



2024 and the Push for New Trade Agreements: The Aftermath of Brexit and CPTPP Expansion

The global trade landscape in 2024 reflects significant shifts, driven by the aftermath of Brexit and the United Kingdom's recent accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). These changes are reshaping international trade dynamics, impacting market access, tariffs, regulatory standards, and supply chains across regions. As countries navigate a post-Brexit Europe and an expanded CPTPP, new trade agreements and partnerships are emerging, aimed at enhancing economic resilience, fostering growth, and re-establishing competitive positioning in a fragmented global trade environment.

POST-BREXIT TRADE RELATIONS AND THE UNITED KINGDOM'S ROLE

Brexit continues to influence the UK's trade relations, both with the European Union (EU) and the broader global market. Since formally leaving the EU, the UK has sought to redefine its trade strategy by securing bilateral and multilateral agreements. The transition away from the EU has presented both challenges and opportunities. For instance, UK companies now face tariffs and customs checks when exporting to the EU, which impacts industries such as automotive, agriculture, and pharmaceuticals. Despite these challenges, the UK government has been actively negotiating free trade agreements (FTAs) worldwide, targeting markets where it can capitalize on its strengths in finance, technology, and services.

With the UK now part of the CPTPP, the focus has shifted to maximizing the benefits of its new membership. The CPTPP, originally signed by 11 countries including Japan, Canada, Australia, and Mexico, is one of the world's largest free trade areas, covering markets across the Asia-Pacific and Americas. The inclusion of the UK represents a strategic pivot towards strengthening ties outside Europe, positioning the UK to gain preferential access to high-growth markets and diversify its trade portfolio. Membership in the CPTPP grants the UK access to a combined market of over 500 million people and reduces tariffs on 95% of goods traded among member countries, creating significant opportunities for UK exporters.

THE EXPANSION OF THE CPTPP AND ITS IMPACT ON GLOBAL TRADE

The CPTPP's expansion to include the UK underscores a trend towards regional trade alliances that bypass traditional, more rigid structures like the World Trade Organization (WTO). The CPTPP framework promotes economic integration by lowering tariffs, standardizing regulations, and simplifying supply chains. For member nations, the benefits extend beyond market access to strategic sectors like digital trade, intellectual property, and environmental standards. Given these advantages, other economies have shown interest in joining the CPTPP, further expanding its influence on global trade.

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The inclusion of the UK not only strengthens the CPTPP's economic base but also increases its geopolitical relevance. By aligning with countries in the Asia-Pacific, the UK gains a foothold in a region marked by rapid growth and innovation. For businesses, this means enhanced market access to countries with diverse consumer bases and less reliance on EU-centered trade channels. Furthermore, the UK's entry into the CPTPP aligns it with nations seeking alternatives to the U.S.-China trade rivalry, potentially boosting trade relations with countries wary of overdependence on either superpower.

CHALLENGES AND OPPORTUNITIES ARISING FROM NEW TRADE DYNAMICS

While the CPTPP offers many advantages, it also presents challenges, especially for industries that are not prepared for increased competition. Sectors such as agriculture and manufacturing, where domestic markets might be more protected, face pressure to adapt to the competitive landscape of the CPTPP. For instance, agricultural producers in the UK now compete with established exporters like Australia and New Zealand within the CPTPP framework, which could impact local industries and price structures. Moreover, adjusting to new regulatory standards across multiple CPTPP jurisdictions requires significant adaptation from businesses.

Nonetheless, the potential benefits for UK businesses, especially those in high-value sectors, are substantial. UK companies specializing in digital services, financial technology, and pharmaceuticals stand to benefit from the CPTPP's provisions on digital trade and intellectual property protection. In particular, the CPTPP's high standards for intellectual property rights align well with the UK's advanced technology sectors, making it an ideal platform for UK-based digital service providers to expand into the Asia-Pacific region. Additionally, the CPTPP provides UK businesses with the opportunity to diversify supply chains, allowing them to build resilience against potential disruptions and reduce reliance on EU trade.

IMPLICATIONS FOR EUROPEAN AND GLOBAL TRADE RELATIONS

The UK's membership in the CPTPP signals a shift in the structure of international trade, highlighting the UK's commitment to a global approach beyond Europe. For the EU, the UK's trade alignment with the Asia-Pacific presents a potential competitor in markets where both parties have vested interests. As the UK leverages CPTPP access to strengthen economic ties with Asia, the EU may face greater competition in attracting Asian investments and exporting to those markets. In response, the EU is likely to explore further trade agreements with Asia-Pacific countries, including potential expansions in its existing agreements with Japan, Vietnam, and South Korea.

The expanded CPTPP also has broader implications for global trade governance. The WTO, traditionally the principal institution governing international trade, has struggled to adapt to modern economic realities and to resolve disputes between major economies like the U.S. and China. In contrast, the CPTPP exemplifies a flexible, regionally-driven approach to trade that appeals to countries looking for alternatives to the WTO's slower, multilateral processes. If the CPTPP's model of streamlined, high-standard trade becomes the norm, it could reshape the rules and priorities that govern international trade relations.

SUGGESTIONS FOR COMPANIES

- 1. Explore CPTPP Market Entry:** Assess the CPTPP countries for market entry, prioritizing high-growth markets with demand for your goods or services.
- 2. Leverage Reduced Tariffs:** Take advantage of reduced tariffs within the CPTPP to improve competitiveness and lower product pricing in member markets.
- 3. Diversify Supply Chains:** Consider sourcing from CPTPP countries to diversify suppliers and reduce reliance on single markets, particularly those affected by Brexit.
- 4. Understand New Regulatory Standards:** Stay informed on regulatory standards within the CPTPP and ensure compliance for smooth operations across member countries.
- 5. Enhance Digital Trade Capabilities:** Use CPTPP's digital trade provisions to streamline e-commerce operations and expand online presence in Asia-Pacific.
- 6. Invest in Trade Compliance:** Build a dedicated compliance team to navigate varying standards between the CPTPP, the EU, and other regions to prevent costly trade disruptions.
- 7. Develop Cross-Cultural Competency:** Provide training for teams to navigate the diverse cultural, economic, and regulatory landscapes of CPTPP countries.
- 8. Adapt Product Offerings:** Tailor product lines and packaging to align with local consumer preferences and regulatory requirements within CPTPP markets.
- 9. Monitor EU-UK Trade Adjustments:** Stay updated on post-Brexit EU-UK trade relations to mitigate potential compliance issues and market access changes.
- 10. Utilize Government Resources:** Engage with government trade bodies for insights, tools, and subsidies designed to help businesses transition into post-Brexit and CPTPP-aligned markets.
- 11. Establish Regional Partnerships:** Form alliances with local distributors or partners in CPTPP countries to facilitate smoother entry and market expansion.
- 12. Invest in Sustainability Initiatives:** Meet CPTPP's high environmental standards to enhance reputation and access to sustainable markets across member nations.

SUGGESTIONS FOR POLICY MAKERS

- 1. Promote CPTPP Benefits:** Educate companies about the advantages of the CPTPP, including tariff reductions, market access, and regulatory alignment to encourage engagement.
- 2. Facilitate Transition Post-Brexit:** Provide guidance and resources to help companies navigate changes in trade relations with the EU post-Brexit.
- 3. Enhance Trade Compliance Support:** Develop support programs to assist companies in understanding and complying with CPTPP, EU, and other regional trade standards.
- 4. Encourage Digital Trade Growth:** Support digital trade frameworks and infrastructure that enable seamless online commerce with CPTPP countries.
- 5. Foster International Partnerships:** Establish public-private partnerships to promote collaborations between domestic companies and CPTPP entities.
- 6. Invest in Supply Chain Resilience:** Offer incentives for companies diversifying supply chains within CPTPP countries to reduce reliance on single-market dependencies.
- 7. Provide Training and Resources:** Equip SMEs with training on CPTPP regulations, compliance, and market entry strategies to level the playing field for smaller exporters.
- 8. Promote Environmental Standards:** Encourage adoption of CPTPP's environmental provisions, offering incentives to businesses meeting high sustainability standards.
- 9. Negotiate Complementary Trade Agreements:** Explore additional trade agreements with Asia-Pacific nations to enhance compatibility and reduce overlap in regulatory requirements.
- 10. Strengthen Intellectual Property Protections:** Work with CPTPP countries to bolster protections that support innovation and technology transfer within the partnership.
- 11. Support Financial Access for Exporters:** Implement loan programs or tax incentives to help companies manage the financial adjustments related to CPTPP entry and post-Brexit shifts.
- 12. Monitor Global Trade Trends:** Keep abreast of emerging trade patterns and adjust national trade policies to remain aligned with global economic shifts driven by CPTPP and post-Brexit realignments.

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