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## **National Treatment and Market Access for Goods**

The Trans-Pacific Partnership (TPP) levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home. By cutting over 18,000 taxes different countries put on Made-in-America products, TPP makes sure our farmers, ranchers, manufacturers, service suppliers, and small businesses can compete—and win—in some of the fastest growing markets in the world. With more than 95 percent of the world’s consumers living outside our borders, TPP will significantly expand the export of Made-in-America goods and services and support American jobs.

### **EXECUTIVE SUMMARY**

Through the TPP Agreement, the United States is seeking to create an economic architecture in the Asia-Pacific region that helps American busi-

nesses, workers, farmers and ranchers produce and sell their goods more easily. The National Treatment and Market Access for Goods Chapter (also known as the Goods chapter) helps us reach this goal by removing barriers to export of Made-in-America manufactures and farm products. Some TPP countries impose tariffs that translate into very high costs for buyers of American products. For example, Malaysia charges tariffs of 30 percent on American autos, while Brunei has tariffs as high as 20 percent on machinery. Japanese tariffs on leather footwear can rise as high as 189 percent out of quota and 17 percent on fruits and vegetables (or even higher for oranges in season); Vietnam imposes tariffs averaging 9.4 percent on manufactured goods, and those tariffs often rise higher, as high as 27 percent for auto parts and 68 percent for trucks. Vietnam also imposes high rates in agriculture, as high as 30 percent on cuts of pork. These disadvantages are magnified by free trade agreements (FTAs) that do not include the United States. For example, Vietnamese auto parts buyers pay a 27 percent tariff if they choose American parts, but only 5 percent or no tariff at all on similar Chinese- or Thai-made auto parts under the China-ASEAN FTA and the ASEAN Free Trade Area.

Reducing or eliminating these tariffs, and other barriers to American exports, in many fast-growing markets will help support economic growth and high-wage employment for Americans in the 21st century. In so doing, TPP will help secure America's emerging role as the world's most attractive site for manufacturing, support higher incomes and rural development, and help to ensure a future of sustained U.S. economic growth based on high-wage employment, research, investment, and production.

## **CHAPTER OVERVIEW**

### **Tariffs and core obligations**

The Goods chapter includes fundamental obligations for the TPP Parties to eliminate customs duties on qualifying goods from the TPP region, and to provide treatment to the goods of other TPP Parties equivalent to that which they provide their own nationals ("national treatment"). This means elimination of all tariffs on American manufactured goods and nearly all farm products. The majority of the tariff elimination will be immediate, although some tariffs will be eliminated over agreed timeframes. In agriculture specifically, TPP will eliminate tariffs on almost all U.S. exports of food and agricultural products, and for the remaining products will provide new and commercially meaningful market access and increased export opportunities

through significant tariff reductions or changes to tariff rate quotas.

### **Import and export restrictions**

To ensure that countries do not maintain or expand other discriminatory trade barriers at the same time that they are eliminating tariffs or invent new barriers to circumvent TPP's obligations, the Goods chapter incorporates the broad World Trade Organization (WTO) obligations regarding import and export restrictions into TPP as the fundamental framework for trade in goods between the Parties. In addition, the Goods chapter prohibits import licensing conditioned on performance requirements, as well as prohibiting requirements that exporters establish contractual relationships with domestic distributors as a condition of importation. For example, an exporter of U.S.-made farm equipment cannot be required by law in a TPP Party to use a local distributor to import its product into a TPP country.

### **Performance requirements**

Performance requirements impose obligations on companies, such as requiring that a certain level of goods or services be exported or that domestic goods and/or services be used in order to obtain preferential treatment for their imports. These requirements are used by some countries to unfairly discourage the use of imports even as tariffs are reduced. The Goods chapter prohibits Parties from using performance requirements as a condition of qualifying for reduced tariffs.

### **Import licensing**

Complicated and unclear import licensing procedures can create costs and obstacles for exporters and can result in significant barriers to trade. The Goods chapter includes requirements for Parties to notify each other of their import licensing procedures, including any conditions and eligibility requirements, and to regularly update these notifications. In addition, Parties cannot apply import licensing procedures to TPP goods without notifying all Parties of the license requirement and the reason for it.

### **Special regimes**

The Goods chapter requires Parties to provide duty-free treatment for repairs and alterations; the temporary admission of goods like professional equipment, commercial samples, goods for display and demonstration, and

sports equipment; and commercial samples of negligible value and printed advertising material. Duty-free treatment for these types of imports lowers costs for commercial activity within the TPP region, including for professional services that require ancillary goods.

## **Publication**

To ensure that traders understand the rules they will be required to follow in trading with each TPP Party, the Goods chapter includes a requirement that Parties publish all information related to import and export procedures and requirements, tariff rates, taxes and fees related to importation, tariff quotas, and import and export restrictions.

## **Agricultural export subsidies**

The Goods chapter contains a commitment by all TPP Parties to eliminate agricultural export subsidies—which are considered among the most trade-distorting agricultural trade measures—on goods sold in TPP markets. The United States—which does not use agricultural export subsidies—has long sought to eliminate the use of such subsidies at the multilateral level. TPP also supports the groundwork for global agricultural trade reform on export subsidies in the WTO.

## **Export credits in agriculture**

The Parties agree to work together in the WTO to develop multilateral disciplines on export credits, export credit guarantees and insurance programs. This commitment reflects the ongoing work of the United States and other TPP partners on agricultural trade reform in the multilateral arena.

## **Export restrictions in agriculture**

The Goods chapter limits export restrictions on foodstuffs to six months, requires notification of other TPP Parties in advance when a country imposes such restrictions, and mandates consultation with interested TPP importing countries if the restriction remains in place more than 12 months. This provision is intended to discourage countries from imposing export restrictions on food and agricultural products as a means of protecting their domestic market from changes in the world market. When countries do so with respect to staple food products like rice and wheat, poor countries relying on the international market to import food supplies can suffer imme-

diate and sharp crises in access to food. TPP's commitment in this area will help improve the stability of regional farm markets in general, and provide additional food security to lower-income countries in the region such as Cambodia, Papua New Guinea, Bangladesh and others.

### **State trading enterprises**

Some countries have state trading enterprises that control exports of specific products. Through the Goods chapter, TPP partners have agreed to work together in the WTO to improve transparency around the operations of agricultural export state trading enterprises, and have agreed on rules preventing these enterprises from receiving special governmental financing or trade-distorting restrictions on exports.

### **Modern agricultural biotechnology**

Products derived from agricultural biotechnology are grown in 28 countries and are traded widely. TPP includes commitments to provide transparency on government measures on biotechnology trade. It also provides for information sharing, and procedures for Parties to follow when the low-level presence of biotech material is detected in a shipment of agricultural commodities or food products.

## **NEW FEATURES**

TPP's Goods chapter includes new commitments that address emerging industries and certain non-tariff barriers that U.S. companies face in foreign markets, breaking new ground in U.S. trade agreements. These new features include:

### **Remanufactured goods**

Remanufacturing is an important and growing sector in the United States. Remanufactured goods—that is, products not simply repaired but restored to 'like new' condition—are cost-effective, support skilled jobs in the United States and other TPP countries, and offer environmental benefits through efficient reuse of existing parts and resources. The United States is the largest remanufacturer in the world, with at least \$43 billion in production and \$11 billion in exports, supporting an estimated 180,000 American jobs. However, many countries have import restrictions on used goods, which they inappropriately apply to remanufactured goods, restricting market access

for U.S. exporters. TPP specifies that Parties cannot apply restrictions on the importation of used goods to remanufactured goods, but they can require that remanufactured goods meet all technical requirements for equivalent new goods and/or be identified as remanufactured for sale or distribution.

## **Export licensing procedures**

The lack of transparency in export licensing procedures can be used to limit or restrict exports of key commodities and raw materials, distorting world prices and providing domestic processors in foreign countries with unfair competitive benefits against U.S. processors. TPP's Goods chapter prevents export licensing procedures from being used as an unfair trade barrier. TPP is the first U.S. FTA to include a provision related to transparency in export licensing procedures, which requires Parties to publish their export licensing procedures, including any conditions and eligibility requirements, as well as references to the measures that the procedures are used to implement. These obligations do not affect the ability of Parties to adopt or maintain export control measures.

## **IMPACT**

Exports have been a center of strength for the U.S. economy, and TPP will help us sustain and build on this success. The Goods chapter is an essential part of this, removing over 18,000 individual tariffs and other barriers to the export of U.S. goods and farm products.

Since the recent financial crisis, the U.S. economy has rebalanced away from debt-financed, real estate-based growth toward more sustainable sources of growth driven by sectors like investment, research, and production in manufacturing and agriculture. Exports have contributed nearly one third of U.S. economic growth between 2009 and 2014, and our 11 TPP partners in turn have been an important part of this story. Together comprising a market of nearly 500 million people, an economy of over \$10 trillion, and three of America's five largest export markets (Canada, Japan, and Mexico), TPP countries import nearly \$3 trillion per year in manufactured goods, farm products, and natural resource products. This includes \$639 billion worth of American manufactured goods, representing nearly half of U.S. manufacturing exports, in sectors ranging from autos, satellites, and cosmetics, to semiconductor chips and sports equipment.

TPP partners bought 42 percent of our more than \$150 billion in exports of grains, meats, dairy, fruits and vegetables, and other farm goods.

American farmers—as the most productive and scientifically advanced globally—can serve the world. Nowhere is the opportunity greater than in the Asia-Pacific region. By 2030 it will be home to 3.2 billion middle-class consumers, who will be the world’s largest buyers of staple grains, fresh fruits and vegetables, dairy, meats and other farm products. The United States is one of a few countries, but not the only one, with the potential to provide these goods efficiently, safely, and economically. This market has the potential to be the foundation of American rural growth for a generation, bringing wealth and supporting jobs in rural areas, and encouraging rural young people to see their future in agriculture.

TPP will reduce barriers to trade for U.S. manufacturers and producers helping them grow their exports. While TPP countries are large buyers of American goods, some continue to impose high tariffs on certain American goods and maintain a wide array of non-tariff barriers that mean our exports fall below their potential. In some cases, these challenges are intensified by preferential access that these countries have under FTAs that do not include the United States, which place American factories and farms at a disadvantage vis-à-vis our competitors. With countries around the Asia-Pacific and beyond negotiating numerous bilateral and regional trade agreements, these disadvantages will grow even more significant without proactive American engagement. To secure sustained and high-quality economic growth, and the high-wage jobs that flow from it, we need an ambitious effort to open markets and promote exports to some of the fastest-growing markets in the world.

The Goods chapter of TPP will help us meet our goals by addressing the major barriers to American exports of manufactured goods and farm products from tariffs through non-tariff import barriers, export bans and subsidies, licensing and performance requirements, and more.

