

## **Trans-Pacific Partnership (TPP) Trade Ministers' Report to Leaders**

Our negotiating teams have held nine rounds of negotiations and we are pleased to report that they have established the broad outlines of a next-generation, transformative agreement that will further elevate our trade and investment relationships, create the foundation of a Free Trade Area of the Asia Pacific, and support jobs, economic growth, and higher living standards in our countries. Negotiating an agreement of this scope and ambition is a complex and time-consuming exercise, but we are confident that the successful development of this framework will provide us the structure and momentum we need to successfully conclude this agreement. Below we detail the five features that will define this historic agreement and set a new standard for trade agreements in the future.

### (1) Comprehensive Market Access

We have agreed to pursue an agreement that is comprehensive and ambitious in all areas, eliminating tariffs and other barriers to trade and investment. The nine countries recognize that by doing so, we can best promote trade and investment among us and create and retain the jobs that trade supports. We have made headway in our work to negotiate the market access packages for goods, services and investment even as we work to address the specific sensitivities between us and build upon previous free trade agreements. Our goal is to have comprehensive, duty free access to each other's goods markets and restrictions on services lifted simultaneously so as to create new opportunities for our workers and businesses and immediate benefits for our consumers.

### (2) Regional Agreement

The TPP teams have agreed to construct a fully regional agreement that facilitates trade and the development of production and supply chains among TPP members, supporting our goal of creating jobs, raising living standards, and improving welfare in our countries. To this end, for the first time in a trade agreement, we also are including commitments that will address issues related to the development of regional production and supply chains holistically, including issues related to connectivity, customs cooperation, and standards. The nine countries also have agreed to develop a single tariff schedule as well as common rules of origin that will make it easier for businesses to take advantage of the agreement. This regional approach will help build regional commercial networks that will enhance the competitiveness of our businesses and encourage the use of TPP inputs. As we negotiate the market access packages and the rules of origin, we are considering the most effective approach to promote trade among the TPP partners, noting the need for simple and enforceable rules.

### (3) Cross-Cutting Trade Issues

We have agreed to build on work being done in APEC and other fora by incorporating in TPP four new, cross-cutting issues.

- (A) Regulatory coherence. The TPP countries have agreed to include specific commitments to promote regulatory coherence that will make trade between TPP countries more business-friendly and efficient and create the conditions necessary to substantially boost trade in the TPP region, while taking into account the legitimate policy objectives of each country. Regulatory and other non-tariff barriers increasingly are the major hurdles that companies face in gaining access to foreign markets. To address these barriers, we have agreed to work to improve regulatory practices, eliminate unnecessary barriers, reduce regional divergence in standards, promote transparency, conduct our regulatory processes in a more trade-facilitative manner, eliminate redundancies in testing and certification, and promote cooperation on specific regulatory issues. With many agricultural exporters among our nine countries, we also have agreed to include joint work and additional commitments on food safety, animal, and plant health issues of common concern that would build upon existing WTO rights and obligations to enhance consultation and cooperation on these matters and provide a forum for improving our understanding of issues related to the implementation of WTO sanitary and phytosanitary measures.
- (B) Competitiveness and Business Facilitation. The TPP countries have agreed to include new commitments to enhance the domestic and regional competitiveness of each Party's economy and promote economic integration in the region. The TPP countries also have taken the important step of recognizing the significant role supply chains play in enhancing competitiveness and economic development. We also are discussing a first-of-its-kind mechanism to facilitate enhanced dialogue between government and stakeholders on competitiveness priorities in the TPP region, including supply chains to ensure that the implementation of the agreement continues to respond to evolving business and investment practices in the 21<sup>st</sup> century.
- (C) Small- and Medium-Sized Enterprises. The TPP countries have agreed to include commitments to address concerns small- and medium-sized enterprises (SMEs) have raised about the difficulty in understanding and using FTAs. We have agreed to undertake joint commitments to enhance SMEs' access to relevant and usable information and resources about the TPP Agreement and to coordinate to ensure that SMEs are able to take advantage of the agreement after it is implemented. We have also agreed to create a mechanism for coordinating capacity building activities aimed at facilitating SMEs to trade and invest in the TPP region.
- (D) Development. The TPP countries recognize that comprehensive and robust market liberalization, improvements in trade and investment enhancing disciplines, and other commitments that serve to strengthen key institutions important for economic governance will contribute significantly to advancing their respective economic development priorities. At the same time, differences in levels of development among the TPP countries may affect the ability of some countries to implement the high ambition of the agreement and thus to fully realize its benefits. We are working to identify the most appropriate tools to address this issue during the negotiation process, including targeted trade capacity building assistance and negotiated implementation flexibilities, where appropriate. Countries also are discussing possible cooperation

related to broad economic and social development priorities, including related to increasing participation of women in economic activity, targeting trade policies to alleviate extreme poverty, and integrating rural or isolated areas into international markets.

#### (4) New Trade Issues

We have agreed to consider as part of the TPP agreement new issues that have emerged in global trade. New technologies will generate new opportunities for trade and investment among us, but also may raise potential new trade issues we need to address in the agreement so that we can promote trade in these products and services and ensure that all of our economies can benefit. For example, developments in information technology, such as cloud computing, create new issues not previously envisioned. Addressing them will facilitate use of this technology, particularly benefitting SMEs, which will comprise the vast majority of companies in the TPP countries and are the source of most job creation. We also are taking up trade issues related to green growth, ensuring that the TPP countries remain in the vanguard on these issues. Other important trade issues we are discussing include appropriate approaches to ensuring a pro-competitive business environment.

#### (5) Living Agreement

We have agreed to develop the TPP as a living agreement. While we are establishing a state-of-the-art agreement, we want to ensure that we have the ability to update the agreement as appropriate. Therefore, the TPP teams are establishing a structure, institutions, and processes that allow the agreement to evolve in response to developments in trade, technology or other emerging issues and challenges. We envision a continuing joint work program, including new commitments in areas of common interest or to enable us to quickly respond to developments in global trade or technology. At the same time, we remain cognizant of our goal to eventually expand the TPP to include other economies from across the Asia-Pacific region. Our teams are consulting with those that have expressed interest in joining to ensure that they are aware of the goals and objectives that we have agreed to pursue.

#### Next Steps

We are pleased with the progress we have made to date, especially given the complexity of this negotiation. It is our view that we can build on the momentum we have achieved in the negotiations so far to bring this agreement to a successful conclusion. Based on your direction, our teams are prepared to meet in the coming weeks and months to achieve this goal.