

Policy Analysis Focus 25-11
Economic Impact of Expansion of CPTPP¹

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I. Introduction

Protectionism movements have appeared in the two largest economies in the world, as seen in actions including additional tariffs imposed by the United States (US) and retaliatory measures by China. On the other hand, the parties of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) held ministerial conferences on trade and investment dialogue with the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) in November 2025. Further trade liberalization progress would be expected in light of the gathering of the third economies in the world.

This article investigates the quantitative economic impact of ASEAN and the EU joining CPTPP, vis-à-vis that of the US and China joining CPTPP, by means of simulation studies using a computable general equilibrium (CGE) model of global trade.²

II. Macroeconomic impact

Trade creation effects in CPTPP members and trade diversion effects in third economies would be generated as a result of tariff reductions under CPTPP. The aggregate real GDP of CPTPP members is estimated to increase relatively little if the remaining

¹ The views expressed in this article are the author's own and do not represent those of GRIPS Alliance or other organizations to which the author belongs.

² Analytical framework remains unchanged from that in Kawasaki (2024), "Economic Impact of Expansion of EPAs in the Asia-Pacific," Policy Analysis Focus 24-8 to be consistent with earlier estimates. The Global Trade Analysis Project (GTAP) 7 model (based on GTAP 11c Data Base), solved using GEMPACK software referred to in Horridge, Jerie, Mustakinov & Schiffmann (2018), GEMPACK Manual, ISBN 978-1-921654-34-3, incorporating dynamic effects. The baseline data are updated to those for 2025 based on the World Economic Outlook (WEO) Database, International Monetary Fund (IMF). Tariff data is updated based on tariff reduction data for existing economic partnership agreements (EPAs) in the Market Access Map, International Trade Centre (ITC).

Table 1 Impact on real GDP

	ASEAN	EU	US	China (%)
Australia	0.05	0.42	-0.04	0.06
New Zealand	0.03	-0.07	0.30	-0.04
Japan	0.26	0.26	0.78	0.74
Brunei	0.04	0.13	0.02	0.10
Malaysia	0.05	1.45	0.53	0.19
Singapore	0.06	0.01	-0.04	-0.11
Viet Nam	-0.02	0.02	3.06	0.48
Canada	0.04	-0.01	0.06	0.44
Mexico	0.33	0.03	-0.30	1.43
Chile	0.03	-0.02	-0.13	0.05
Peru	0.07	0.09	-0.09	0.17
UK	0.17	-0.01	0.26	1.00
CPTPP	0.16	0.16	0.33	0.67
7 ASEAN	0.88	-0.07	-0.20	-0.22
EU	-0.01	0.14	-0.13	-0.14
US	-0.01	-0.01	0.33	-0.10
China	-0.03	-0.01	-0.11	0.95

Source: Author's simulations.

ASEAN economies³ (0.16%) and the EU (0.16%) joined CPTPP vis-à-vis the impact of the US (0.33%) and China (0.67%) joining CPTPP⁴ as is shown in Table 1. That said, those impacts would be far larger than those of Costa Rica (0.001%) and Uruguay (0.003%) (who have been engaged in CPTPP accession procedures) joining CPTPP, and those of other economies who have applied to join CPTPP⁵ joining CPTPP, alongside China and Chinese Taipei (0.10%), whose impacts were estimated in Kawasaki (2024).

It must be noted that real GDP impact would vary among individual economies under the above four scenarios. If the EU joined CPTPP, real GDP would increase to a large extent in Australia and Malaysia, who have not yet concluded trade agreements with the EU.⁶ Meanwhile, Japan has concluded an EPA with the EU, but Japan's real GDP would still increase under the removal of remaining tariffs.⁷ Real GDP would increase

³ Cambodia, Indonesia, Laos, Myanmar, Philippines, Thailand and Timor-Leste.

⁴ Details of estimated results by economy not shown in this article are available from authors, where appropriate. Differences in real GDP increases among member economies would range from 0.12% in Myanmar and Timor-Leste to 2.33% in Thailand if non-member ASEAN economies joined CPTPP, and from -0.03% in Lithuania to 0.54% in Denmark if the EU joined CPTPP.

⁵ Cambodia, Ecuador, Indonesia, Philippines, Ukraine and the United Arab Emirates (UAE).

⁶ Among CPTPP members, Brunei, Mexico and Peru have not concluded trade agreements with the EU.

⁷ Japan's real GDP is estimated to increase by 0.81% as a result of tariff reductions under the Japan-EU EPA, and by 0.33% under removal of remaining tariffs between Japan and the EU.

considerably in Viet Nam if the US joined CPTPP, and to a large extent in Mexico and the United Kingdom (UK) if China joined CPTPP. Real UK GDP would decrease if the EU joined CPTPP, but that magnitude would be limited.

On the other hand, the real GDP of the seven ASEAN economies who have not joined CPTPP would increase by 0.88%, far exceeding real GDP increases in CPTPP members if those economies joined CPTPP. EU's real GDP increase upon joining CPTPP (0.14%) would be equivalent to the real GDP increase of CPTPP members. That magnitude would counterbalance the adverse impact on the EU if the US and China joined CPTPP. Trade diversion effects in the US and China resulting from ASEAN and the EU joining CPTPP are estimated to be small.

III. Impact by industry

Production by sector would be affected both positively and negatively to a larger extent than at the macro level, reflecting the principle of comparative advantage. Impact on the production of a few specific industries is estimated as is shown in Table 2.

Table 2 Impact on production by sector

	Agri., forestry and fisheries				Textiles and apparel				Motor vehicles and parts			
	SEA	EUM	USA	CHN	SEA	EUM	USA	CHN	SEA	EUM	USA	CHN
Australia	0.0	0.3	-0.1	-0.0	-0.1	1.7	-0.1	-0.8	-0.4	-4.4	-0.2	-0.3
New Zealand	0.0	-0.0	0.1	0.4	-0.0	-0.1	0.6	-1.1	-0.6	-1.6	-0.7	-0.1
Japan	-0.0	-0.3	-0.8	0.2	0.1	0.6	2.0	-0.6	0.9	-0.2	2.3	4.0
Brunei	0.0	0.1	-0.0	0.0	-0.1	5.8	12.2	-0.6	-0.5	-0.6	-0.0	-0.2
Malaysia	0.0	0.2	0.1	0.1	0.0	6.0	13.8	-1.0	-0.3	0.6	0.4	0.1
Singapore	0.1	0.0	-0.0	-0.0	0.0	-0.1	0.3	-1.5	-2.0	-4.0	-0.6	-1.0
Viet Nam	0.1	-0.0	-0.4	0.1	-0.2	0.1	33.2	0.3	-1.0	-0.2	-3.1	-0.4
Canada	0.4	-0.0	0.1	1.3	-0.3	-0.1	-4.3	-3.6	-0.3	-0.1	-0.5	0.6
Mexico	0.1	0.0	0.1	0.3	-0.3	-0.1	-3.8	-1.9	0.7	-0.0	-0.7	2.3
Chile	0.0	-0.0	-0.0	0.1	-0.1	-0.0	-0.2	-0.9	-0.4	0.0	-0.2	-0.4
Peru	0.0	0.1	0.0	0.1	-0.2	0.1	-0.5	-1.8	-0.1	-0.1	-0.1	0.2
UK	0.0	0.0	0.1	0.3	0.3	-0.02	1.8	-1.4	1.1	-0.4	1.5	16.5
CPTPP	0.1	0.0	-0.2	0.3	-0.1	0.3	13.2	-0.8	0.6	-0.2	0.9	4.0
7 ASEAN	0.2	-0.0	-0.1	-0.0	3.8	0.1	-1.8	-1.9	4.6	-2.2	-0.5	-0.6
EU	-0.0	0.1	-0.1	0.0	-0.1	0.0	-0.4	-2.0	-0.2	0.9	-0.3	-0.7
US	0.0	-0.0	0.4	0.1	-0.9	-0.1	-1.3	-4.9	-0.3	-0.2	0.5	-0.7
China	0.0	-0.0	-0.0	0.3	-0.1	0.0	-0.6	2.5	-0.1	-0.1	-0.2	-0.5

Source: Author's simulations.

Meanwhile, real EU GDP is estimated to increase by 0.07% under the Japan-EU EPA and by 0.01% under removal of remaining tariffs.

Comparative advantage is owned by large land economies in agriculture, forestry and fisheries; by labor intensive developing economies in textiles and apparel; and by capital and technology intensive developed economies in motor vehicles and parts.

Agriculture, forestry and fisheries production would not necessarily decrease in Japan if China joined CPTPP but would decrease if the EU joined CPTPP, though to a smaller extent than under the adverse impact of the US joining CPTPP. Meanwhile, it would increase in Canada if ASEAN joined CPTPP and in Australia if the EU joined CPTPP.

Textiles and apparel production would decrease in North and South America alongside Viet Nam, and increase in the remaining seven non-member ASEAN economies; on the other hand, if those ASEAN non-members joined CPTPP. If the EU joined CPTPP, textiles and apparel production would increase in Brunei and Malaysia, though to a smaller extent than if the US joined CPTPP. On the other hand, it would not increase so much in Viet Nam, despite its significant increase due to the US joining CPTPP. Meanwhile, it would decrease in Canada and Mexico if the US and China joined CPTPP but not so much if the EU joined CPTPP.

Motor vehicles and parts production would increase in Japan, Mexico and the UK but would decrease for other CPTPP members if ASEAN joined CPTPP. Meanwhile, it would generally decrease for CPTPP members if the EU joined CPTPP. That said, it would increase in Japan if the US and China joined CPTPP, and would increase significantly in the UK if China joined CPTPP. On the other hand, it would increase in Thailand if ASEAN joined CPTPP, and in Germany and others if the EU joined CPTPP.

IV. Concluding remarks

Macroeconomic benefit is expected from further trade liberalization through the expansion of CPTPP membership. It would be worthwhile for third economies including current CPTPP parties, ASEAN and the EU to collaborate and make those efforts even if the largest two economies, i.e., the US and China, did not join CPTPP. That said, positive and negative impacts on industry production would vary among the four scenarios (ASEAN, the EU, the US and China joining CPTPP). Quantitative ex-ante analysis using economic models is expected to contribute to appropriate trade policy making.