NorthStar
DATA INSIGHTS STRATEGY

GLOBAL SMEs

understanding the 2025 update of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

This document provides the most important aspects and elements for SMEs with regards to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Here you will find intonation with regard to **tariff reductions on key UK exports**, **increased market certainty**, and **provisions for business travel**.

Key CPTPP Elements for UK SMEs

1. Market Access and Tariff Reductions (Goods)

The agreement promises tangible benefits for goods-exporting SMEs by reducing or eliminating tariffs across CPTPP members, particularly in countries where the UK did not previously have a free trade agreement (FTA).

- **Tariff-Free Goods:** Over **99%** of the UK's current goods exports to CPTPP countries will be eligible for **tariff-free treatment**.
- **New Trade with Malaysia:** Joining CPTPP means the UK has a trade agreement with **Malaysia** for the first time, one of the two CPTPP countries without an existing bilateral UK FTA (Brunei being the other).

    - **Whisky Exports:** Tariffs on UK exports of **whisky** to Malaysia, which were previously close to 80%, will be **removed within 10 years**. **The Scotch Whisky Association expects this could lead to the doubling of Scotch Whisky exports to Malaysia over the next decade.**
    - **Cars and other Manufacturing:** Tariffs of 30% on UK exports of cars to Malaysia will also be removed in stages.
- **Agricultural Access:** Examples of improved access to CPTPP markets for the agriculture and food sectors include **dairy, poultry, and eggs** to Canada; **dairy and cereals** to Japan; and **dairy, chocolate, sugar confectionery, beef, pork, poultry, and lamb** to Mexico.
- **Rules of Origin (ROO):** The rules allow businesses to count inputs produced in one CPTPP country toward the originating status of a good produced in another CPTPP country (cumulation). However, the NFU and AHDB considered this of **"little benefit to UK agriculture"** due to the perishability and expense of transporting goods over long distances.

2. Services, Digital Trade, and Business Travel

Given the UK's strength in services (which accounted for **45%** of the UK's total trade with CPTPP countries in 2022), these provisions are crucial:

- **Services Market Access:** CPTPP helps open new markets for UK service providers by putting them on a **more level playing field** with local service providers in the Asia-Pacific region.
    - **Prohibitions:** The agreement prohibits quantitative restrictions, discrimination against other parties' service suppliers, and requirements for service providers to set up an office or be resident.
    - **Professional Qualifications:** It encourages cooperation on **mutual recognition of professional qualifications** but does not provide for it directly.
- **Electronic Commerce (E-commerce):** The chapter aims to reduce digital trade barriers and data localisation requirements, supporting digital exports for SMEs.
- **Temporary Entry for Business Persons:** This chapter makes it **easier for UK business persons** to temporarily enter and stay in another CPTPP country for activities that support trade in goods and services or investment. This provides **certainty and clarity** for business travel.
- **Government Procurement:** CPTPP provides **UK businesses with greater access** to government procurement markets in Brunei and Malaysia, countries not covered by the WTO Agreement on Government Procurement (GPA).

3. Trade Standards and Concerns

SMEs should be aware of the trade-offs and political debates surrounding standards, which could affect competition and import/export costs:

- **Palm Oil:** Tariffs on palm oil imports to the UK (currently 0% to 12%) will be **removed entirely**. This is expected to favour imports from competitive CPTPP parties like Malaysia.
- **UK Food Standards (SPS):** The UK Government states that the CPTPP will **not undermine the UK's high standards** on food safety or animal welfare, and all imported products must still meet UK food safety and biosecurity requirements. However, the agreement's **"science-based approach"** is seen by some stakeholders as potentially undermining the UK's historical **"precautionary approach"**.
- **Animal Welfare:** Concerns exist over the import of products (like eggs and egg products) produced to **lower animal welfare standards** (e.g., conventional battery cage systems) in countries like Mexico, potentially undercutting UK producers. The TAC, however, concluded that CPTPP **does not require the UK to change its statutory animal welfare protections**.

4. Overall Economic Impact

While the sector-specific effects are important for individual SMEs, the overall economic gain is estimated to be modest:

- The Government estimated the long-run increase in UK **GDP would be small** at about **£2.0 billion** (or 0.06%) by 2040.
- The overall effect on the economy is modest because the UK already has bilateral trade agreements with 9 of the 11 CPTPP countries, accounting for about **95%** of the UK's trade with the bloc.