10 TOP OVERLOOKED FACTS ABOUT THE TRANS-PACIFIC PARTNERSHIP

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Asia-Pacific Markets Are Ripe With Opportunity

As U.S. companies scour the globe for customers with money to spend, the Asia-Pacific region stands out. Two billion Asians joined the middle class in the last 20 years, and another 1.2 billion are expected to do so by 2020. According to the IMF, the world economy will grow by $21.6 trillion over the next five years, and nearly half of that growth will be in Asia.

Sources: Gresser; IMF.

U.S. Companies Are Falling Behind in the Asia-Pacific

Over the last decade, U.S. exports to the Asia-Pacific market have steadily increased, but the U.S. share of the region's imports declined by about 43% from 2000 to 2010. In fact, the growth in U.S. exports to Asia lagged behind overall U.S. export growth in that period.

Sources: Gerwin; U.S. Bureau of Economic Analysis.

Asian Trade Barriers Often Shut Out U.S. Goods

One reason U.S. companies have lost market share in the Asia-Pacific region is that many countries maintain steep barriers against U.S. exports. For example, a typical Southeast Asian country imposes tariffs that are five times higher than the U.S. average while its duties on agricultural products soar into the triple digits. In addition, a web of nontariff and regulatory barriers block market access in many countries. Trade agreements are crafted to overcome these barriers.

Source: National Trade Estimate 2012, USTR.

Asian Trade Deals Threaten to Exclude the United States

The number of trade accords between Asian countries surged from 3 in 2000 to more than 50 in 2011, and another 80 or so are in the pipeline. At the same time, the United States has clinched just 3 trade agreements in Asia. In addition, 16 countries are launching expedited negotiations for a trade deal called the Regional Comprehensive Economic Partnership (RCEP). It includes Australia, China, India, Japan, Korea, and New Zealand as well as the 10 ASEAN countries—but not the United States.

Sources: Kawai and Wignaraja; USTR.

The TPP Is at the Heart of America's Pacific Strategy

The objective of the Trans-Pacific Partnership (TPP) negotiations is to achieve a comprehensive, high-standard, and commercially meaningful trade and investment agreement among 11 Asia-Pacific nations.* While U.S. policymakers describe the TPP as Asia-focused, it also aims to integrate existing U.S. trade agreements in the Americas (with Canada, Mexico, Peru, and Chile). The TPP can ensure that the United States isn't stuck on the outside—looking in—as Asia-Pacific nations pursue new trade accords among themselves.

A Comprehensive TPP Will Boost Its Gains

The TPP negotiators are seeking a comprehensive agreement. In trade talks, whenever one party seeks to exclude a given commodity or sector from an agreement, others tend to follow suit, limiting its reach. For the United States to achieve the goal of a true 21st century agreement—with state-of-the-art rules on intellectual property, cross-border data flows, state-owned enterprises, investor-state dispute settlement, and other key areas—its negotiators must hold fast to the goal of a comprehensive accord.

The TPP Will Enhance U.S. Competitiveness by Leveraging Global Value Chains

The goods we buy are usually labeled “Imported” or “Made in the USA” – with no middle ground. However, companies often rely on global value chains that span the Pacific to hone their competitiveness. The United States is a principal beneficiary of these value chains. One recent study found that 70% of the final retail price of apparel assembled in Asia is created by American innovators, designers, and retailers. Making customs and border procedures more efficient and enacting other trade facilitation reforms will remove sand from the gears of global value chains and enhance U.S. competitiveness.

Source: Hester.

The TPP Will Protect Intellectual Property

Intellectual property (IP) plays a vital role in driving economic growth, jobs, and competitiveness. IP-intensive companies account for more than $5.8 trillion of U.S. GDP, drive 74% of U.S. exports, and support 55.7 million American jobs. To build on these strengths, the TPP must include robust IP protection and enforcement provisions that build on the U.S-Korea Free Trade Agreement and provide 12 years of data protection for biologics consistent with U.S. law.

Source: U.S. Chamber, IP Creates Jobs for America.

High Standards in the TPP Will Magnify Its Benefits

While some Asia-Pacific countries are considering alternative approaches to regional integration, the TPP will be more comprehensive and establish high-standard rules in a host of areas. As a result, it would yield global annual benefits of $295 billion, according to one study. If the TPP ultimately becomes the foundation for a broader Asia-Pacific trade agreement, the global income gains would reach $2.4 trillion—a sum nearly twice as high as other less ambitious approaches could achieve.

Source: Petri et al.

The TPP Could Pay Huge Dividends for the U.S.

The TPP will significantly improve U.S. companies' access to the Asia-Pacific region, which is projected to import nearly $10 trillion worth of goods in 2020. Regaining America's historical share of key Asia-Pacific markets would – in 2020 alone – increase U.S. exports by almost $600 billion, supporting more than 3 million American jobs.

Source: Gerwin.

References

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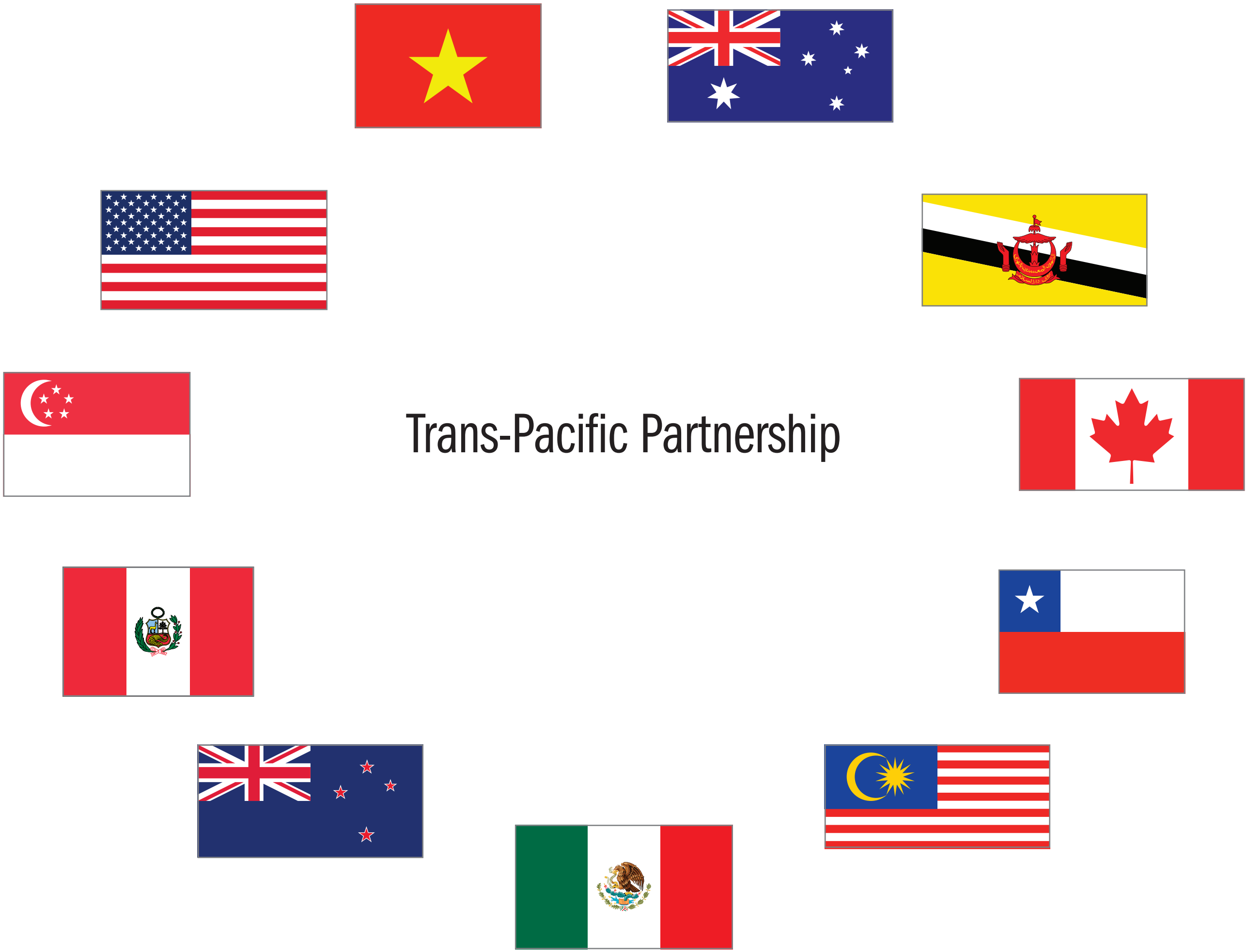
Top Ten Overlooked Facts About the Trans-Pacific Partnership

*Bonus Fact: The countries participating in the TPP are Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The United States committed to join the negotiations in 2008, and talks began in earnest in 2010.


Trans-Pacific Partnership

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