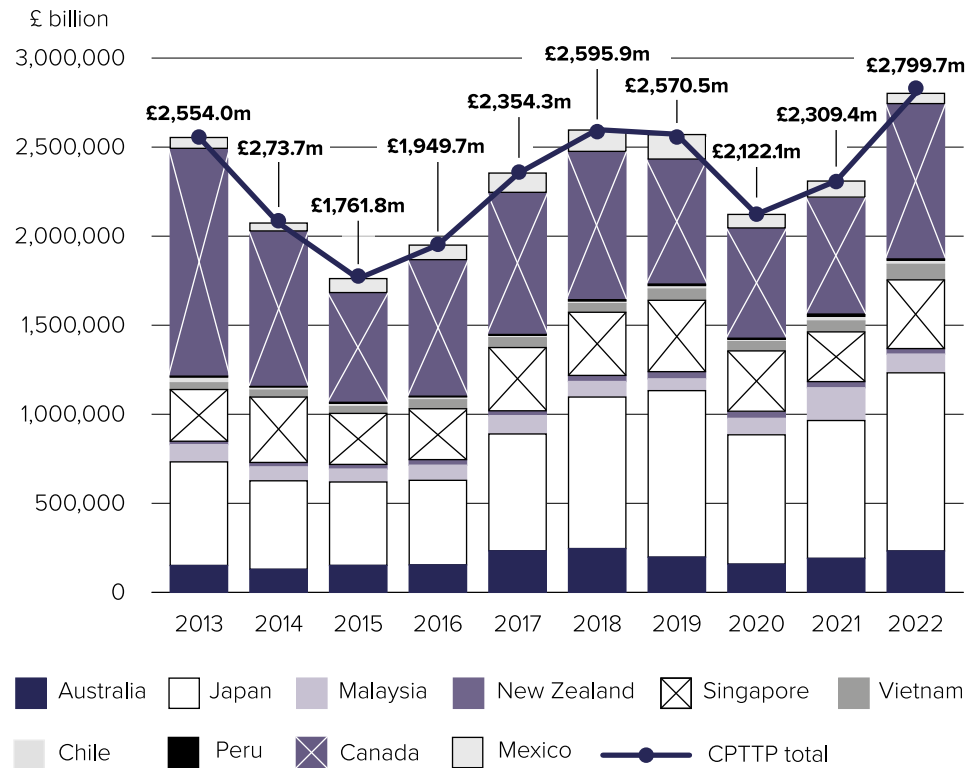
Chart 3: Wales' total trade with CPTPP by country

Chart 4 shows how much each country contributed to Wales' total trade to CPTPP. The top three countries driving Wales' trade with CPTPP are Canada, Japan, and Singapore. The contribution from each country has remained relatively consistent over the past 9 years with the largest fluctuations being in Canada and Japan's contribution to total trade with CPTPP.

Goods Market Access

The UK Government's impact assessment states that accession to CPTPP will result in over 99% of current UK goods exports to CPTPP members as being eligible for tariff-free trade once tariff staging is complete –

the current figure is 98.1% once bilateral agreements are fully implemented. In return the agreement will also see almost all – 99.9% of current UK goods imports from CPTPP eligible for free trade in comparison to the current figure of 97.8%.

Trade in Services

Experimental statistics are produced by the Office for National Statistics (ONS) which provides regional estimates of services imports and exports, for which the latest data available is 2021. This is provided for broad functional category (e.g., financial services), with some information provided on the destination/country of origin of these imports and exports. Due to disclosure rules, the value of trade is not available for a number of countries, therefore it is not currently possible to determine the value of Wales' total services trade with CPTPP, however the countries the data is available for are found in the table below.

Table 6: Value of Welsh Service Imports and Exports

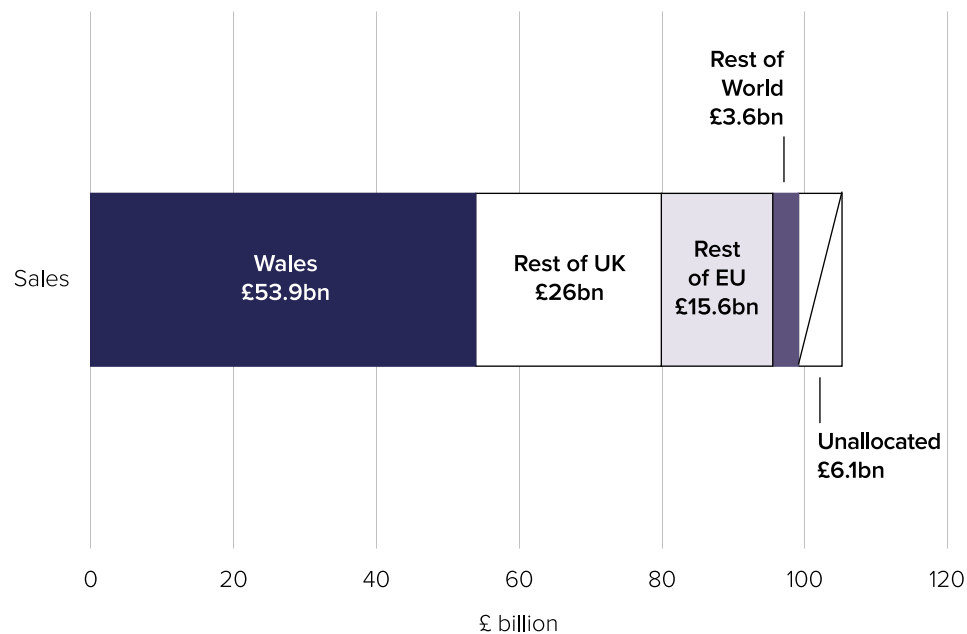
Country	Value of Service Exports (£m)	% of total Welsh service exports	Value of Service Imports (£m)	% of total Welsh service imports
Australia	£80m	1.2%	£30m	0.8%
Canada	£89m	1.3%	£58m	1.5%
Japan	£107m	1.6%	£70m	1.8%
Singapore	£116m	1.7%	£61m	1.6%
Total	£392m	5.8%	£219	5.7%

Source: ONS ITIS

Indirect trade through other parts of the UK

In addition to the direct impact on Welsh businesses, there will also be indirect impacts through supply chains. Given the close proximity to the border with England, the Welsh economy is deeply embedded within the wider UK economy and plays a key part in UK supply chains. Latest experimental estimates from our [Trade Survey for Wales](#) indicate that nearly 25% (£26.0bn) of the value of all sales from businesses in Wales went to the rest of the UK in 2019, of which nearly 80% (£20.7bn) of these sales were to England. This suggests Wales could also be exposed to impacts which are not captured by the CGE results, given the cross-border nature of our supply chains.

Chart 4: Total Welsh Sales by destination, £bn (2019)



Source: Trade Survey for Wales, 2019 (TSW)

This also reinforces the trade gravity theory that suggests countries trade with partners who are geographically closest to them and highlights the relatively limited impact securing a free trade agreement with such a geographically distant trade block such as CPTPP can truly have on Wales' economy.

Section 4: Computable General Equilibrium (CGE) modelling results

The scale of the macroeconomic and sectoral impacts is estimated using Computable General Equilibrium (CGE) modelling undertaken by the Department for Business and Trade. Further details on the methodology can be found in the annexes included within [DBT's impact assessment available here](#).

It should be noted that, due to technical developments in the economic modelling used, the results presented within DBT's impact assessment are not comparable with those presented within its 2021 scoping assessment. These changes are largely due to the implementation of recommendations from DBT's modelling review panel, further details of which can be found on page 36 of DBT's impact assessment. In addition, these results are not comparable with those presented within the impact assessment for the UK-Japan CEPA published in 2020 but are comparable with the UK-Australia and UK-New Zealand FTA impact assessments published in 2021 and 2022 respectively. Lack of comparability between the assessments published by DBT makes it difficult to assess the estimated impacts of each FTA relative to others. It is also a barrier in understanding the cumulative impacts of the various FTAs the UK government are in the process of negotiating. The Welsh Government continues to make the case to UK government for the need to model the cumulative impacts of FTAs, but at present we are not aware that any such modelling has been undertaken.

Section 5: UK, Wales and CPTPP Macroeconomic impacts

Table 7: Summary of estimated long-run²⁸ macroeconomic impacts of the UK joining CPTPP compared to baseline

Impact	Metric	Percentage change on baseline	£ change on baseline (compared to 2040 in 2021 prices)	£ change on baseline (compared to 2021 in 2021 prices)
Economic Output GDP	Change in GDP	Not Given	£2.0bn	£1.5bn
Trade	Change in UK exports to CPTPP	3.56%	£2.6bn	£2.0bn
	Change in UK imports from CPTPP	4.17%	£2.3bn	£2.3bn
	Change in total UK exports	0.14%	£1.1bn	£1.0bn
	Change in total UK imports	0.13%	£1.1bn	£1.0bn
Real Wages	Change in real wages	0.11%	Not available	£1.0bn

Source: DBT modelling (2023).

The macroeconomic impacts for the UK and CPTPP estimated using the CGE model are summarised in Table 6. The impacts indicate that a combination of increased competitiveness of exports, increased competition from firms and price changes are expected to drive productivity gains in the UK and CPTPP. These can, in turn, lead to an expected long run increase in GDP, wages and trade compared to the baseline. While the analysis draws on robust evidence and the best tools available for this type of analysis, there is inherent uncertainty in the results meaning they should be interpreted with caution and not considered economic forecasts for the UK economy.

The static nature of the approach used for this analysis means that the results are intended to reflect the long-term static impact of an FTA after 10-15 years but fails to capture the full range of dynamic impacts of the trade agreement. This means that these results tell us very little about the short-term impacts and should therefore be considered alongside other relevant evidence. The CGE central estimates produced do not capture the forecasted growth in UK trade as outlined in [DBT's Global Trade Outlook](#), therefore, the results have also been applied to the expected growth figures for 2040 to provide fuller analysis of the expected impacts of the UK joining CPTPP (these estimates are also included in Table 6).

28 The long run is generally assumed to mean around 10-15 years from implementation of the agreement.

Given the complexity of producing robust estimates at lower levels of aggregation, CGE modelling results have only been provided at the Wales level showing the estimated change to Gross Value Added (GVA) compared to the baseline. These results have been produced by apportioning the UK level results to each UK nation based on current output (GVA) and where necessary employment shares of sectors within each nation and region of the UK.

Table 8: Estimated long run Impacts of the UK joining CPTPP on Wales

Estimated impact on Welsh GVA % (£m)	
Central Estimates	Sensitivity Analysis Estimates
0.16% (£110m)	0.16% (£100m)

Source: DBT modelling and calculations (2023)

Based upon the pattern of estimated sectoral GVA changes, the results suggest that the UK accession to CPTPP could increase GVA in all nations and regions of the UK based on central estimates, with the estimated long run impact on Wales' GVA found to be around 0.16%. In comparison to the FTAs agreed with Australia and New Zealand the GVA increase for Wales is more similar to all other UK regions with only five regions seeing larger increases in GVA. The largest difference is between Wales and the West Midlands which is estimated to increase GVA by 0.22%

DBT has also provided the associated monetary value of such an increase in GVA. This is intended to provide an indicative order of magnitude, based on nominal levels of GVA in 2019, which for Wales would be a gain of around £110m. Given the limitations associated with this approach and the overall uncertainty, these should be interpreted with caution and as indicative magnitudes rather than precise estimates or forecasts.

Table 9: Indicative change in regional value added, long run % and value changes, 2019 current prices

UK nations and regions of England	Main scenario	
	% Change in GVA	Change in GVA £million, 2019
East of England	0.16%	270
East Midlands	0.19%	210
London	0.15%	700
North East	0.18%	100
North West	0.17%	310
South East	0.16%	450
South West	0.16%	230
West Midlands	0.22%	320
Yorkshire and the Humber	0.17%	210
Northern Ireland	0.16%	70
Scotland	0.16%	240
Wales	0.16%	110

Source: DBT calculations using ONS and NISRA Business Register Employment Surveys 2019, ONS regional GVA estimates 2019.

The results presented above reflect the central estimates produced, however, given the high degree of uncertainty associated with the results presented, sensitivity analysis has also been undertaken. At the regional level, this sensitivity analysis involves adjusting the apportioned sectoral impacts using location quotients in order to account for local spending multipliers. The method is described further in Section 7 of DBT's impact assessment. For Wales, the results for the sensitivity scenario were broadly comparable with the central estimate.

Whilst CGE modelling is considered the best approach for estimating the long run impacts of a trade agreement with CPTPP, it is important that the outputs from such modelling are interpreted within the context of the limitations of the approach. In addition to the general limitations of CGE modelling outlined within DBT's CGE modelling annex, the Wales level results are also subject to the following limitations:

- fail to explicitly consider the varying trade patterns of individual sectors across each part of the UK
- assumes the long-term structures of Wales' economy is consistent with GVA and employment data from 2019
- assumes that the sector GVA shock is the same for Wales as it is for the UK as a whole i.e. the CGE model provides only a UK-wide sectoral shock
- does not give any insight into how Wales' economy adjusts to a new long-term equilibrium
- it is based on sector results and location quotients at a highly aggregate level. It therefore does not fully reflect differences in patterns of production across nations and regions of the UK
- fails to explicitly account for impacts arising from the Windsor Framework.

Section 6: Sector Impacts

The economy of each nation of the UK is made up of a different composition of sectors; therefore, there are likely to be differences in how each one is affected by trade agreements – particularly in terms of output and employment. For example, agriculture makes a larger contribution to Wales' economy compared with the UK economy, therefore the impact estimated for this sector's £m GVA is likely to be disproportionately felt in Wales compared to other parts of the UK. The analysis also shows that the Agriculture, Forestry and Fisheries sector will face increased pressure from increased imports from CPTPP partner countries compared to only a small increase of exports from the UK to CPTPP countries. Not only this, but as more trade agreements are signed, there is likely to be a cumulative impact on the Welsh economy – particularly in relation to sectors where the partner country has a competitive advantage.

Whilst no CGE estimates are available showing the sectoral impacts for Wales, this information is available at the UK level and can be used to infer the broad magnitude of impacts for Wales. Table 9 outlines the estimates by sector at the UK level. Table 10 shows how each sector may be affected by increased imports and exports.

Table 10: Estimated percentage change in GVA by sector and pound equivalents

Broad Sector Category	GTAP-23 Sector	Change in GVA (%)	Change in GVA, (£ million, 2021)	Change in sector share of total UK GVA (percentage point)
Agri-food	Agriculture, forestry and fishing	0.01%	1	0.00
	Beverages and tobacco products	0.36%	34	0.00
	Other processed food	0.14%	23	0.00
	Semi-processed food	-0.06%	-5	0.00
Industry	Chemical, rubber, plastic products	0.02%	7	0.00
	Energy	0.04%	19	0.00
	Manufacture of electronic equipment	-0.38%	-67	0.00
	Manufactures	0.09%	31	0.00
	Manufacture of motor vehicles	1.27%	183	0.01
	Manufacture of machinery and equipment n.e.c	0.05%	8	0.00
	Manufacture of other transport equipment	-0.18%	-24	0.00
	Manufacturing n.e.c	0.08%	17	0.00
	Paper and printing products	0.04%	4	0.00
	Textiles, apparel and leather	1.29%	90	0.00

Broad Sector Category	GTAP-23 Sector	Change in GVA (%)	Change in GVA, (£ million, 2021)	Change in sector share of total UK GVA (percentage point)
Services	Business services	0.01%	22	-0.01
	Communication	0.05%	68	0.00
	Construction	0.12%	119	0.00
	Financial services	-0.05%	-45	0.00
	Insurance	0.00%	1	0.00
	Other services (transport, water, dwellings)	0.08%	187	0.00
	Personal services	0.01%	10	0.00
	Public services	0.02%	76	0.00
	Wholesale and retail trade	0.03%	67	0.00

Source: DBT CGE Modelling. n.e.c. means not elsewhere classified. It is used to denote entities that do not fit into existing classification categories.

Table 11: Estimated change in trade and distribution of SMEs, by sector

Broad Sector Category	GTAP-23 Sector	Sectoral distribution of SMEs	Estimated change in GVA £m (2021 price)	Estimated change in imports, £m (2021 price) (percentage point)	Estimated change in exports, £m (2021 price)
Agri-food	Agriculture, forestry and fishing	2.7%	1	9	1
	Beverages and tobacco products	0.2%	34	6	77
	Other processed food	0.7%	23	28	70
	Semi-processed food	0.4%	-5	144	65
Industry	Chemical, rubber, plastic products	0.4%	7	148	166
	Energy	0.4%	19	1	1
	Manufacture of electronic equipment	0.1%	-67	288	34
	Manufactures	0.5%	31	107	100
	Manufacture of motor vehicles	0.1%	183	152	712
	Manufacture of machinery and equipment n.e.c	0.8%	8	249	183
	Manufacture of other transport equipment	0.6%	-24	121	30
	Manufacturing n.e.c	0.2%	17	75	93
	Paper and printing products	1.3%	4	11	21
	Textiles, apparel and leather	0.4%	90	84	186

Broad Sector Category	GTAP-23 Sector	Sectoral distribution of SMEs	Estimated change in GVA £m (2021 price)	Estimated change in imports, £m (2021 price) (percentage point)	Estimated change in exports, £m (2021 price)
Services	Business services	22.9%	22	41	55
	Communication	1.1%	68	54	99
	Construction	16.4%	119	4	3
	Financial services	1.2%	-45	82	-3
	Insurance	0.6%	1	6	3
	Other services (transport, water, dwellings)	8.6%	187	39	39
	Personal services	9.1%	10	7	-1
	Public services	15.8%	76	27	54
	Wholesale and retail trade	15.6%	67	93	1

Source: DBT modelling 2022. n.e.c. means not elsewhere classified. It is used to denote entities that do not fit into existing classification categories.

Tariff Reductions

Reductions in tariffs on goods traded between the UK and CPTPP countries are likely to boost the flow of trade between all countries, both by increasing the value of trade from experienced traders and encouraging new exporters to trade with CPTPP countries. The modelling estimates by 2040 a 3.56% (equivalent to £2.6bn) increase in UK exports to CPTPP countries and a 4.17% (equivalent to £2.3bnbn) increase in UK imports from CPTPP. This is compared to a baseline where the UK does not have a trade agreement with CPTPP.

Whilst it is not possible to estimate the increase in trade between Wales and CPTPP, Wales does account for around 5% of the UK's total goods exports to CPTPP and 4% of the UK's total goods imports from CPTPP.

Section 7: Consumer impacts

The provisions set out in the Agreement aim to benefit UK consumers through increased consumer choice, better product quality and potentially lower prices for imported products. However, the extent to which consumers will benefit from tariff reductions will depend on the rate at which those savings in terms of lower import costs will be passed onto the end consumer. Given variations in spending patterns across the UK, it is expected that some households will benefit more than others.

Table 12 shows the proportion of an average households' weekly expenditure that is spent on imports of different types of good by combining UK household expenditure survey data with UK Input-Output Analytical Tables (IOATs)²⁹. Overall households across the UK have a broadly similar demand for imported goods. Welsh households on average spend 34.2% of their weekly household spending on imported goods- marginally more than English households but slightly less than Scottish and Northern Irish households.

For the UK as a whole, the estimated national annual tariff reduction is estimated to be £26.7m at entry into force and £16.4m in the long term after all staging is implemented. The majority of the tariff reductions are estimated to be within 'food & non-alcoholic beverages, worth around £7.9 million per year in the long term, 'Furnishings, household equipment & routine household maintenance are estimated to have the second-highest long-run annual reduction in tariff duties on current imports at £3.3 million, driven predominantly by reductions in tariff duties on current imports from Malaysia. Wales spends 7.9% of its total weekly household spend owing to imports on this category which is higher than the UK average of 7.4% and is higher than England (7.3%) and Scotland (7.8%) but lower than Northern Ireland (9.0%).

29 ONS, UK input-output analytical tables- industry by industry (April 2020).

Table 12: Comparison of potential tariff reductions from a UK-New Zealand Agreement to average UK household weekly expenditure by nation

Type of Consumer Good	Estimated annual national reductions in tariff duties in long term, £ million	Estimated proportion of total weekly household spend owing to imports, %				
		UK	England	Wales	Scotland	Northern Ireland
All expenditure groups	16.4	33.3%	33.1%	34.2%	34.7%	36.2%
Food and non-alcoholic beverages	7.9	7.4%	7.3%	7.9%	7.8%	9.0%
Furnishings, household equipment and routine household maintenance	3.3	4.3%	4.3%	4.3%	4.1%	4.3%
Clothing and footwear	2.0	3.2%	3.1%	3.0%	3.6%	4.7%
Recreation, sport and culture	1.4	4.1%	4.1%	4.6%	4.0%	3.4%

Source: DBT analysis (2023), UK input-output analytical tables, ONS (2021) and Living Costs and Food Survey (LCF), ONS (2022).

The estimates show that consumers in Wales will not be impacted by tariff reductions on goods from CPTPP as much as other regions, only 1% of the reductions in tariffs on goods in both the short and long term are estimated to affect Wales.

Table 13: Shares of estimated annual reductions in tariff duties on current UK goods imports from CPTPP, by nations and regions of the UK

Region	Goods imported as % of all UK goods imports from CPTPP	Proportion of reductions in tariff duties affecting each nation and region in the short term, %	Proportion of reductions in tariff duties affecting each nation and region in the long term, %
East of England	8%	11%	13%
East Midlands	9%	10%	9%
London	16%	14%	12%
North East	5%	6%	3%
North West	7%	11%	10%
Northern Ireland	1%	2%	2%
Scotland	7%	5%	5%
South East	18%	13%	15%
South West	6%	10%	12%
Wales	5%	1%	1%
West Midlands	6%	7%	9%
Yorkshire and the Humber	5%	9%	10%

Source: DBT calculations (2023). Columns may not sum to 100% due to rounding. Excludes Brunei due to lack of availability in HMRC regional import data. Goods imports by nation and region as a % of all UK goods imports from CPTPP from HMRC Regional Trade Statistics, March 2023.

Section 8: Business Impacts

CPTPP is a relatively important trading partner for businesses in Wales. In 2022, of the 3,194 Welsh businesses that exported goods to the World, 2,090 (65.4%) exported goods to CPTPP, in comparison to around 71,774 (56.7%) UK businesses. This indicates that Welsh businesses are slightly more reliant on CPTPP as an export partner than the UK as a whole; hence Welsh businesses could benefit more from the new Agreement. These existing exporters are expected to benefit from tariff liberalisation as well as reductions in non-tariff measures secured within the Agreement. By expanding their exports further, businesses in Wales can benefit from economies of scale which lower their operating costs, increase turnover and raise profitability. This in turn can attract investment and support further expansion, with the modelling estimating a 0.18% long-run increase in business investment in the UK by the estimated increase in return to capital as a result of the Agreement estimated to be worth equivalent to £699 million annually when applied to 2021 levels in the long run. Sectors that are most likely to see the benefits of tariff reductions are transport machinery & equipment, foodstuffs and beverages, and tobacco sectors. Given Wales' overall exporting strength within these sectors, particularly transport machinery & equipment, such reductions in tariffs could present new exporting opportunities for businesses in Wales.

In addition, around 1,196 (10.8%) of the 11,051 Welsh businesses that imported goods from the World did so from CPTPP in 2022, in comparison to around 35,365 UK businesses (14.0%). This suggests that Welsh businesses are slightly less reliant on CPTPP as an import partner than UK businesses as a whole. These businesses may benefit from increased access to cheaper and more variety of inputs, alongside increased innovation, jobs, and expansion as a result of increased competition. The estimated annual reductions in tariff duties on current UK imports from CPTPP if imports use all available preferences are £42.4 million on entry into force, and £32.7 million in the long term. However, the majority of these reductions are in final goods rather than intermediate goods.

Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) represent a key component of the Welsh economy; in 2022 these made up around 99.9% of the total number of private sector businesses, representing 80.3% of private sector employment and 67.8% of private sector turnover³⁰. SMEs make up a larger proportion of these components in Wales compared with the UK as a whole. This indicates that Wales is slightly less reliant on larger businesses for private sector turnover and is more reliant on SMEs for employment, than the UK. In addition, latest data from BEIS' Longitudinal Small Business survey shows that in 2021, Wales had the lowest proportion of exporting SMEs across the UK with some 13% exporting goods or services compared to a UK average of 18%.

SMEs generally operate at a small scale and therefore tend to face higher trading costs relative to output. This means that they can be disproportionately affected by trade barriers. This would help explain why SMEs tend to display a lower propensity to export relative to larger firms. Provisions aimed at improving trade facilitation for SMEs could help reduce the costs that these businesses face and thereby positively impact their propensity to export.

SMEs have reported issues relating to limited information about how foreign markets work, difficulties in accessing export-distribution channels and in contacting overseas customers. In addition, SMEs reported costly product standards and certification procedures, and a lack of information about requirements in the foreign country as barriers to trade. Within the Agreement is commitment to share information and cooperate efficiently that aids SMEs ability to take advantage of the terms of the Agreement.

30 [Business population estimates 2022 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/business-population-estimates-2022).

As outlined in Table 11 below, it is estimated that the vast majority of the UK's SMEs are within sectors that will experience growth in GVA due to the Agreement with CPTPP. The largest growth in GVA is found to be within Other services (transport, water, dwellings) with a GVA increase estimated at £187m which accounts for 8.6% of UK SMEs. Although not directly comparable³¹, estimates from **BEIS' Longitudinal Small Business survey** suggests only around 3% of Wales' SMEs operate within this sector, implying that Wales' SMEs may not benefit from the Agreement. Similarly 'Manufacture of motor vehicles' is estimated to have a GVA increase of £183m for the UK as a whole but even at the UK level this sector accounts for only 0.1% of UK SMEs.

Section 9: Labour Market Impacts

The Agreement with CPTPP focuses on maintaining statutes and regulations governing acceptable standards for workers in the areas of minimum wages, hours of work, and occupational health and safety. Workers may see benefits in the form of increased real wages (wages in today's prices) and opportunities arising in different sectors as some sectors grow faster than others. It is estimated that there will be an increase of £1.0bn annually³² in the long run level of real wages in the UK when compared to 2021 levels.

There are two sectors which are estimated to see an increase in their share of employment; Manufacture of motor vehicles and the Construction sector, with both increasing by 0.01%. By contrast, the business services sector can expect to see a 0.01% decrease in its share of employment under CPTPP.

As a result of the Agreement, employment shares of some protected groups are estimated to fall relative to the baseline as workers move to different sectors, but in return could benefit from higher wages. The representation of groups relating to ethnicity in declining sectors is broadly in line with

the general population, but less in line with the general population in relation to disability and age as disabled workers and workers outside the 25-64 age group less represented in sectors where employment is estimated to fall. Men are disproportionately concentrated in sectors where employment share is estimated to fall relative to the baseline, according to DBT analysis. It is difficult to comment on the impact in Wales as this data is not currently available by protected group, however there is no evidence to suggest Wales would be impacted differently.

Section 10: Environmental impacts

Overall, estimates suggest that the UK acceding to CPTPP is not expected to have significant impacts on Green House Gas (GHG) emissions (CO₂ and Non-CO₂ air pollutants) and energy usage due to changes in the composition of the UK economy and scope for higher growth of trade in goods which mitigate environmental impacts, through the elimination of tariffs on environmental goods such as electric vehicles and wind turbines which could contribute to reducing emissions across CPTPP. There is also a commitment to further strengthen cooperation between CPTPP members to seek to reduce any potential barriers to trade in environmental goods and services, a sector that Welsh Government are seeking to see grow in Wales.

Looking at the impact of the UK's accession to CPTPP there is estimated to be a 0.003% increase in global CO₂ emissions (based on 2017 data) due to an increase in UK and CPTPP emissions and a reduction in third country emissions as a result of the agreement. These figures are likely to be overstated because it does not account for the reduction in emissions over the past 5 years, there is a projected decline in future global GHG emissions and emissions intensity in many sectors (such as production or transport) is expected to fall.

³¹ The Wales level data used here is not directly comparable to the UK level data used by DBT in their analysis. Directly comparable data for the UK shows around 17% of the UK's SMEs are within the Wholesale and Retail Trade sector, therefore the difference between the UK and Wales could be considered an over-estimate.

³² **Impact assessment of the accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership** (publishing.service.gov.uk); page 42.

Considering the UK's emissions separately, the modelling suggests there could be an increase in UK CO₂ emissions of 0.12% in the long run compared to 2017 baseline levels, subject to the limitations noted above the modelling suggests that joining the CPTPP will not affect the composition of UK CO₂ emissions attributable to firms and households – despite production activity of firms accounting for 82% of the estimated increase in emissions. For the CPTPP countries there is an estimated increase in CO₂ emissions of 0.05% in the long run as a result of the UK's accession.

A Free Trade Agreement with the CPTPP will necessarily seek to increase trade with the countries in that region which will see an increase in the movement of goods between the partners. The modelling suggests a 4% increase in emissions associated with increased maritime and aviation freight which translates to 0.13-0.15 Million tonnes of CO₂ emissions (MtCO₂e) each year in the long run, this equates to a 4% increase against the baseline.

The modelling does not estimate any significant negative impacts on air quality, marine habitats & fisheries, water quality & use and waste management. There are however some minor concerns in other areas of environmental policy in the Agreement including land use & deforestation, biodiversity & ecosystems and palm oil and deforestation. Many of the issues here centre around Malaysia and in particular its trade in palm oil on which tariffs have been removed as part of the Agreement to include palm oil to be used as fuel. While a separate joint statement³³ on Sustainable Agricultural Commodity Trade and Cooperation to Conserve Forests has been agreed between the UK and Malaysia which seeks to promote sustainable palm oil in Malaysia there are no specific commitments on either side on this issue and the statement was not published alongside other CPTPP documents. Welsh Government has raised concerns around these issues with UK government and continues to have concerns around the potential impact of increased trade in palm oil especially from sources that are un-regulated and not certified as sustainable.

Whilst there is also the possibility of some sub-national impacts as a result of the Agreement meaning that Wales may be impacted differently to other parts of the UK, Wales' geographical proximity to England, as well as the fact the Welsh economy is deeply embedded within that of the UK, means it is not possible to isolate these impacts for Wales.

33 [UK-Malaysia Joint Statement on Sustainable Agricultural Commodity Trade and Cooperation to Conserve Forests - FINAL.pdf \(publishing.service.gov.uk\)](#).

Annex B: imports and exports by partner country

Australia

The following tables provide the top five imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Medicinal & pharmaceutical products	£29.7
Ele machinery, app & appliances & ele pt thereof n.e.s.	£11.4
Non-metallic mineral manufactures n.e.s.	£8.9
Road vehicles (including air cushion vehicles)	£8.7
Essential oils & perfume materials; toilet preps etc	£8.3

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Coal, coke & briquettes	£40.3
Medicinal & pharmaceutical products	£6.4
Meat & meat preparations	£4.1
Power generating machinery & equipment	£2.6
Beverages	£2.0

Source: HMRC RTS.

Japan

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Power generating machinery & equipment	£54.7
Non-ferrous metals	£47.3
Professional, scientific & controlling ins & app n.e.s.	£21.4
Medicinal & pharmaceutical products	£17.2
Ele machinery, app & appliances & ele pt thereof n.e.s.	£13.9

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Metalliferous ores & metal scrap	£239.2
Coal, coke & briquettes	£74.3
Power generating machinery & equipment	£54.4
Ele machinery, app & appliances & ele pt thereof n.e.s.	£53.5
Road vehicles (including air cushion vehicles)	£33.5

Source: HMRC RTS.

Malaysia

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Machinery specialized for particular industries	£14.4
Ele machinery, app & appliances & ele pt thereof n.e.s.	£6.9
Power generating machinery & equipment	£5.1
Non-ferrous metals	£2.7
Metalliferous ores & metal scrap	£2.5

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Petroleum, petroleum products & related materials	£36.4
Ele machinery, app & appliances & ele pt thereof n.e.s.	£12.7
Articles of apparel & clothing accessories	£6.0
Furniture & parts thereof; bedding, mattresses etc	£5.2
Telecomms & sound recording & reproducing app. & eqp.	£4.9

Source: HMRC RTS.

New Zealand

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Road vehicles (including air cushion vehicles)	£4.2
Non-metallic mineral manufactures n.e.s.	£2.7
Professional, scientific & controlling ins & app n.e.s.	£1.8
Medicinal & pharmaceutical products	£1.3
Ele machinery, app & appliances & ele pt thereof n.e.s.	£1.2

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Beverages	£4.2
Sugar, sugar preparations & honey	£3.6
Power generating machinery & equipment	£1.6
Meat & meat preparations	£1.4
General industrial machinery & eqp. & machine pt.n.e.s.	£0.5

Source: HMRC RTS.

Singapore

The following tables provide the top five imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Power generating machinery & equipment	£64.8
Ele machinery, app & appliances & ele pt thereof n.e.s.	£22.1
Machinery specialized for particular industries	£13.8
Petroleum, petroleum products & related materials	£12.4
Professional, scientific & controlling ins & app n.e.s.	£11.3

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Power generating machinery & equipment	£129.4
Ele machinery, app & appliances & ele pt thereof n.e.s.	£16.9
Petroleum, petroleum products & related materials	£8.1
Machinery Specialized For Particular Industries	£4.8
Metalliferous ores & metal scrap	£2.2

Source: HMRC RTS.

Vietnam

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Power generating machinery & equipment	£6.7
Live animals other than animals of division 03	£1.1
Ele machinery, app & appliances & ele pt thereof n.e.s.	£1.0
Professional, scientific & controlling ins & app n.e.s.	£0.7
Articles of apparel & clothing accessories	£0.6

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Articles of apparel & clothing accessories	£9.1
Furniture & parts thereof; bedding, mattresses etc	£6.6
Office machines & adp machines	£6.4
Machinery specialized for particular industries	£4.9
Footwear	£2.8

Source: HMRC RTS.

Chile

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Power generating machinery & equipment	£4.3
Medicinal & pharmaceutical products	£1.7
Professional, scientific & controlling ins & app n.e.s.	£0.7
Essential oils & perfume materials; toilet preps etc	£0.6
General industrial machinery & eqp. & machine pt.n.e.s.	£0.5

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Beverages	£4.2
Coal, coke & briquettes	£2.8
Paper, paperboard & manufactures thereof	£1.4
Vegetables & fruit	£1.4
Cork & wood	£0.5

Source: HMRC RTS.

Peru

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Power generating machinery & equipment	£2.5
Non-metallic mineral manufactures n.e.s.	£0.7
Medicinal & pharmaceutical products	£0.6
Iron & steel	£0.5
Ele machinery, app & appliances & ele pt thereof n.e.s.	£0.3

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Non-ferrous metals	£1.0
Vegetables & fruit	£1.0
Gas, natural & manufactured	£0.8
Dyeing, tanning & colouring materials	£0.2
Coffee, tea, cocoa, spices & manufactures thereof	£0.05

Source: HMRC RTS.

Canada

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Petroleum, petroleum products & related materials	£154.9
Metalliferous ores & metal scrap	£65.3
Non-ferrous metals	£21.0
Medicinal & pharmaceutical products	£20.1
Power generating machinery & equipment	£13.6

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Metalliferous ores & metal scrap	£173.4
Petroleum, petroleum products & related materials	£125.5
Power generating machinery & equipment	£11.9
Coal, coke & briquettes	£5.1
Paper, paperboard & manufactures thereof	£5.1

Source: HMRC RTS.

Mexico

The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Goods Exports (2020-22 average)	Value (£m)
Iron & steel	£9.0
Power generating machinery & equipment	£6.5
Organic chemicals	£5.5
Medicinal & pharmaceutical products	£4.5
Chemical materials & products n.e.s.	£3.8

Source: HMRC RTS.

Goods Imports (2020-22 average)	Value (£m)
Beverages	£10.9
Non-metallic mineral manufactures n.e.s.	£3.8
Road vehicles (including air cushion vehicles)	£3.3
Ele machinery, app & appliances & ele pt thereof n.e.s.	£2.2
Power generating machinery & equipment	£1.5

Source: HMRC RTS.