The Economist explains

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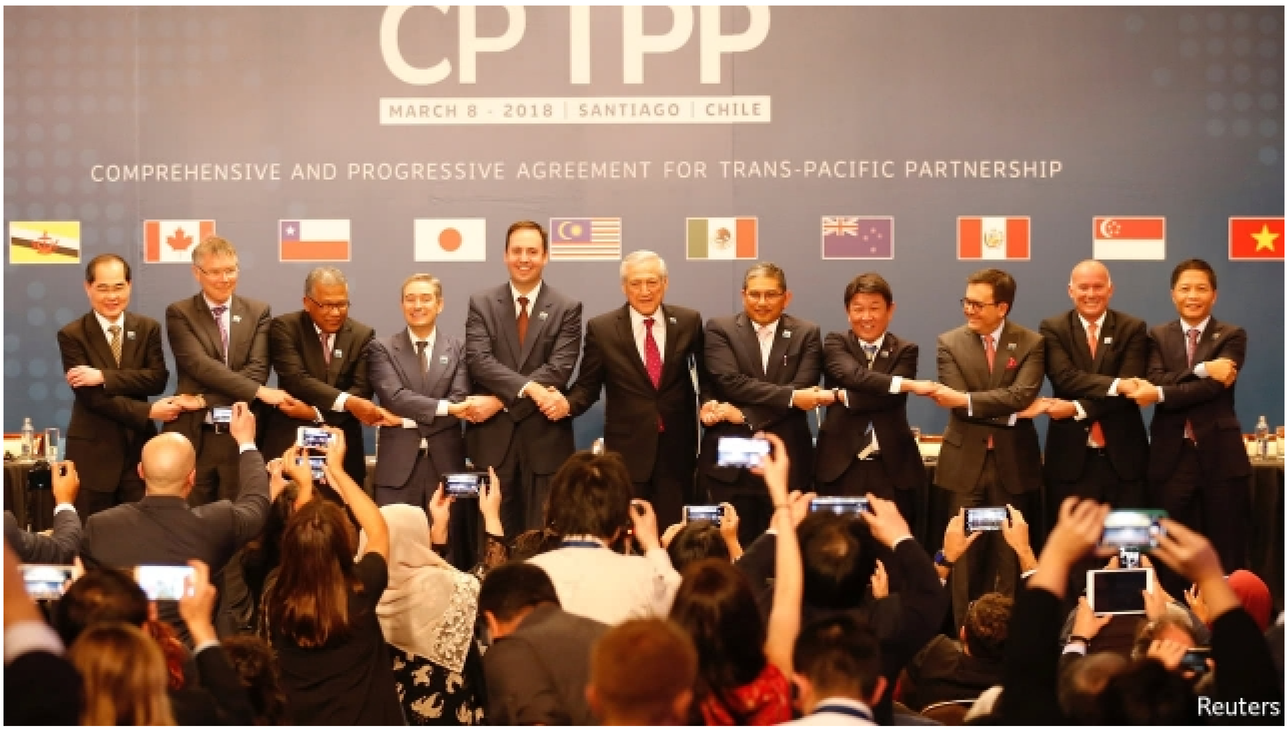
What on earth is the CPTPP?

A new trade block emerges from the ashes of the TPP



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THE prospects for global trade look bleak. Donald Trump has signed controversial orders imposing heavy tariffs on steel and aluminium. China and the EU have threatened to retaliate. But while potential trade wars are hogging the headlines, they are not on the agenda everywhere. On March 8th trade ministers from 11 countries gathered in Santiago, the capital of Chile, to sign the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. What is this (clunkily acronymised) new deal?

If the Trans-Pacific Partnership (TPP) part sounds familiar, that is because it has been around for a while. The TPP was an extremely ambitious free-trade agreement that nations had been negotiating for almost a decade. It was broad, covering two-fifths of the world economy, including America and 11 other nations around the Pacific. It was also deep: the text comprised 30 chapters covering everything from labour standards to intellectual-property rights. The goal of Barack Obama, who championed it, was that TPP would "write the rules for global trade". But Mr Trump, while on the campaign trail, proved less enthusiastic about the pact, calling it a "horrible deal". On his first full day in office, he signed an executive order withdrawing the United States from the TPP. As the 12 became 11, many people feared that the deal was dead. But from the ashes of TPP has risen the CPTPP.

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Deborah Elms of the Asian Trade Centre, a think-tank, calls CPTPP the "most important trade agreement we've had in two decades". The deal is very similar to its parent pact, though 22 of the TPP's provisions have been suspended, reducing the total number of pages in the agreement from 632 to 580. The remainder covers much more than just the exchange of goods and services, with broader requirements in areas such as labour, the environment and government procurement. Its members —Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam—constitute 13.5% of the world economy. The gains will only be a third as much as had been expected under TPP but these are still meaningful. The economies of the CPTPP members will be made 1.7% larger than they would have been, on average, by 2030, according to estimates from the Peterson Institute for International Economics. The biggest winners, in percentage terms, are poorer nations like Vietnam and Peru, who are expected see their economies expand by 2-3% each. And most of these benefits are likely to accrue quickly. Two months after six of the 11 members ratify the agreement, it will come into force.

Apart from America, the other big boy not at the party is China. The Chinese have not shown much interest in joining, preferring to try to build different trade agreements. The Regional Comprehensive Economic Partnership (RCEP) is the largest of these, which includes the ten nations of ASEAN plus Australia, India, Japan, Korea and New Zealand. But RCEP is a far shallower agreement, and the gains are commensurately lower. The establishment of the CPTPP means China will not be able to dominate Asia with its own trade agreement. And the door has been left open for America, under Mr Trump or his successor, to change its mind and join up. Free trade on the Pacific rim took a knock from America's withdrawal from TPP, but it seems that many people underestimated the willingness of the region's other countries to pick up the baton of free trade.