



NUMBER: 20-01

March 2020

Joining the CPTPP: Prospects for Thailand

Before COVID-19 knocked so many things off track, the member states involved in the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) trade agreement had intended 2020 to be the year for expansion.

The CPTPP, which came into force for seven members by January 2019, currently includes Australia, Canada, Japan, Mexico, New Zealand, Singapore and Vietnam. Members had hoped that several of the remaining signatories (Brunei, Chile, Malaysia, and Peru) would be included before CPTPP leaders are scheduled to meet again in November 2020.

The vision of an expanded agreement before the end of the year may still come to fruition, particularly if the current urgency to address the coronavirus is somehow resolved in a matter of months.

In the meantime, it is worthwhile to consider the opportunities and challenges that await potential members like Thailand.

The Opportunities

At a time of unprecedented challenges to global and regional trade, the CPTPP provides a welcome dose of lowered risks and greater certainty.

Firms are currently thinking mostly about the impact of COVID-19 on trade. But there is also a second challenge on the horizon—governments are increasingly disregarding their global obligations under the World Trade Organization (WTO). The multilateral trade regime is, at best, creaking under the weight of increasingly out-of-date rules and fewer

partners willing to step up and lead the institution to the future.

The CPTPP is a critically important trade agreement meant to shore up support for market activities between member states. Governments, of course, still maintain the right to regulate, including for human, animal and plant life and health.

But CPTPP member governments have also agreed to limit scope for discriminatory, arbitrary and non-transparent decisions that affect trade with other partners. Such stability commitments are likely to be more urgent than ever in a post-virus world.

Firms that are inside the CPTPP stand to benefit much more than companies that are not able to use the deal. This means that economic growth should rebound faster in CPTPP member countries, with better job prospects and more opportunities.

What makes the CPTPP a high-quality, high-ambition agreement is the depth and breadth of commitments. Nearly every tariff on goods trade drops to zero in a relatively short period of time. All 160 sectors and subsectors of services and investment trade are opened to partner members, with limited exceptions.

Firms can also take advantage of opportunities in other chapters, like new rules to protect ideas and intellectual property, better access for services providers delivering services in CPTPP markets, and improved cooperation on standards between member governments.



At a time of unprecedented disruption in trade and a scramble to reset supply chains, firms are looking for new suppliers. CPTPP countries are becoming highly desirable locations for a shift in suppliers, as the rules help lock in better benefits for members than non-member country firms can receive.

This can drive overall competitiveness inside CPTPP countries, particularly compared to countries in the region that are not yet in.

Thailand is home to extremely innovative firms and companies with extensive records of working with foreign partners. This past experience should be helpful in working with new CPTPP firms looking for solutions.

In addition, Thai products and services will become more competitive in CPTPP export markets. Given the strong track record of many Thai firms in exporting already, any additional boost to performance is going to be quite helpful as the world looks to reset relationships after the COVID-19 crisis subsides.

The Challenges

Ambitious agreements are demanding. They are challenging to negotiate and often difficult to implement. High quality deals require many more changes to be made at the domestic level than weak and shallow agreements.

As Thailand contemplates joining CPTPP, the government will need to prepare. This includes getting its own officials properly up to speed on the various aspects of the agreement and understanding the gaps between CPTPP commitments and existing legislative and regulatory policies.

The CPTPP texts run to nearly 600 pages in 30 chapters, thousands of pages of country-specific commitments and schedules, plus a series of side letters between many members. Thai officials will need to understand these existing documents.

Thailand has extensive experience with FTAs, of course. What matters, therefore, is two things: the areas where the CPTPP goes beyond existing FTAs for Thailand, and areas where Thai domestic processes will be especially challenging for officials to address.

In the first category, Thailand has not been required to provide the same level of market access for goods, especially for agricultural products and services, in any past Thai FTA.

The CPTPP requires liberalization of every product and sector as a default setting. This is considerably more ambitious than existing trade deals. The expansion of intellectual property rights into new areas, like the protection of scent marks, can be tricky, especially when combined with new rules on strong enforcement of IP rights.

CPTPP accession will require some domestic firms to face unprecedented levels of foreign competition. For particularly sheltered sectors and firms, this may prove a challenge.

Note, of course, that Thailand is not suddenly going to be flooded with new global competitors. Only companies that meet the requirements of the CPTPP can use the agreement. For now, CPTPP contains seven members.

Even in areas where CPTPP firms may be able to gain additional market access in Thailand after the agreement comes into force, many eligible firms will not be ready, able, or interested in taking advantage of benefits available on paper.

The Accession Process

The CPTPP was designed from the beginning to expand. Over the long path to conclusion, in fact, the agreement swelled from an original grouping of four members to 12, before finishing negotiations with 11 participating member states.



The CPTPP texts (Article 5) indicate only that members that want to join are subject to terms and conditions granted by the existing members. Since this provision is not terribly helpful on its own, the members created a separate annex on the topic in early 2019 to provide additional guidance.

Under the Annex, aspiring members are encouraged to have informal meetings with the existing seven members. If these meetings go well, the country is encouraged to submit a formal letter of intent to New Zealand (the official repository country for CPTPP). This formal request will be shared with the group.

Assuming that the new potential member is informally approved by all members, the CPTPP Commission (the top decision-making committee for the agreement) will decide on whether or not to accept the application. If so, the Commission will create a Working Group to help with the process and nominate one member to serve as a guide.

The Negotiations

The texts are not up for renegotiation by incoming members. No current member of the CPTPP will be making any reciprocal offers for changes in any existing schedules after the entry of any new member.

Instead, new countries like Thailand are going to work with existing members to craft their own market access schedules and other commitments in the following areas:

- Goods
- Services
- Financial services
- Investment
- Temporary entry for business persons
- Government procurement
- State-owned enterprises

What gets included or excluded and the timing of each element may be subject to negotiations either bilaterally with some members, collectively with all members, or both.

As an example, Thailand can decide how it wants to handle market liberalization and tariff reductions for fruits. If other member states agree to the offers, the schedule is fixed. If Thailand decides not to offer tariff reductions immediately on pineapples, to cite one example, this decision would have to be approved by the Working Party.

In exchange for a delay of, perhaps, 5 years before pineapples become duty-free, members may demand that all other fruits drop to 0 tariffs on entry into force. Goods negotiations are all about the timing and types of reduction in tariff lines (all at once, in equal cuts or some other method of becoming duty-free) for Thailand.

Thailand, and other potential new members, cannot shield many goods from liberalization starting on the date of entry into force. CPTPP requires a high level of commitment, including tariff cuts on a substantial (roughly 90%) of tariff lines on day 1 and relatively rapid reductions on all remaining lines to become duty-free.

New members are required to make high-quality offers that provide commercially meaningful access. Determining whether a new aspirant to the group is prepared to make and uphold these commitments is part of the reason for informal discussions that are to take place ahead of a submission of a formal letter.

The entire rulebook will apply for Thailand on the first day of entry into force and firms can start enjoying all the benefits of existing members schedules (although note that for tariffs, Thai firms will be starting on “EIF” rates for existing member commitments).

The next meeting of the CPTPP Commission is scheduled for August in Mexico.

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