

Proposed Trans-Pacific Partnership (TPP)

Overview

What is it? The TPP is a potential “comprehensive and high-standard” free trade agreement (FTA) among 12 countries, most recently including Japan, which aims to liberalize trade in goods and services and remove barriers to foreign investment. The TPP negotiations cover a range of trade topics and include 29 separate sections or “chapters.”

What is the current status? The negotiations remain ongoing. TPP Ministers and Leaders met on the sidelines of the recent APEC meetings in Beijing, November 7-11, but no agreement was reached, despite President Obama’s suggestion of such an outcome earlier in the summer. TPP Leaders stated that finishing the negotiations is a top priority and Trade Ministers reported that the pace of negotiations has accelerated and outstanding issues are limited, but include state-owned enterprises, environment, intellectual property, and investment, as well as market access talks with Japan, particularly on agriculture and autos. There is no public text of an agreement available at this time, but TPP Leaders released a broad outline of TPP goals on the sidelines of the 2011 APEC forum meetings.

“... [a] common vision to establish a comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st-century challenges.”
TPP Leaders Statement, November 2011

How would it differ from other U.S. FTAs? First, the TPP would be the largest regional FTA ever negotiated by the United States in terms of member countries and encompassed trade flows. Second, the TPP includes negotiations on new or expanded commitments on issues such as state-owned enterprises, global value chains, data flows, and discriminatory regulatory barriers. Third, TPP partners envision a “living” agreement that could continue to incorporate new members and address new trade issues.

What are supporting views? Supporters see an opportunity for increased geopolitical and economic engagement with the Asia-Pacific region, through both establishing new rules and gaining increased market access. They also cite the potential for increased economic and job growth through greater trade liberalization.

What are opposing views? Opponents are concerned about increased import competition from TPP countries in specific sectors and potential negative employment impacts in such sectors. They have also voiced concerns over potential infringement on U.S. sovereignty including the

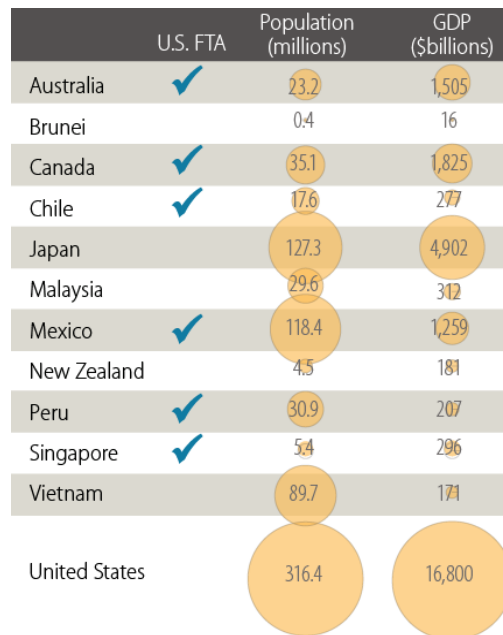
ability to regulate health, labor, and environmental standards.

Country Participation

The TPP originated from FTA negotiations among Brunei, Chile, New Zealand, and Singapore. The United States joined in 2008 and membership has since expanded. Most recently, Japan joined the negotiations in July 2013, during the 18th round in Malaysia. This followed Japan’s official request to participate and required the consent of the then-11 TPP countries.

The United States is the largest country in the negotiations, both in terms of population and gross domestic product (GDP), with Japan second in both categories (**Figure 1**). The United States has existing FTAs in place with six of the other TPP countries, including Canada and Mexico. It does not have an FTA with Brunei, Japan, Malaysia, New Zealand, or Vietnam.

Figure 1. TPP Country Demographics



Source: IMF World Economic Outlook, 2014. Graphic created by CRS.

Key Negotiating Issues

Market Access. TPP partners are seeking a comprehensive market access agreement that reduces and eliminates tariff and non-tariff barriers on all goods, including agriculture, and services.

Rules. The TPP partners also seek to establish disciplines and rules governing international trade practices among the parties, across a range of policy issues.

New and Horizontal Issues. TPP partners are negotiating potential disciplines that go beyond those in existing U.S. FTAs or negotiations at the World Trade Organization (WTO). These new or expanded disciplines may cover broad categories such as competition with state-owned enterprises and regulatory coherence, as well as specific issues such as data flows, where U.S. companies claim new trade restrictions have emerged.

In addition, negotiators have flagged certain topics, such as global supply chains, that relate to disciplines in multiple chapters of the negotiations. They are reportedly approaching each TPP chapter with consideration for how its disciplines may affect these cross-cutting issues.

Specific Issue Areas

Agriculture. Agriculture is an important component of U.S. trade and is being addressed in TPP negotiations in terms of market access in which the United States has both offensive and defensive interests, as well as rules, such as sanitary and phytosanitary standards (SPS).

Customs and Trade Facilitation. Access to foreign markets depends on facilitating the movement of goods and services across borders. The TPP includes negotiations on disciplines that seek to address these issues.

Dispute Settlement. Provisions on dispute settlement establish the mechanism by which FTA disciplines are enforced. Not all disciplines of the TPP would necessarily be enforceable and hence subject to these provisions.

Government Procurement. Government procurement disciplines aim to ensure transparent, nondiscriminatory treatment toward domestic and foreign firms when government entities make purchasing decisions. Debate in the TPP continues on the range of procurement to be covered.

Intellectual Property Rights (IPR). Intellectual property rights protect U.S. innovations in various forms. TPP negotiations may address the strength of IPR protections in areas such as trademarks, copyright, patents, trade secrets, and others as they relate to traded goods and services.

Investment. In addition to goods and services, U.S. FTAs also include provisions governing investment flows. A key issue is the possible inclusion of an investor-state dispute settlement (ISDS) mechanism.

Labor and Environment. Labor and environment provisions attempt to address concerns over the protection of workers' rights and the environment. Debate continues on their scope and enforceability in the TPP.

Rules of Origin. Rules of origin determine how goods with components from non-TPP countries are treated and will affect the degree of market openness that is achieved.

Services. As one of the most competitive sectors of the U.S. economy, U.S. FTAs typically cover services through greater market access and disciplines for trade in financial, professional, e-commerce, telecommunications, and express delivery services.

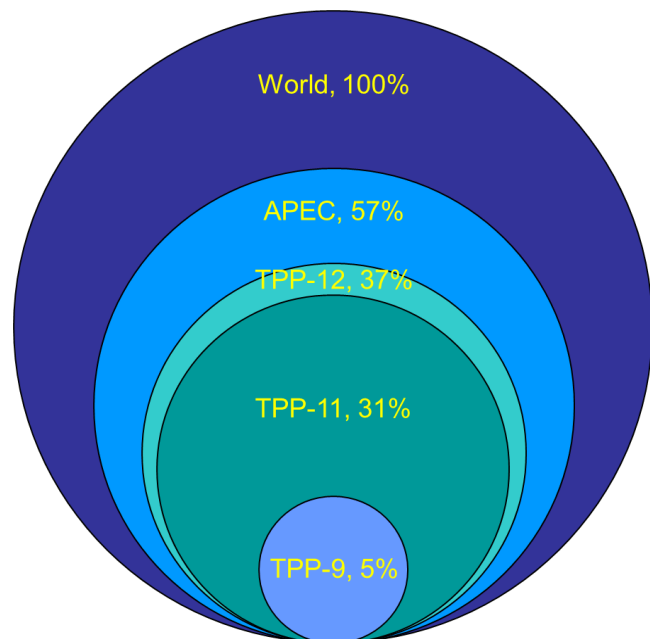
State-Owned Enterprises (SOEs). A new issue of focus in the TPP, U.S.-proposed SOE disciplines seek to address concerns expressed by U.S. companies of a competitive disadvantage relative to state-backed foreign competitors.

Economic Significance

- The TPP would be the largest FTA by trade-flows, though over 80% of U.S.-TPP trade is already covered under existing U.S. FTAs.
- Total U.S. trade with TPP countries was more than \$1.5 trillion in goods and \$273 billion in services in 2013.
- The 11 TPP partners accounted for 37% of all U.S. goods and services trade in 2013 (**Figure 2**).

More Information

Figure 2. Shares of 2013 U.S. Trade



Source: Analysis by CRS. Data from ITC and BEA.

Notes: TPP-9 refers to Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam; TPP-11 adds Canada and Mexico; and TPP-12 adds Japan.

For more information see CRS Report R42694, *The Trans-Pacific Partnership Negotiations and Issues for Congress*. Also see CRS Report R42344, *TPP Countries: Comparative Trade and Economic Analysis*; CRS Report R42772, *U.S. Textile Manufacturing and the TPP*; and CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*.

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