

**OVERVIEW:****TRANS-PACIFIC PARTNERSHIP****TOPLINE**

The 12 countries negotiating the Trans-Pacific Partnership (TPP) announced they had reached an agreement on October 5, 2015. Since Congress passed and the President signed into law Trade Promotion Authority earlier this year, the agreement must be considered on a defined timeline and given an up or down vote in Congress.

TPP would reduce or eliminate 18,000 tariffs on American exports. It contains chapters governing e-commerce,

intellectual property, and state-owned enterprises and is the first free trade agreement to include a chapter specifically for small and medium-sized businesses. The agreement also includes the most enforceable labor and environmental standards in any agreement of its kind.

TPP member countries include: the United States, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.



Source: New York Times

**BACKGROUND ON THE TRANS-PACIFIC PARTNERSHIP**

After five years of discussions, the 12 countries negotiating TPP announced on October 5 they had finalized a comprehensive international trade agreement. The United States Trade Representative (USTR) estimates that the agreement will boost U.S. exports by up to \$142 billion, grow U.S. income by \$89 billion, and increase foreign-direct investment in American firms by \$54 billion.

The Trans-Pacific Partnership will reduce or eliminate thousands of tariffs and other barriers for American businesses both large and small entering into new markets. USTR predicts that it will increase exports by 4.4 percent, increase GDP by \$77 billion, and boost foreign direct investment in U.S. businesses. TPP also contains provisions directly aimed at protecting businesses' intellectual property rights abroad and enforceable labor and environmental standards. The new agreement will give the U.S. and other member countries the ability to set the standards for commerce in the Pacific Rim ahead of China, who has also been negotiating new trade agreements with its neighbors in East Asia.

The agreement is broad: negotiators crafted 30 different chapters to resolve issues such as market access, intellectual property rights, labor standards, state-owned enterprises, and regulatory compatibility. TPP is intended to be a “living agreement” that can accommodate both new trade issues and new members. Allowing other countries, including China and India, to join in the future gives the agreement the potential to expand in a region that produces nearly 60 percent of global GDP and is home to 40 percent of the world’s population.

### KEY ISSUES

In its 30 chapters, TPP lays out a number of provisions that will make it easier for US businesses to access new markets. This includes lowering tariffs, promoting e-commerce, protecting intellectual property, and helping businesses compete with state-owned enterprises. The agreement includes a chapter on small businesses, which stand to benefit greatly from TPP, and also includes high standards for labor and the environment.

### Small Business

TPP is the first trade agreement in history to have a chapter specifically dedicated to small and medium-sized businesses. Provisions that may be of particular value to small businesses include intellectual property provisions, tariff reductions, and prohibitions against local data storage requirements. By creating streamlined rules for trade in all 12 countries, smaller companies that may have previously had lacked the capacity to enforce their intellectual property rights abroad or absorb the cost of high tariffs can more freely move forward with expansion in markets previously out of their reach. TPP member countries have also agreed to create user-friendly websites targeted at small businesses to provide information on TPP and how small firms can take advantage of the new agreement.

### Tariffs

TPP will reduce or eliminate 18,000 tariffs currently levied on US exports, making the agreement the largest tax cut for American businesses in a generation. Tariffs on all manufactured goods will be eliminated entirely, from car engines and parts (currently facing up to a 70% tariff) to construction machinery (currently taxed up to 60%). Tariffs on most agricultural products will also fall sharply, with Japan’s 38.5% tariff on American beef falling to 9% and Vietnam’s 10% tariff on some American fruits phased out completely. And the tariffs on American beers, which are as high as 47% in some TPP countries, will fall to zero as well.

## MAJOR U.S. EXPORTS BY TPP MEMBER COUNTRY

Australia	Machines, vehicles, aircraft
Brunei Darussalam	Aircraft, machinery, medical equipment
Canada	Vehicles, machines, oil
Chile	Oil, machinery, vehicles
Japan	Medical equipment, aircraft, machines
Malaysia	Machinery, aircraft, medical equipment
Mexico	Machines, electronic equipment, oil
New Zealand	Aircraft, machinery, vehicles
Peru	Oil, machinery, vehicles
Singapore	Machines, electronic equipment, oil
Vietnam	Machinery, soybeans, cotton

*Source: Office of the U.S. Trade Representative*

## **E-Commerce**

High tariffs are not the only barrier to doing business in the Pacific Rim. Some countries, like China, currently require foreign businesses to host a server in their country to sell their products in those countries. Under TPP, member countries agree not to require foreign companies to build data centers as a condition for operating in another TPP market. They also agree not to force suppliers to share valuable source code with foreign governments when entering a TPP market. TPP establishes free and open Internet policies in the Pacific Rim by prohibiting countries from blocking foreign companies' websites in favor of domestic businesses. The agreement also prohibits customs duties on electronic transmissions, such as software or music.

## **Intellectual Property**

TPP will make it easier for businesses to register their trademarks and protect their intellectual property rights in new markets. The member countries commit to requiring protections for trademarks, geographical indications, works, and performances (such as songs, movies, and software). These commitments are backed up by strong enforcement systems, from civil procedures to enhanced criminal penalties for trademark counterfeiting and copyright piracy. This includes penalties for trade secret theft and cyber theft.

These provisions are particularly important for small businesses, which often cannot afford the legal resources necessary to protect their intellectual property in foreign countries. TPP will help these companies expand into new markets without fear of losing the valuable intellectual property.

## **State-owned Enterprises**

TPP includes provisions that will help ensure private-sector businesses compete on level playing field with state-owned enterprises. These government-backed businesses often receive subsidies and preferential regulatory treatment to engage in commercial activity. This makes it harder for other nations' businesses to gain a foothold in those countries. TPP prohibits these state-owned enterprises or designated monopolies from discriminating against enterprises, goods, or services from foreign countries.

## **Labor**

TPP includes the highest labor standards of any trade agreement in history. Under TPP, all member countries - including those that currently don't allow their workers to unionize, like Vietnam and Brunei Darussalam - will recognize their workers' freedom of association and right of collective bargaining. They also commit to eliminating forced labor and child labor, ending employment discrimination, and establishing standard labor laws governing minimum wages, hours of work, and occupational safety and health. The agreement discourages the importation of goods produced by forced or child labor, including from non-TPP countries.

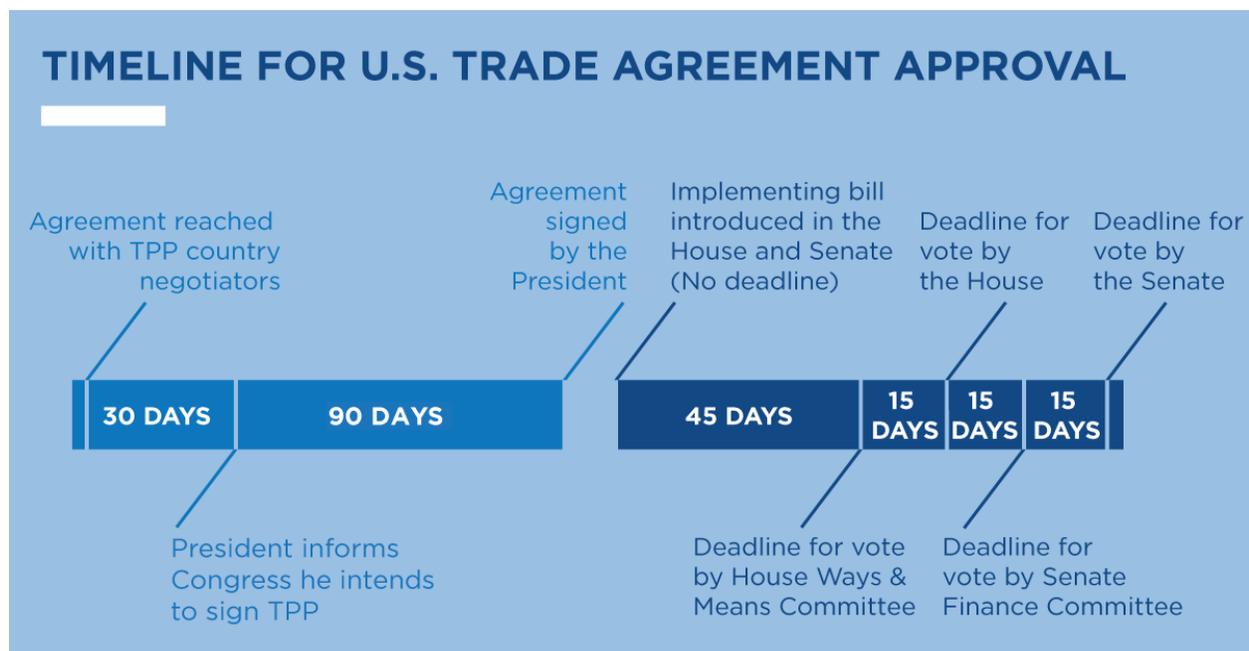
## **Environmental Protections**

TPP also includes the furthest-reaching commitments to protecting and conserving the environment of any trade agreement, including working together to address environmental challenges such as pollution, illegal wildlife trafficking, illegal logging, illegal fishing, and the protection of marine environment. Countries commit to

sustainable forest and fishery management to protect at-risk wildlife and discourage overfishing, and agree to work together in the future to develop clean energy technologies. Lastly, they agree to enforce their environmental laws and not weaken them in order to encourage trade or investment. These provisions are fully enforceable, including the possibility of trade sanctions against members who do not meet their commitments.

## WHAT HAPPENS NEXT

On February 4, the United States and the other TPP countries signed the agreement. Prior to that, the Office of the U.S. Trade Representative had released the full text of TPP. The trade agreement's 30 chapters each focus on a different aspect of the deal, from e-commerce to intellectual property to small businesses. To go into effect, Congress must pass legislation to enact the agreement.



Last year, Congress passed Trade Promotion Authority, which established guidelines for public access to trade agreements and a timeline for how Congress must consider them. Now that the full text of TPP has been signed, it is up to Congress when to consider the agreement. However, because the President had Trade Promotion Authority, Congress must vote up or down on TPP without amendment and within a limited timeframe: this ensures that the agreement will not be changed after negotiations have ended and threaten ratification in the 11 other member nations.

Congress' consideration of the trade bill starts with the House Ways and Means Committee, which must report the trade bill within 45 days of introduction. After this the full House must vote on the bill within 15 days and, if passed, send it to the Senate. The Senate Finance Committee then has 15 days to report the bill, after which the full Senate has another 15 days to take a vote and, if passed, send it to the President to sign.