

TRANS PACIFIC PARTNERSHIP FREE TRADE AGREEMENT (TPP) 7 THINGS YOU SHOULD KNOW

“The TPP embodies what Singapore sees as the future of the Asia-Pacific. It will transform the region by reducing tariff and non-tariff barriers substantially for both goods and services, encouraging greater investment, and addressing new trade challenges in the modern economy. The TPP has also been deliberately designed to be more inclusive, so that small and medium-sized enterprises can take full advantage of its benefits.”

- Minister Lim Hng Kiang, Minister for Trade

1. What is the TPP?

The Trans Pacific Partnership (TPP) is a comprehensive, high standard regional trade agreement that will create new trade and investment opportunities for Singapore in the Asia-Pacific region. It brings together 12 economies from both sides of the Pacific (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam). Collectively, these countries represent 40% of global GDP, one-third of world trade, and comprise a population of 800 million, making the TPP the largest regional trade agreement to date.

The TPP is an important milestone toward achieving more open trade and regional integration in the Asia-Pacific region. Apart from offering new market access for Singapore goods and services producers exporting to and investing in TPP markets, the TPP also reinforces the region’s commitment to a rules-based trading system by updating international rules that apply to cross-border trade and investment. The TPP updates rules in more traditional areas, such as technical standards and sanitary and phytosanitary measures, services and investment, as well as addresses emerging business challenges in a 21st Century economy by establishing enforceable disciplines to help the digital economy, innovative industries, companies and workers to compete fairly in the global marketplace. In particular, the TPP contains new elements to encourage the participation of small and medium sized enterprises in trade. (There are 30 chapters in total in the TPP, and a summary of these chapters is available for download [here](#).)

The TPP is an inclusive agreement designed for future expansion to other Asia-Pacific economies that are willing to meet the high standards of the TPP agreement. This is in line with the shared goal of Asia-Pacific Economic Cooperation (APEC) members to achieve a Free Trade Area of the Asia Pacific (FTAAP).

2. Why is the TPP important to Singapore?

The TPP represents an important market and production base for Singapore businesses. In 2013, TPP partners accounted for almost S\$300 billion, or 30% of Singapore's total goods trade.¹ Investors from TPP countries contributed 30% of foreign direct investment in Singapore, amounting to S\$240 billion, whilst Singapore companies have invested close to S\$110 billion in these countries.

While Singapore already has existing FTAs with nine of our 11 TPP partners, the TPP brings additional value as a regional agreement. First, it will strengthen regional production and supply chains, by lowering tariff rates for goods that are produced in stages across multiple TPP countries. Second, TPP rules will bring about greater coherence and transparency to trade-related regulations across TPP markets, making it simpler for Singapore businesses to understand and comply with trade-related regulations across the region. Third, the agreement will establish a new regional standard for future trade agreements that will support efforts to fight corruption and promote good governance, encourage robust but balanced regional standards in intellectual property, and grow the digital economy.

The TPP also establishes Singapore's first preferential trade agreement with Canada and Mexico, and our companies can look forward to new market access in these countries. Upon entry into force of the TPP, Canada and Mexico will eliminate tariffs on 99% and 96% of Singapore's exports respectively. This includes Singapore's exports of pharmaceutical products to Mexico, where current tariffs range from 10 to 15% *ad valorem*, as well as Singapore's exports of organic chemicals, which are currently subjected to tariffs of up to 6.5% *ad valorem*.

3. How will the TPP increase Singapore companies' access to regional markets?

The TPP offers comprehensive market access for Singapore exporters of goods and services, as well as Singapore companies looking to secure foreign government procurement contracts.

The TPP will eliminate import tariffs across substantially all trade. **Goods manufacturers** and exporters will be able to enjoy duty-free treatment on more types of goods than what our previous trade agreements provided for. Processed food and textile and apparel manufacturers will find it easier to qualify for reduced tariffs under the TPP (in comparison to Singapore's bilateral FTAs) to key markets such as the United States and Japan, as rules of origin in the TPP, which determine whether or not a good qualifies for preferential tariffs, will allow for "regional cumulation".

Regional cumulation means that the TPP will recognise input from all TPP countries as originating content. For example, a Singapore manufacturer of ice-cream will more easily qualify for lower tariff rates when exporting to the US under the TPP, as milk from New Zealand, sugar from Australia, and cocoa from Mexico used in the

¹ Source: IE Singapore.

production of this Singapore ice-cream will all count as “originating content”. Manufacturers of TPP-made products can look forward to significant tariff savings as they export to the TPP region.

Service suppliers looking to export services and establish their commercial presence in a TPP market will be able to benefit from preferential access in a wide range of sectors. Some examples of these include Australia’s transport (air, road and rail) and distribution services, Mexico’s energy and telecommunications sectors, and Canada’s professional services sector. Singapore **investors** will also benefit from the removal of foreign equity restrictions in private healthcare, telecommunications, courier, energy and environmental services in Brunei, Malaysia and Vietnam.

The TPP will also enable Singapore companies in the IT, construction and consultancy sectors to bid for **government procurement** projects in markets such as Malaysia, Mexico and Vietnam, which were previously closed to foreign bidders.

4. How will the TPP reduce behind-the-border regulatory barriers, so that trade and investment can flow across borders more seamlessly?

The TPP will improve the efficiency of trade among TPP countries, by putting in place transparent and effective procedures to move goods as quickly as possible across borders. First, all customs laws, regulations and procedures will be made readily available on the Internet so that businesses can easily access this information. Second, countries will strive to avoid unnecessary delays on arrival, and ensure that shipments move through the ports within a time period no longer than necessary to comply with customs laws. Third, there will be expedited customs treatment for express delivery shipments, with no tariffs imposed on low-value shipments that come below specified values.

Understanding that corruption is often a hidden cost that impedes business operations, the TPP will require countries to effectively enforce anti-corruption laws. The TPP will have the strongest anti-corruption and transparency standards of any trade agreement.

5. Why is the TPP referred to as a 21st Century agreement and what does this mean for Singapore?

Modern businesses and consumers today face new and emerging concerns due to technological advances and evolving business models. The growing overseas market for innovative products and services from Singapore entrepreneurs, engineers and scientists also exposes Singapore businesses to increased risk of intellectual property theft. The continued growth of the digital economy, which today employs more than 150,000 professionals in Singapore and offers Singaporeans an unprecedented range of IT productivity tools and e-commerce options, could be stunted if regional governments adopt protectionist regulations. The TPP addresses these risks by pioneering new and updated rules for cross-border trade and investment.

There are a vast range of digital products today that depend on the smooth functioning of a virtual cloud, and the ability to transmit data freely across national borders. The TPP sets in places rules on **e-commerce** to ensure that government regulations in TPP markets do not unnecessarily impede cross-border data flows, or impose localisation requirements that force businesses to place data servers in individual markets as a condition for serving consumers in that market. The chapter also prohibits the imposition of import duties on electronically transmitted products, hence offering Singapore businesses and consumers a guarantee against this potential extra cost. To protect the consumer, TPP governments agree to adopt and maintain consumer protection laws related to fraudulent and deceptive commercial activities online.

Acknowledging the role of **intellectual property (IP)** protection in developing a high-value, knowledge-based economy, the TPP commits governments to implementing a robust and balanced IP regime in the Asia Pacific region. These common standards across major types of IP, like patents, copyrights and trademarks, will provide Singapore businesses with increased certainty as they invest and trade in innovative products and services across the TPP region. The TPP will make it easier for Singapore businesses to search, register and protect their trademarks and patents in new markets.

The TPP also helps innovators and creators by providing for the effective enforcement of IP rights, including measures to prevent the theft of trade secrets. At the same time, it has been carefully balanced to provide flexibilities in sensitive areas. For instance, governments will not be prevented from taking measures to protect public health. Internet Service Providers (ISPs) will also continue to have the same safe harbours from copyright infringement which they enjoy today. In addition, flexibility will be preserved on issues like parallel imports, what can or cannot be patented, and how to create a balanced copyright system, including establishing the appropriate limitations and exceptions.

In sum, the TPP will allow Singapore to continue building a robust and balanced regime that will attract R&D, grow innovative businesses and create high-value employment opportunities in the 21st Century economy.

Aside from E-Commerce and IP, the TPP also acknowledges that **state-owned enterprises (SOEs)** can play a legitimate role in diverse economies. Even so, the TPP recognizes that the provision of unfair advantages to SOEs can undermine fair and open trade and investment. The TPP has thus established rules for SOEs that would promote a level playing field *viz.* privately owned enterprises, while encouraging transparency and sound business practices. The SOE chapter will ensure that SOEs makes business decisions on a commercial basis. It also commits governments not to give unfair advantages to the SOEs and to regulate SOEs and private companies in an impartial manner. This will ensure that Singapore companies are not disadvantaged when they compete with these enterprises in the TPP.

6. How does the TPP promote inclusive and sustainable trade?

The TPP is intended to be accessible to all businesses, big and small. This is especially important when small- and medium-sized enterprises (SMEs) make up 99% of enterprises in Singapore and employ 70% of the workforce.² Greater tariff elimination and more trade facilitative rules will reduce costs and make it easier for **small- and medium-sized enterprises (SMEs)** to participate in regional production and supply chains. Understanding that trade agreements can be complicated, resulting in missed opportunities for SMEs, TPP countries will set up user-friendly websites with information targeted specifically at SMEs, to help them better understand regulations and procedures concerning intellectual property rights, foreign investment regulations, business registration procedures, employment regulations and tax information. Capacity building programmes for SME communities in the TPP region will also be developed to ensure the active participation of SMEs. In so doing, the TPP will promote more inclusive trade, and allow the benefits from the agreement to be enjoyed by a wider segment of our economy and people.

The TPP also recognises that free trade and economic growth must be pursued in tandem with efforts to protect and enhance the well-being of workers and environmental sustainability.

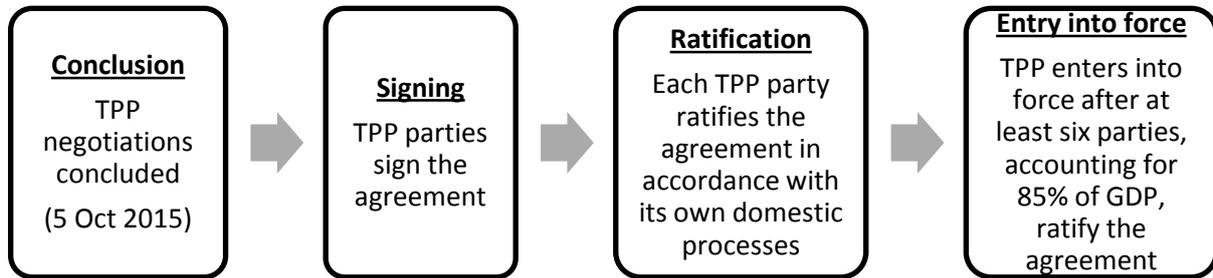
Under the TPP, countries cannot weaken their **labour** laws to attract trade and investment. TPP countries commit to improving labour conditions, by adopting and maintaining fundamental workers' rights stated in the 1998 ILO Declaration. This includes the elimination of all forms of forced labour and child labour, and the enactment of laws governing acceptable conditions of work, including with respect to the number of hours of work, occupational safety and health, as well as mechanisms and measures to promote fair wage levels for low-wage workers. In Singapore's case, these include our National Wages Council guidelines to provide built-in wage increases particularly for low-wage workers, the Workfare Income Supplement, and the recently introduced Progressive Wage Model.

To reinforce regional efforts to protect the **environment**, TPP countries will work together to address a range of environmental challenges such as marine pollution and illegal wildlife trafficking. TPP countries will also be transparent about subsidies that injure overfished stocks and support illegal fishing.

² Source: Department of Statistics, Singapore

7. When can Singapore businesses and consumers expect to use the TPP?

The diagram provides an indicative timeframe for the entry into the force of the TPP.



The TPP negotiations were concluded in Atlanta, Georgia, USA on 5 October 2015, after five and a half years of negotiations. The lengthy negotiations reflect the effort to pull together a comprehensive and ambitious trade agreement that offers commercially-meaningful benefits and win-win outcomes for all 12 diverse but like-minded economies.

The TPP will enter into force once a critical mass of countries, i.e. at least six original signatories, accounting for at least 85% of GDP across the TPP economies (based on 2013 data), has ratified the agreement. In Singapore, ratification will take place once the agreement is approved by the Cabinet, and any legislative changes that may be required are approved by Parliament.

Singapore cannot pre-determine the time that it will take for relevant legislative changes to be enacted across the various TPP parties. Nonetheless, Singapore hopes to see entry into force of the TPP without unnecessary delay within the next three years or sooner if possible.

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