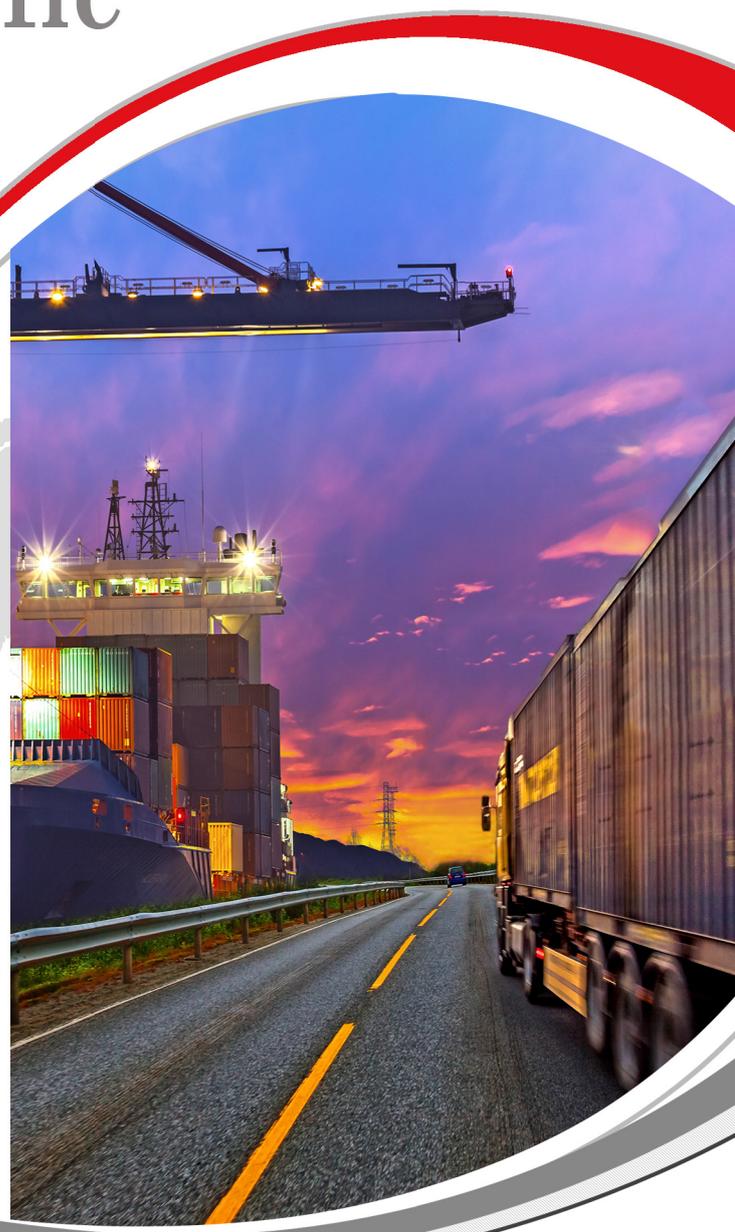




ASIAN TRADE CENTRE

The Trans-Pacific **Partnership:** Benefits for Business



Growing Trade in Asia

What's In It for You?

AN INTRODUCTION



NEW MARKETS



TRADE FACILITATION



INTELLECTUAL PROPERTY

THE TRANS-PACIFIC PARTNERSHIP

What is the TPP?

The Trans-Pacific Partnership (TPP) is a free trade agreement (FTA) between twelve Asia Pacific economies: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.

It is the largest regional trade agreement in Asia with the potential to bring all of the Asia Pacific into a single agreement in the future.

Accounting for 800 million people, 36% of the world's GDP and a quarter of the world's trade, the agreement promotes economic growth and creates new job opportunities. It helps integrate Asia Pacific markets by opening up goods and services, protecting investments and intellectual property rights, and promoting fair competition.



Many TPP members have already free trade agreements existing trade arrangements in place with other participating countries. But the TPP is significant because it:

1. *Upgrades* existing arrangements;
2. Creates *new* FTA relationships, and
3. Establishes *new networks*, including supply chain networks between Asia and the Americas.

Fully enforceable, the TPP is a legally binding agreement, supported by a system of dispute settlement, to bring rule of law and greater transparency and predictability to the regional trading regime.

The TPP is expected to generate for Members \$285 billion in economic benefits and increase exports by \$440 billion by 2025.

Peterson Institute, 2012

Country	New TPP Trade Relationships
Australia	Canada, Mexico, Peru
Brunei	Canada, Mexico, Peru, USA
Canada	Australia, Brunei, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, Vietnam
Chile	Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, Vietnam
Japan	Canada, USA, New Zealand
Malaysia	Canada, Mexico, Peru, USA
Mexico	Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, Vietnam
New Zealand	Canada, Mexico, Peru, USA
Peru	Australia, Brunei, Japan, Malaysia, New Zealand, Vietnam
Singapore	Canada, Mexico
United States	Brunei, Malaysia, New Zealand, Vietnam
Vietnam	Canada, Chile, Mexico, Peru, USA

“As a SME doing business in Asia and seeking new markets, we are looking forward to the opportunities that a regional free trade agreement such as the Trans-Pacific Partnership (TPP) will bring including new customers in Vietnam, Malaysia, and the US. We expect the competitive duties for our products, greater intellectual property protection for our office system designs, and more predictable and efficient customs clearance processes to be an important part.”

Technigroup Far East
(Office Furniture Systems
Manufacturer)

Access to New Markets

The TPP creates new market access for companies by eliminating many of the duties and non-tariff barriers that often prevent imports from competing fairly with domestically produced goods.

Duties will be completely eliminated for close to ninety percent of all products as soon as the agreement enters into force. For most of the remaining sensitive products, duties will be reduced over time.

This is good news for TPP exporters who currently face significant tariffs in particular markets. For example:

Agriculture: Beef imported into Japan currently faces duties of 38.5%. Dairy products into Canada can face duties of more than 300%. Farmers trying to export poultry products into Mexico struggle to be competitive with duties of up to 234%. Agricultural tariffs like these will be addressed and reduced in the TPP.

Autos and Auto Parts: Passenger vehicles into Vietnam may be charged duties up to 83% under the current rules. Pumps and compressors exported to Malaysia are charged up to 30% in duties. These are expected to be addressed in the TPP.

Footwear and Apparel: Producers of footwear and apparel face complex criteria and steep import duties when entering the United States. Some duties for this sector will be reduced over time.

Info-Communication Technology (ICT): Duties remain for many ICT products that have been developed since 1997 despite global agreements to eliminate tariffs. Duties for more than 200 new categories are expected to be eliminated, provided origin criteria is met by TPP.



Integrated Marketplace, Supporting Global Value Chains

The TPP, as a regional trade agreement, includes rules that allow firms to more easily source components, parts, raw materials and other inputs from suppliers across member states, create products, and qualify for benefits like lower tariff rates. These rules support integrated sourcing, in line with modern production patterns where parts and components are produced from multiple countries for final assembly and delivery to market.

Under the TPP, regional cumulation of rules of origin will be permitted so exporters can include materials, labor, parts and components from throughout the TPP to qualify for preferential duty rates or duty-free entry in other TPP markets.

By facilitating participation in global value chains, the TPP can open up new opportunities for TPP firms, especially those that would benefit from integrated sourcing.

As an example, companies in the ICT sector are expected to see new opportunities. An existing multilateral agreement for electronics products, the Information Technology Agreement (ITA), does not include many components and raw materials, nor are tariff reductions in place for many newer ICT products. Under the TPP, duties for such products are expected to be eliminated.

ICT firms like mobile phone producers can source materials from across the TPP to take advantage of preferential duty rates, including combining a chassis from Malaysia, with semiconductor chips manufactured in Singapore, cameras made in Japan, software developed in Canada, and perform final assembly of the smartphone in Vietnam.

To support repairs, TPP parties have also pledged to permit the importation of refurbished and remanufactured products.

“Mexico has been aware for a long time of the importance of linking itself commercially with the world’s most dynamic region: Asia.....The TPP will provide Mexico with the opportunity to deepen our integration in North America and find new export and investment opportunities with Asia, as our supply chains have integrated in the past twenty years due to NAFTA”

César Fragozo, Minister for Asia, ProMéxico



Modernizing Clearance and Reducing Costs at the Border

To address the needs of modern supply chains, the TPP includes new rules for clearance to reduce paperwork, increase transparency of processes, and help move goods more expeditiously and seamlessly across borders. Some key trade facilitating features available through the TPP are:

Self-Certification of Origin

Under several existing FTAs, firms have to apply for Certificates of Origin (COs) to prove that products meet specific rule of origin (ROO) criteria in order to qualify for preferential duties. These COs are usually issued by Chambers of Commerce, have limited validity periods, and require a fee. The TPP introduces self-certification of origin, allowing qualified importers and exporters to self-declare that they have met rule of origin criteria, eliminating potentially cumbersome and costly processes.

Advanced Rulings

To enhance predictability of cross-border trade, the TPP creates an Advanced Ruling mechanism allowing importers and exporters to attain critical determinations on tariff classification, valuation, and origin which will be binding throughout an applicable period. For many companies, this is expected to reduce the number of shipments held at the border, where firms currently wait for customs and other agencies to make decisions that affect product duty rates.

“The Trans-Pacific Partnership is an exciting development for the Asia Pacific region, creating opportunities for companies to find new customers. The TPP addresses many complexities surrounding cross-border clearance which we hope will enhance predictability, boost confidence, and allow more small businesses to participate in trade.”

Nando Cesarone - President,
UPS Asia Pacific



Time Guarantees for Express Shipments

To facilitate the timely clearance of express shipments, the TPP includes commitments to allow pre-arrival processing and guarantee release within specified periods, provided the shipment has arrived. These rules will improve time-in-transit, shorten lead times and support just-in-time manufacturing practiced throughout the world to enhance competitive supply chains.

New Opportunities in Services

The TPP has important benefits for services companies. Firms should find it easier to provide services across member states in areas like banking, insurance, construction, logistics, accounting, travel and tourism, consulting, app and games development, and graphic design.

Trade in services constitutes an increasingly important part of global trade. Services make up as much as 40-80% of the value contained in manufactured goods. Smaller firms can be extremely competitive in services sectors that cross borders.

The TPP includes rules to ensure market access, non-discrimination, and fair competition for services from TPP parties. These include:

Negative List Approach to Scheduling Market Access Commitments

TPP Parties have scheduled their market access and national treatment (granting non-discriminatory treatment) commitments in Annexes to the agreement. These annexes are laid out using a negative-list approach, identifying only services that are subject to exceptions or restrictions, or 'non-conforming measures.' All other services (those not listed) are opened. This approach not only enhances transparency and predictability, as service descriptions can sometimes be unclear, but also allows new services and solutions to have access to TPP markets unless expressly stated. More service sectors are opened to TPP member firms than in most existing trade agreements.

"FPT looks forward to deepening our international footprint with new services opportunities created by the TPP Agreement. Improved intellectual property protection and free-flow of cross-border data and IT services support our internationalization strategy allowing us to offer innovative and competitive software solutions to both big and small businesses."

FPT Corporation, Vietnam

Recognition of Qualifications

Unless otherwise stated, TPP Parties commit to recognize the education or experience obtained, requirements met, or licenses or certifications granted in a particular country for purposes of the fulfillment, in whole or in part, of standards or criteria for the authorization, licensing, or certification of services suppliers.



Business Mobility

The TPP also includes a chapter on Temporary Entry to facilitate transparency in processes enabling the travel of skilled people between TPP markets for the purpose of doing business. However, all movement of temporary personnel remains subject to final approval from relevant immigration authorities.

Investments Protection & Guarantees

The TPP investment chapter provides market access, national treatment, and investment protection and guarantees to facilitate cross-border investments.

Investments are defined as any asset that an investor owns, or controls, directly or indirectly, including characteristics such as the commitment of capital or other resources, the expectation of gain or profit, and the assumption of risk.

The TPP provide assurances on:

- Basic rights such as repatriation of funds and capital transfers;
- Fair compensation in case of expropriation;
- Imposition of mandatory export performance or local content requirements; and
- Legal recourse that is available in the event of disputes.

Under specific circumstances, investor-state dispute settlement is also available. This provision allows TPP investors to partake in third-party arbitration tribunals such as the International Convention for the Settlement of Investment Disputes (ICSID) or United Nations Commission on International Trade Law (UNCITRAL).

“There are so many opportunities for investment across Asia, and they vary from market to market. These include food safety and environmental related opportunities; healthcare, which spans from a focus on aging care in some markets to quality healthcare and pharmaceuticals manufacturing and distribution in others; and energy and resources. There are investment risks both general to the sectors and unique to certain localities. Deep local investment experiences and knowledge can mitigate risks. Investment guarantees through the TPP can further encourage investment in some of the world’s most promising markets by doing the same.”

Steven R. Okun,
Director, Public Affairs,
KKR Asia Pacific

Illustrative List: TPP Protected Assets



Enterprises



Contracts - turnkey, construction, revenue sharing



Property rights such as leases, mortgages, liens and pledges



Equity



Intellectual property



Futures, options, & derivatives



Bond & debentures



Licenses & authorizations



Debt security & loans

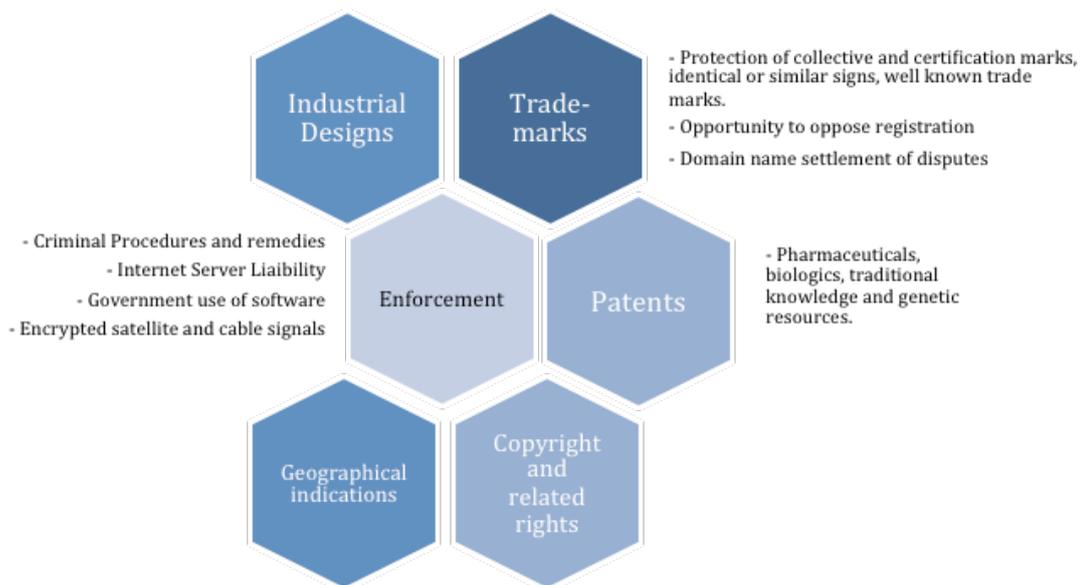


Moveable and immovable property

Protecting Your Intellectual Property

The rules around intellectual property help to protect ideas and creative efforts. Firms that invent, improve, create, or brand products care a lot about protecting these materials from theft or copying.

The TPP extends robust protections to intellectual property. Some provisions reinforce and go beyond current commitments made through the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), while making a shared commitment to Doha Declaration on TRIPS and Public Health.

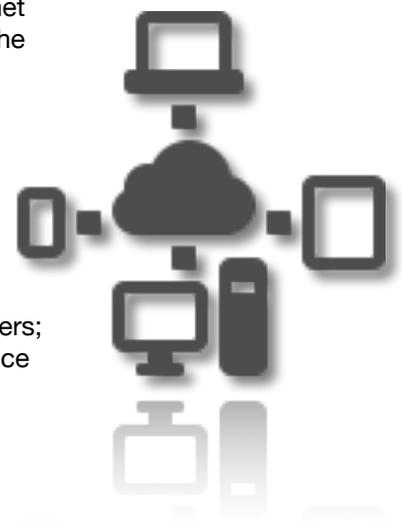


Supporting the Digital Economy

Recognizing the growing importance of business conducted over the internet or electronically, TPP countries have committed to critical rules to facilitate the growth of the digital economy and e-commerce.

These include:

- A commitment to not impose duties, fees or other charges on digital products;
- Electronic authentication and recognition of electronic-signatures;
- Online consumer protection;
- Access to and use of internet including competition among network providers;
- Cross-border information flow protections that acknowledges the importance of personal information protection; and
- Disciplines to facilitate the use of cloud-computing services.



Opportunities in Government Contracts

According to OECD calculations, the TPP procurement market is a \$1.9 trillion opportunity for TPP member firms. TPP commitments on government procurement ensure that procurement by governments is conducted in a fair, transparent, and non-discriminatory manner.

Under the TPP:

- Governments have committed to opening up their procurement markets for TPP goods and services contracts;
- Contracts are open for tenders above a certain threshold for procurement by federal entities;
- Procedures for bidding on tenders are to be more transparent;
- Firms should find it easier to find contracts open for tender, understand eligibility rules and criteria for bidding, and follow application procedures; and
- New procedures may be in place for appeal.

Note that defense and homeland security contracts are not automatically covered and opened for TPP competition. Member governments reserve the right to protect defense, many aspects of education and health services, as well as other important government services under the TPP.

	Size of Market - National and subnational combined (billions 2014 USD, OECD)	Current Web Resources
Australia	207.2	https://www.tenders.gov.au/
Brunei	0.5	http://www.mof.gov.bn/index.php/general-information-state-tender-board
Canada	264.8	https://buyandsell.gc.ca/for-businesses/selling-to-the-government-of-canada/register-as-a-supplier
Chile	5.5	https://www.mercadopublico.cl/Portal/login.aspx
Japan	956.3	http://www.jetro.go.jp/en/database/procurement
Malaysia	31.0	http://myprocurement.treasury.gov.my
Mexico	68.1	https://compranet.funcionpublica.gob.mx
New Zealand	25.7	http://www.business.govt.nz/procurement
Peru	13	http://www.perucontrata.com.pe/index.php
Singapore	22.3	https://www.gebiz.gov.sg/
United States	1876.3	https://www.fbo.gov/
Vietnam	22.5	http://muasamcong.mpi.gov.vn/

21st Century Asia Pacific Trade

The TPP includes new disciplines to shape the trading landscape of tomorrow, positioning TPP economies and companies for twenty-first century readiness, and enhancing the overall sustainability and competitiveness of the region.

Fair Competition

The TPP's Competition Policy chapter advances fair competition by establishing rules to ensure private companies are able to compete more fairly with state-owned enterprises, and by monitoring more closely the behavior of state companies as they invest in foreign markets.



Labor

To ensure the benefits of trade are broadly shared, the TPP includes enforceable provisions on labor that embody key conventions of the International Labor Organization (ILO) and promote respect for worker rights. Note that the labor chapter does not mean that labor will automatically move more easily between TPP member countries.

Environment

TPP economies recognize environmental stewardship as a core value in sustaining global trade, and have made commitments to address the region's most urgent environmental challenges including wildlife trafficking, illegal logging and illegal fishing practices.

Expansion of the TPP

The TPP is designed to allow new members to accede to the agreement extending market access and further benefits to companies operating in the Asia Pacific region, including the expansion of similar rules and standards across the region. This is particularly critical as supply chains in the region are already highly integrated and the additional markets will enhance integrated sourcing and more efficient supply chains.

The TPP can be updated over time to incorporate future emerging issues and challenges, and other areas of common interests. For instance, through review mechanisms, TPP members will continue to monitor and assess the usefulness and impact of the TPP for small and medium enterprises (SMEs).

About this Publication

This document was prepared by the Asian Trade Centre, Singapore, with support from UPS and HP.

This booklet is available online and will be updated as texts and other materials on the TPP agreement are released to the public. For updated information, please visit our website at www.asiantradecentre.org.

The Asian Trade Centre plans to produce TPP related information like this for market sectors such as e-commerce, medical devices, pharmaceuticals, hi-tech products, and food. If you would like to support the creation of a separate publication for your sector, please contact us.

For more information on how your business can use the Trans-Pacific Partnership (TPP) agreement, or any other trade issues, please contact the Asian Trade Centre at:

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Asian Trade Centre

The Asian Trade Centre was launched in Singapore in 2014. It is the premier independent advocate for growing trade in the Asia Pacific region and serves as a resource for trade-related activities in Asia. This includes:

- Building bridges between government and business to foster the growth of trade in region;
- Increasing capacity and knowledge for government and business leaders through training, workshops and seminars;
- Leading world-class, policy oriented research projects; and
- Conducting outreach to the media, business, NGOs and the interested public on trade issues.

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