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BRIDGES AND GAPS:

Operationalizing EU-CPTPP Cooperation

BY DAN CIURIK

Operationalizing EU-CPTPP Cooperation

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The 39 members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union (EU) can move towards a more structured relationship given their mutual interests in preserving rules-based trade as “middle powers” — to use a geopolitical term — and as “small open economies” — to use an economic term — at a time of rupture in the international political and economic system.

The note is premised on four propositions.

- 1 The rules-based system developed for the globalized production system remains relevant for the vast majority of traded products and trading nations.
- 2 The market outcomes in the battleground sectors in which technological change has steeply increased prospective economic rents will not be settled by rules but by the exercise of economic and geopolitical power; by the same token, these sectors need to be hived off from the rest of the global system for trade administration.
- 3 The interregnum during which this contest plays itself out (until the dust in the battleground sectors settles) will

feature a stylized structure of a Global North with a vested interest in preserving the rules-based system; a Global South, whose participation in the battleground sectors will run mainly through control of critical commodity inputs into the artificial intelligence (AI) value chain, which provides its membership a path to capture some of the economic rents in the context of a building commodity super-cycle; and two “middle kingdoms” pushed apart by trade barriers but limited in how hard they can push by their own dependence on the global system of production and trade.

- 4 Stewardship of the rules-based order defaults to the EU-CPTPP group; Canada has self-selected into the role of the bridge economy.

Stewardship of the rules-based order defaults to the EU-CPTPP group; Canada has self-selected into the role of being the bridge economy.

This contextual framing leads to several specific recommendations.

1 Acting as stewards of the rules-based system, the EU-CPTPP membership should use available World Trade Organization (WTO) mechanisms to pursue the development of the structural relationship to ensure it respects WTO norms — in particular, form a “small open economy caucus” in the WTO to advance rule-making and use WTO measures such as the situation complaint to address transgressions and/or structural imbalances. In this context, a small open economy is one that depends disproportionately on international trade for its livelihood and is, by the same token, disproportionately vulnerable to economic coercion.

2 Build on the New Zealand-Singapore Agreement on Trade in Essential Supplies (i.e. non-aggression treaty), signed in July 2026, to cauterize the bleeding caused by the U.S.-China weaponization of the system (compromise of the most favoured nation principle, export restrictions, and imposition of barter-like trade deals that harm international competition).

3 Thinking of the WTO-Article XXIV agreement system as an “operating system,” work to incrementally converge the U.S.-based CPTPP governance framework with the EU-FTA-based framework as a friction-reducing exercise, while considering available measures such as cumulation in rules of origin to promote a deepening of mutual trade on a WTO-consistent basis.

4 Use the review of the CPTPP digital economy chapter (Chapter 14) to fill the gap in the WTO framework; this will involve parsing “electronic transmissions” into GATT-governed digital products that are “like” goods; GATS-governed digital products that are “like” services; and data, whose value needs to be explicitly captured in trade accounts and reflected in estimated trade balances; along

with measures that enable sovereignty in governance of the digital economy.

Ultimately, the EU-CPTPP “bridge” can promote the development of a market with the scale to compete with China and the U.S. while retaining the perspectives and values of small open economies.

Introduction

The rupture in the international trading system has generated an extraordinary volume of commentary and a new vocabulary: just-in-case rather than just-in-time; de-risking rather than integration; conditional rather than unconditional most-favoured-nation treatment; variable geometry in place of universal multilateralism. The common premise is that the system built during the era of globalization was fundamentally flawed and must be replaced.

Yet, after the better part of a decade of trade and technology war premised on globalization having gone wrong, three things are observable.

- Global trade has proved resilient; the trade and tech war is flailing and failing.
- The global factory remains largely intact. To be sure, there is superficial decoupling at the level of final assembly, but this masks continued deep interdependence of supply chains.
- The small open economies are rallying around the system rather than abandoning it, using the Multi-Party Interim Appeal Arbitration Arrangement, concluding new agreements on established templates, entering commitments not to weaponize trade, and opening new forums, of which the CPTPP–EU process is potentially the most consequential.

Ultimately, the EU-CPTPP “bridge” can promote the development of a market with the scale to compete with China and the United States while retaining the perspectives and values of small open economies.

How can we understand this?

Globalization was never about trade — it was about production. Its defining feature was not the expansion of trade flows but the emergence of the global factory: an internationally distributed production system organized through value chains that exploit extreme specialization at the firm level to access economies of scale otherwise unattainable. This “global factory” was enabled by technological developments and was already in place before the Uruguay Round got started.

The WTO Agreement can be thought of as the operating system (OS) for this global factory. Countries voted to join the system — tariffs were a nuisance for intermediate-goods trade and were mostly unilaterally eliminated. Trade policy ratified globalization; it did not cause it.

When the Doha Round failed, the deep and comprehensive free trade agreements (DCFTAs) took over developing the OS and, with the notable exception of the WTO Trade Facilitation Agreement (TFA), did the heavy lifting.

However, this progress was on a fragmented basis — with EU-style templates, U.S.-style templates, and East Asian versions. We can think of this as analogous to Apple’s iOS vs. Google’s Android vs. Huawei’s HarmonyOS: each does the same work, but each has different APIs (application programming interfaces) causing interoperability issues for participating firms.

For the overwhelming majority of products and participants, the existing framework still performs its essential function. For a small number of sectors characterized by exceptionally large prospective rents — advanced semiconductors, AI, data, aerospace — rules fail, as outcomes are being determined by power rather than law, as they always have been.

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The challenge is therefore not to replace an operating system that governs most of the world economy, but to preserve it, optimize it for the small open economies that truly depend on it, and develop complementary arrangements where it does not reach. Four propositions follow as regards the baseline conditions that set the scene for how to proceed.

A Reality Check on the Baseline Conditions

Proposition One: The operating system still works, and for most of global commerce

The global factory is most accurately understood as a globally distributed knowledge network, in which the relevant capital consists of four things:

- 1 The accumulated organizational capabilities of highly specialized firms, most of which we have never heard of;
- 2 Formal intellectual property that excludes others and thus limits replicability;
- 3 Tacit knowledge, including newly codified trade secrets not revealed through patents, which cannot be easily developed as it requires learning by doing, and;
- 4 Co-specialized supplier relationships, exemplified by ASML’s arrangement with TSMC through co-located design teams, that cannot be readily duplicated. ASML alone reports some 5,100 suppliers and describes itself as a supply chain manager. One ASML lithography machine is assembled from over 100,000 components, 85 per cent of which are made by ASML suppliers, and shipping one machine is said to require 20 trucks, 40 freight containers, and three 747 jets.

This system does not — and cannot — live within national borders.

The essential capital of this system is predominantly intangible and relational rather than physical. This means the feasible margin of adjustment is far narrower than the rhetoric of derisking, decoupling, and dual

circulation might suggest. Trade routes for final products can be redrawn relatively quickly; the deep structure of technological interdependence changes only slowly.

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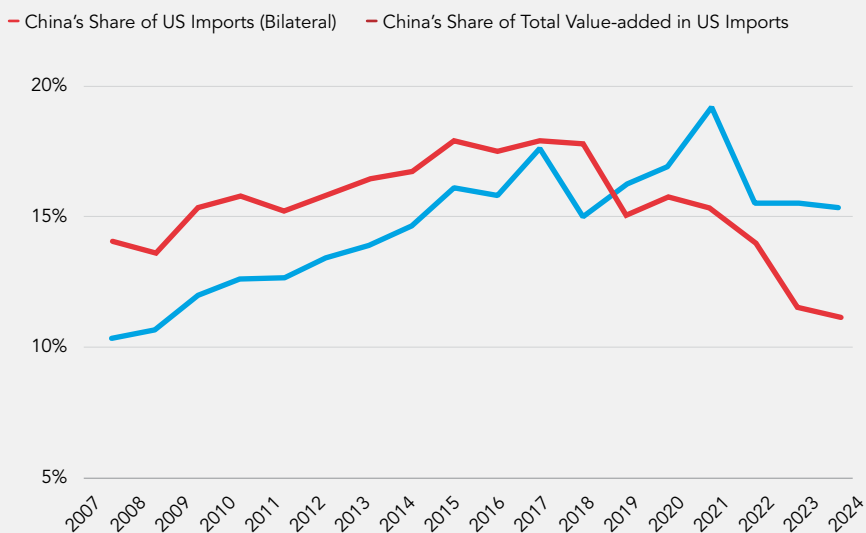
For example, weaponizing access to U.S. technology set Huawei back an estimated five years — it even spun off its cellphone business, which had briefly eclipsed Apple's iPhone in global sales prior to U.S. technology restrictions. Those five years duly came and went — the pundits were largely proven correct. But at the end of those five years, Huawei shipped a 7nm-class handset and in 2025 regained the lead in China's cellphone market.

But it was not easy. In that intervening five-year period, Huawei led the world in patenting and China spent untold billions in building a de-Americanized supply chain. Similarly, even building what is essentially a branch plant in this modern economy is no mean feat. TSMC took half a decade to bring its Arizona plant online and did so only by parachuting in much of the staff from Taiwan; its lead design team remains in Taiwan, co-located with ASML's.

Meanwhile, after years of trade war and high tariffs, the amount of China's value-added in U.S. imports from the world was higher in 2024 (15.4%) than it was in 2018 (15.0%), despite a steep fall in direct bilateral imports. So much for the grand (or "grandiose") claims for "economic statecraft" as the new OS.

There are two takeaways from these observations: the global factory can be bypassed, but only at great cost and with no obvious, clearly achievable end — the global factory and supply chain for semiconductors remain intact and, in fact, even more developed. Meanwhile, the rules-based system developed for the globalized production system remains the relevant, cost-effective OS for the vast majority of traded products and trading nations.

Figure 1: China's share of total US imports, bilateral and value added, 2007–2024 (%)



Source: [Person Institute for International Economics](#)

Proposition Two: The battleground sectors will not be settled by rules

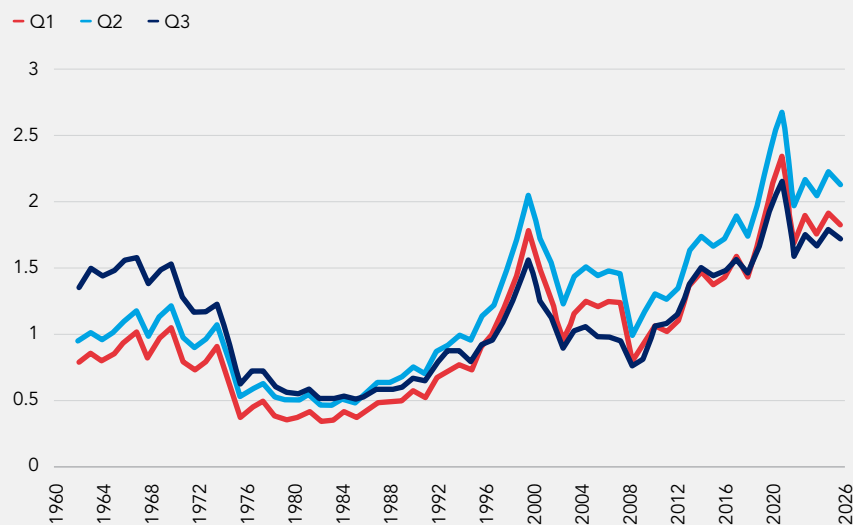
A brief review of the history of commercial conflict shows how this is shaped by the evolution of economic rents. Through the Tokyo and Uruguay Rounds, economic rents were at a low ebb. This can be seen in the trajectory of Tobin's Q in the U.S. (The Q ratio measures the market value of companies relative to the replacement cost of their capital.)

There were, of course, contested rents in particular markets — civilian aircraft, computer chips, and automobiles — which were fought over in the 1970s and 1980s by the U.S., Japan, and Europe with massive subsidies, tariff measures (including a barrage of anti-dumping and countervailing duty measures, which were in turn disputed under the GATT), non-tariff instruments such as voluntary export restraints (mainly by Japan under pressure from the U.S.), moves by Japanese exporters to locate production in the U.S. to avoid tariffs, and structured sectoral deals; all of these are echoed today.

The conclusion of this messy episode was described by researchers Kenneth Flamm and Peter C. Reiss, writing for The Brookings Institution - it should sound familiar to today's readers:

“By the end of July 1986, antidumping cases were in play for three different types of memory chips (as well as a Section 301 unfair trade practices complaint and a private antitrust suit against Japanese chip producers). At that point, after almost a year of negotiations, agreement was finally reached on the first bilateral U.S.-Japan Semiconductor Trade Arrangement. Dumping cases in 256K (and higher) DRAMs and EPROMs, and the 301 case, were suspended after these talks were successfully concluded in late July. The STA was officially signed on September 1, 1986.”

Figure 2: Tobin's Q Ratios for the S&P 500, 1960-2026



Source: *US Bureau of Economic Analysis*; extrapolation for the years 2024-2026 by the author based on estimates from *Advisor Perspectives*.

Notes: Q1 is the market value of outstanding equity divided by the net stock of produced assets valued at current cost; Q2 is the market value of outstanding equity plus book value of outstanding corporate bonds divided by the net stock of produced assets valued at current cost; and Q3 is the market value of outstanding equity plus market value of outstanding corporate bonds plus net liquid assets divided by the net stock of produced assets valued at current cost.

This ratio was persistently below one from the early 1970s through to the early 1990s. In this formative period for the rules-based order, markets valued companies at less than the replacement cost of their capital, which is to say that, market-wide, there were no prospective rents in the system. Under those conditions, there is nothing to fight over, and governments were content to leave the global allocation of production to markets. The rules-based order emerged endogenously under the technological conditions of the day.

The sustained rise in economy-wide rents after 2010, visible in the climb of Tobin's Q into the two-to-two-and-a-half range, created the conditions for generalized commercial conflict. And that conflict emerged on cue, flaring into a full-blown trade and technology war when China's advance as a technological power sharply raised the stakes for the U.S.

The implications of this are somewhat uncomfortable for advocates of the rules-based system. The system never handled high-rent sectors well and does not now. There are repeated calls for new rules, although history shows that rules do not settle the division of economic rents.

This situation is made worse by the fact that in the major areas where economic rent is being contested, there are no rules at all: the WTO framework has yet to come to grips with data, connected devices, and AI, including the radical change in AI impacts from the development of generative/ agentic AI, which has ushered in a new economic age of machine knowledge capital.

The WTO framework still addresses “electronic transmissions” through a moratorium on tariffs adopted in 1998, when business-to-consumer electronic commerce was in its infancy (Amazon was founded only two years earlier). It has yet to decide whether digital products fall under the GATT or the GATS, one of the most fundamental distinctions in the rules-based system. And it says nothing whatsoever about data as an asset or AI as a factor of production – remarkably, the value of data is not reflected in trade statistics and does not enter into reported national trade balances.

Hiving these contested sectors off for separate treatment is essential for protecting the commerce that the system does govern successfully.

Proposition Three: The structure of the interregnum is taking shape

As the rupture has unfolded, we can see the outlines of an international commercial system emerging that will likely characterize the interregnum. It has a stylized three-part structure: a global north, a global south, and two middle kingdoms.

The Global North

This is the group of advanced economies, excluding the U.S. and China. The EU-CPTPP group is the core. This group has a vested interest in preserving the rules-based system even as its members seek a foothold in the new technological domains.

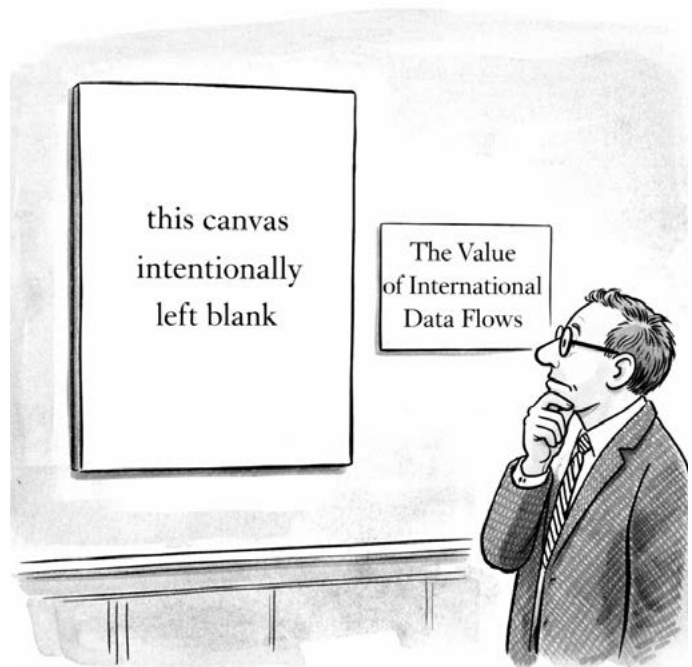


Image rendered by ChatGPT on a detailed prompt from the author.

This group shed a great deal of economic weight in terms of share of global GDP (and especially of global GDP excluding China) during the data-driven economy era (2010–22).

During this period, the foundations on which the Global North’s postwar economic prosperity and influence were built — investment in human capital, traditional intellectual property, and in Europe’s case regulatory leadership (aka “the Brussels Effect”) — lost traction in capturing economic rents, which flowed to the ‘hyperscaler’ firms, all of which were headquartered in the U.S. or China.

The Global North shrank in relative terms because it bled out data — the most valuable asset of the age — technology firms, and economic rents to the “cloud.”

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The failure to account for the value of data led these countries to acquiesce in the tax-free, royalty-free exfiltration of data. True, they obtained “free internet services,” but the consideration that flowed to hyperscalers in return was enormously more valuable – it was arguably a “beads for Manhattan” redux.

As regards technology start-ups, much of the technology that powered the hyperscalers did not start in the U.S. DeepMind started in the U.K. and wound up as part of Google. DNNResearch, a deep learning start-up formed by Geoffrey Hinton, the “godfather” of neural net technology, and Ilya Sutskever, a future co-founder of OpenAI, started at the University of Toronto and wound up as part of Google.

Since all innovation and productivity happen inside the firm, losing the firms of the future through mergers and acquisitions that result in their exfiltration out of an economy saps all the dynamism out of an economy. This

concern applies equally to Europe and to the members of the CPTPP and the Global North more generally.

As regards the capture of economic rents, the Global North largely wound up dependent on U.S. cloud service providers — Amazon’s AWS, Microsoft’s Azure, and Google Cloud Services. In Europe, European companies’ share of the European cloud market declined precipitously from 27 per cent in 2017 to 13 per cent in 2022 at the end of the data-driven era; the two largest European cloud providers each had only two per cent of the European market. In business terms, this is close to extinction. South Korea was perhaps the only member of the Global North that effectively fought to maintain its own cloud.

Belatedly, there has been a recognition of just how much near-total dependence on a foreign-controlled “cloud” (which is just someone else’s computer, as per the irreverent saying) has compromised national sovereignty.

This recognition, in turn, explains the present push in Europe, Canada, and elsewhere for “data sovereignty” and a share of data rents.



“It’s settled then – we provide the internet services and you allow us to use the data.”

And that of course puts Europe and the rest of the Global North in direct commercial conflict with the U.S. This rift, surprising as it might be to some, is a defining feature of the age and it is grounded in technological developments and the commercial consequences thereof: the data-driven economy enables the capture of economic rent through exploitation of the extreme economies of scale in leveraging data and other intangible assets, powerful economies of scope in cross-referencing data from different domains, network effects in many digital sectors, and perhaps most importantly pervasive information asymmetry that provides the hyperscalers an enormous evolutionary advantage.

Image rendered by ChatGPT on a detailed prompt from the author.

The Global North sat out the data-driven economy and shrank in relative size as a result. Clawing their way back into the game in the new economy of machine knowledge capital is the central challenge for the Global North and, in this regard, they are all in the same boat.

The Global South

The Global South also, for the most part, sat out the data-driven economy, but the transition to the capital-expenditure-heavy age of machine knowledge capital is providing developing countries an opportunity to cash in on a tech-driven commodity super-cycle to leverage their mineral assets to drive economic development. According to Ibrahima Aidara, deputy Africa director for the Natural Resource Governance Institute, “From a development perspective, critical minerals are an even better prospect than oil and gas.”

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Thus, Indonesia has leveraged its nickel, Zimbabwe its lithium, Democratic Republic of the Congo its cobalt and copper to capture part of the processing rents. Chinese firms have invested heavily in electric vehicles, batteries, data centres, and supporting energy infrastructure across Indonesia, Malaysia, Thailand, and Vietnam, creating vertically integrated supply chains that extend from Indonesian nickel mines through battery manufacturing to final vehicle assembly. The U.S. is also in the game, seeking strategic partnerships. This rivalry puts the Global South in the position of being a “swing state” with leverage.

Two Middle Kingdoms

The U.S. and China sit in the middle, pushed apart by trade barriers but limited in how hard they can realistically decouple by their own dependence on the global system.

Their contest is technological and asymmetric: the U.S. leads in data centres, cutting-edge inference compute, and frontier models; China leads in the electricity required to run inference at scale, in critical minerals, in robotics implementation and in the depth of its STEM talent pool — and it has data sovereignty, having long excluded U.S. hyperscalers from its market.

In this “rock, paper, scissors” contest, neither is in a position to win decisively. Bilateral trade weapons have been largely spent and left both weaker. By Lerner symmetry, a tax on imports is a tax on exports: every weaponized trade measure recoils on the party imposing it.

Trade threats, unlike munitions, are largely single-use — once fired, firms re-optimize around them, and the weapon cannot be reloaded.

Further, the velocity of catch-up once a follower possesses sufficient scientific capability, industrial scale, and human capital exceeds the velocity of frontier advance, which implies convergence. The strategic premise of export controls — that successive restrictions maintain a persistent lead as the frontier is pushed outward — does not hold. China’s lag in cutting-edge AI systems is now described in months rather than years, and for practical commercial purposes, the gap has disappeared since the Chinese models are generally seen as “good enough” and can compete on price.

The unexpected operative conclusion for small open economies is that the space for independent action is expanding, not contracting.

When a hegemonic power turns inward, it mechanically reduces everyone else’s dependence on its market and expands the degrees of freedom for middle powers to collaborate among themselves. That space is already getting busier.

Proposition Four: Stewardship defaults to the EU-CPTPP group

Stewardship of the rules-based order defaults to this group as a matter of alignment of interests. This has been recognized and is being acted upon.

The economics are worth restating briefly, because they explain why the group will hold together under pressure. One of Canada's enduring contributions to economic theory is the concept of the small open economy, introduced by Robert Mundell in his work at the IMF with Marcus Fleming, which showed that small open economies respond differently to fiscal stimulus than a large, quasi-closed one: in the small open economy, stimulus leaks out through capital flows and exchange-rate adjustment.

The asymmetries between the small open economies and the large quasi-closed economies run much deeper, however; three, in particular, matter here.

- Large markets can raise tariffs to extract terms-of-trade gains, as partners cut prices to retain access to a market they cannot afford to lose; small open economies cannot, because their optimal tariff is, in general, zero — empirically, exporters to a small market do not price down. Domestic consumers pay the tariff.
- Small open economies are far more vulnerable to retaliation, depending more heavily on exports both for efficiency, since minimum efficient scale often cannot be attained by serving the domestic market alone, and for the revenue that finances essential imports.
- Most subtly, small open economies enjoy greater gains from trade, which makes them more exposed to coercion: they have more to lose, and therefore more to cede under duress.

These facts drive every small open economy — including the European Union, which is for this purpose a collection of small open economies — toward the same revealed response: tactical reciprocal protection where specific sectors are heavily hit, combined with strategic liberalization everywhere else.

In geoeconomic terms, small open economies walk softly and carry small sticks. But they also form clubs. Or, put more agreeably, they can join their voices in a countervailing choir — if they can settle on an agreed score.

Within this group, Canada has self-selected as the bridge economy, and the EU-CPTPP bridge is explicitly referenced in what has come to be called the “Carney Doctrine” or “Carney Credo.”

There are historical echoes worth drawing out. The trans-Canada railway, pivotal in expanding Confederation from four provinces to a continent-spanning nation, was conceived as a “Northern Corridor,” linking European economies to the Asia Pacific.

Canada was a bridge then; it is a bridge now. And now as then, this bridge is understood to be vital to Canada's national security against potential encroachment from its southern neighbour. What is different is that the traffic crossing this bridge is trade commitments rather than freight.

Operationalizing the Bridge

Four recommendations follow for how the EU-CPTPP bridge can be operationalized. They are incremental by design; the operating system for the global factory system is not broken, and there is no need to spend political capital replacing what works.

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Where attention is required is how to isolate the working part of the system from spillovers from the areas of strife and to develop workable rules that are congenial to the small open economy interests in the areas where the rules-based system does not yet have traction.

Anchor the enterprise in the WTO through a small-open-economy caucus

Acting as stewards, the EU-CPTPP bridge group should pursue the structural relationship through available WTO mechanisms so that it visibly respects WTO norms: forming a small-open-economy caucus to advance rule-making, and using available measures — in particular, the situation complaint — to address transgressions and structural imbalances, thereby engaging panels and the membership as participants in the discussion.

Acting as stewards, the EU-CPTPP bridge group should pursue the structural relationship through available WTO mechanisms so that it visibly respects WTO norms.

Doing this inside the WTO rather than alongside it serves three purposes.

- It preserves legitimacy and transparency.
- It establishes the basis for a later roll-out on a wider membership basis once the dust settles on the current trade and tech war (this matters because a club that cannot open its doors becomes a bloc).
- And it disciplines the group's own conduct: remedies designed collectively are far less likely to generate internecine conflict within the community of small open economies, a real risk when each member responds unilaterally to the same external pressure.

Cauterize the bleeding: generalize the non-weaponization commitment

The Singapore–New Zealand commitment ruling out the weaponization of supply is the most important small-open-economy trade policy innovation of the rupture. It should be built upon and generalized across the group.

The principal damage to the system is not tariffs on imports, which largely result in a redirection of trade, but the threat that any dependency may, at any moment, be converted into a weapon that shuts down production.

That threat imposes insurance costs on every trading firm, whether or not it is ever executed. Uncertainty is itself a trade cost. A mutual and explicit undertaking not to weaponize supply within the caucus removes the members as sources of risk to one another and thus reduces trade costs within the group.

This is also the precondition for everything else in this agenda. There is powerful evidence from the COVID-19 pandemic responses that reliance on trade was superior to self-insurance — and in any event, self-insurance is, as a practical matter, impossible for any small open economy. To be sure, there were less-than-edifying “me first” responses during the pandemic by some economies, but the economic logic of the global factory — which is the most distributed form of production possible on the planet and the one best able to adapt to outages in any specific location — ultimately prevailed.

Think of the Article XXIV system as an operating system and converge by levelling up

Thinking of the WTO Article XXIV agreement system as an operating system, the group should, as a friction-reducing exercise, seek to incrementally converge the CPTPP — which is an agreement framed on the U.S. model — and the EU FTA frameworks that apply bilaterally within the group (e.g. the EU–Vietnam FTA).

The mechanism is levelling up, issue by issue: identifying, for each provision, the current trade-policy frontier as established by innovations in other agreements and moving toward it.

The PECC proposal for upgrades to the CPTPP digital economy chapter identified some 30 areas where modest improvements could be made on precisely this basis. Levelling up has the useful property that it drives template convergence as a byproduct: as each framework moves toward the frontier on a given issue, the frameworks converge on the frontier, without explicit harmonization.

Alongside this, the group should consider extending cumulation provisions in rules of origin. This is the most concrete deliverable available and the one that matters most to the smaller economies, which are more dependent on imported intermediate inputs and, correspondingly, more vulnerable to rules-of-origin restrictions on access to preferences. Extended cumulation would allow inputs sourced across the combined membership to count toward originating status, increasing the trade traffic across the EU-CPTPP bridge.

Not to put too fine a point on it, but the more traffic on this bridge, the greater the leverage of the group vis-à-vis the Middle Kingdoms, which is geoeconomic capital the group sorely needs.

Fill the digital economy rules gap through the CPTPP digital economy chapter review

The most important step for the EU-CPTPP bridge group would be to fill the gaping hole in the WTO framework on the digital economy. I hasten to emphasize that this is not about e-commerce, which has flourished very well, thank you, without a WTO agreement — however welcome the WTO Joint Statement Initiative (JSI) Agreement on Electronic Commerce is.

The core analytical task is to come to grips with the content of “electronic transmissions” — the undifferentiated category addressed in WTO rules — and to parse it into three:

Extended cumulation would allow inputs sourced across the combined membership to count toward originating status, increasing the trade traffic across the EU-CPTPP bridge.

- **Digital products that are “like” goods:** durable digital products that deliver a flow of services over time (e.g. downloaded files that can be revisited time and again) and are therefore properly GATT-governed;
- **Digital products that are “like” services:** non-durable digital products that are extinguished upon consumption (e.g. streamed digital products that cannot be reused) and are therefore properly GATS-governed, and;
- **Data,** which is neither, and which requires its own treatment, including reflection of the value of cross-border data flows in the trade accounts and thus in estimated trade balances, and measures enabling the exercise of sovereign governance of the digital economy, including as regards how data is used.



Image rendered by ChatGPT on a detailed prompt from the author.

The third element is where the money is, and where the current framework is not merely incomplete but damagingly misleading. Classification issues aside, digital products for which payment is received are reflected in the balance of payments data. However, the value of cross-border data flows is not measured at all. In the barter trade of free internet services for data, the flows are “zero for zero,” and thus exports of digital services are grossly understated, and the consideration flowing in the opposite direction as payment is not reflected as income earned, even though it drives the market capitalization of the most valuable companies in today’s digital economy. And, by extension, the value of data does not appear in trade balances, with consequences running well beyond trade statistics, including for assessments of external positions and for the negotiating dynamics of agreements now under review. A trade framework that cannot see the most valuable traded asset of the age is ... well, pick your epithet.

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Two further areas need to be addressed if the EU-CPTPP bridge can find traction on data:

- **Innovation:** rules and conventions designed for the industrial economy simply do not work because innovation is driven by prospective rents, and the WTO system is not designed to deal with rent allocation (for a discussion, see Ciuriak 2023).
- **Connected devices and digital agents:** where governance is least developed and the gap is widening the fastest.

Concluding Thoughts

The rupture is real, but its fine structure has not been well characterized in the plethora of commentary.

The operating system governing the great majority of world commerce is not broken — it remains perfectly functional, which is why the small open economies that rely on trade are rallying around it. The dispute settlement system was working fine for resolving the ordinary disputes that arose from ordinary trade.

Where the problem lies is the assumption that the same system that governs trade could also govern the allocation of rents in the handful of sectors in which the rents of a new technological age are being contested. Those are different problems and conflating them produces policy reactions that damage the first while failing to settle the second. The sidelining of the WTO Appellate Body is perhaps the quintessential example of this mistake — and the resurrection of the system through the MPIA is perhaps the strongest endorsement of the functionality of the system for ordinary trade.

The EU-CPTPP bridge has (or can develop) the institutional capacity to act on the agenda laid out in this note: anchor its co-operative agenda in the WTO; commit to removing one another as sources of risk of weaponization of trade dependence; preserve what works and improve it incrementally by levelling up to the trade policy frontier. None of this requires a new order.

There is one chapter that needs to be written and needs to be written urgently: data. Beyond that, there is an expansive agenda that small open economies will need to address. Accordingly, there is wisdom in building the bridge to last.



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About the Author

Dan Ciuriak is Director and Principal of Ciuriak Consulting Inc. and a Distinguished Fellow with APF Canada. He was a featured speaker at the Canada-Viet Nam Forum on Economic Resilience and CPTPP-EU Linkages, an event co-organized by APF Canada, the Ministry of Industry and Trade of Viet Nam, and the Embassy of Canada to Viet Nam in Hanoi on July 20, 2026. This paper elaborates on remarks he gave to the audience. A summary report of the Forum's proceedings can be found [here](#).



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