USTR NEWS

UNITED STATES TRADE REPRESENTATIVE

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MEMORANDUM

TO: Reporters and Editors

FROM: Office of the United States Trade Representative

RE: **Upcoming ITC Report and Previous Economic Impact Assessments of TPP**

DATE: Monday, May 16th, 2016

With the statutory deadline for the International Trade Commission (ITC) report coming up next Wednesday, May 18th we wanted to share some important information on **how the ITC has traditionally modeled the economic impact of free trade agreements**, some of the **beneficial aspects of TPP that have not been included in ITC reports in the past**, as well as helpful links and **summaries of previous economic impact findings on TPP** and testimony on TPP up to this point. We hope the information contained in this memo will provide helpful context as you weigh the ITC findings.

I. ITC REPORTS: WHAT THEY MEASURE

Based on previous ITC reports, we expect the TPP to provide a quantitative estimate of the differences between the current economic situation absent TPP and a world where TPP is fully implemented and all other economic trends, including employment, are fixed. From this model the ITC will likely make projections on U.S. GDP changes (which would expected to be relatively small given the size of the American economy), changes in exports and imports, and TPP's impact on specific sectors of the economy. These individual sectors will include agriculture sectors like wheat, beef, and fruit and various goods sectors including chemicals, metals, and electronic equipment.

It is also important to note that the **models like ITC's and Peterson's produce estimates rather than forecasts** and that those estimates are designed to isolate the impact of trade as much as possible by comparing a world with a given trade agreement to a world without a given trade agreement, and **holding all other factors constant.**

II. ITC REPORTS: WHAT THEY DON'T MEASURE

While the ITC produces a widely respected and high-quality analysis, it is important to understand that historically their quantitative estimates have focused only on the removal of tariffs and in certain instances, a few other non-tariff measures. That means that **ITC does not provide a quantitative estimate of the impact of many aspects of TPP that will provide significant economic benefit** and therefore WILL NOT be counted in the overall GDP estimate or in estimates on export changes.

NON-TARIFF BARRIERS TO TRADE

Historically, areas **not included** in the ITC projections include benefits from tearing down non-tariff barriers to trade including:

- Eliminating barriers on services exports in many sectors. This is critical given that the services sector employs most Americans, and exports over $710 billion a year with a $200 billion surplus.

- Economic benefits from the expansion of intellectual property rights protections for American innovation. The U.S. is by far the world's largest center of scientific research and creative industry, and receives over 40 percent of all international royalty and license payments for the use of intellectual property products like software and medicine. However, based on previous ITC reports this additional economic growth will not be factored into the quantitative TPP assessment.

- Disciplines that protect the flow of data and information, prevent requirements to localize computing services, and bar forced technology transfers in order to promote the digital economy.

- Provisions in TPP that address so called technical barriers to trade (TBT), which can have a discriminatory impact on U.S. exports, and help make sure U.S. manufacturers and others can export 'into' Asian supply chains.

- Provisions in TPP that address unscientific sanitary and phytosanitary measures (SPS) that unfairly block U.S. exports of farm products.

- Provisions in TPP that put new disciplines on State-owned enterprises (SOEs) that help level the playing field for American businesses competing against foreign government subsidized corporations.

- Other provisions in TPP that help small businesses find customers, get easy access to required paperwork, and encourage wider participation in trade.

A more comprehensive look at the impact of these TPP provisions can be found in the non-partisan Peterson Institute report released earlier this year.

EMPLOYMENT

Traditionally, the models used in predicting the economic impact of trade agreements, including the ITC's, hold employment fixed. This means that overall employment MUST remain unchanged in the outcome of the projections. So while job gains may be predicted in one sector, those gains must be offset in another area. The assumption can be interpreted as a long-term view, as macroeconomic policies generally act to push employment to its equilibrium level over time.

The good news is that export jobs pay up to 18% higher on average than non-export jobs, so expanding U.S. exports will help support high-wage American jobs at a time when we are looking to find ways to improve wage equality. In 2015, goods and services exports supported 11.5 million American jobs and 38% of those exports went to TPP countries.

THE STRATEGIC BENEFITS OF TRADE

It is impossible to quantify the cost to American leadership if we fail to pass TPP. As China accelerates its work to complete its own regional trade agreement, RCEP, we run the risk of having the fast-growing Asia Pacific markets carved up at our expense and the rules of the road defined in a manner than is not consistent with our interests or our values, including improved worker rights, bolstered intellectual property protections, and the protection of the environment.

III. KEY DIFFERENCES WITH PETERSON STUDY

While both the ITC and Peterson Institute analysis released earlier this year use respected models for trade analysis, there are an important set of differences between the models:

- First, the Peterson study attempts a comprehensive quantitative model of the entire universe of TPP trade policy changes, including not only tariff removal but also the removal of non-tariff barriers, services trade policy changes, the adoption of policy changes in areas like sanitary and phytosanitary standards, technical barriers to trade, and intellectual property rights. The ITC, by contrast, has traditionally taken a more conservative approach, modeling only removal of tariffs and a small number of non-tariff barriers while offering a "qualitative" analysis and views on the likely future trends in areas outside of the removal of tariffs.

- Second, while both studies make numerical projections on economic growth, trade benefits, and benefits for skilled and unskilled workers, there are numerous differences in the calculations, model assumptions, and outcomes that make the findings difficult if not impossible to compare. In addition, based on previous ITC studies, it is expected that the specific sector findings in ITC and Peterson will likely be based on far different choices regarding how finely the sectors are defined, calibrationssample sizes, and modeling approaches.

IV. PREVIOUS FINDINGS ON THE ECONOMIC IMPACT OF TPP

Over the six months since the conclusion of the agreement, however, a wide variety of independent think-tanks, business associations, individual firms, and other groups have examined the agreement's likely effects. Some like the Peterson Institute and the Farm Bureau Federation offer numerical estimates, others highlight the economic benefits from TPP in complementary ways. Some analyses, for example, cover elements of the TPP Agreement which are less easily 'modeled' such as its provisions on digital data flow, small and medium-sized enterprises, and intellectual property rights. Smaller businesses and trade associations, meanwhile, are able to examine the implications of the agreement for specific products, industries, and agricultural commodities which in modeling estimates are typically 'aggregated' into larger categories.

These analyses have appeared in a variety of forms, ranging from the Peterson Institute's comprehensive set of analytical essays and the Farm Bureau's modeling of outcomes for ten major agricultural commodities, to think-tank articles and web-site posts focused on individual issues, and testimony by trade associations and individual businesses looking at their specific industries and products. Examples drawn from 21 of these reports follow, highlighting major reports such as those by the Peterson Institute and the Farm Bureau to commentary by think-tank experts, the view of the U.S. Conference of Mayors, reports and testimony by business and trade associations ranging from the Motion Picture Association of America, the National Cattlemen's Beef Association, the Wine Institute, and the Semiconductor Industry Association to the National Retail Federation, the App Association, the Express Delivery Association, and the American Pistachio Growers, and testimony by businesses from IBM and the American Soda Ash Corporation to small manufacturers such as High Impact Technology in Portland, Oregon, Lancer Corp. in San Antonio, Texas, and Northern Door in Washington, and small software firm Barcoding Inc. in Baltimore, MD. All date from late 2015 and early 2016 – that is, they were published after the conclusion of the agreement and the publication of its final text.

1. Peterson Institute – Petri/Plummer Economic Impact Study

According to the Petri/Plummer projections, approving and implementing TPP will result in additional U.S. real national income of $131 billion annually by 2030 and will grow U.S. exports each year by $357 billion by 2030. Peterson also found that income growth will result in higher wages for American workers. Importantly, the Peterson/Petri projection found that if TPP is delayed by even one year, the U.S. will see an estimated one-time national loss of $94 billion. This full analysis is available at: https://piie.com/publications/wp/wp16-2.pdf

2. Peterson Institute for International Economics Chapter by Chapter Summaries: In addition to the Petri/Plummer modeling estimates, the Peterson Institute commissioned a full review of all of the agreement's substantive and procedural points, ranging from its implications for labor and environment to electronic commerce, dispute settlement, SPS, and intellectual property rights. These were published in two volumes this year.

The two volumes together include twenty essays. Taken as a whole, these are the most in-depth analytical review of the agreement published to date. The first volume begins with the Petri-Plummer modeling study, and moves on to tariffs; agriculture; the automotive sector; textiles and apparel; government procurement; services trade; financial services; investment; and investor-state dispute settlement. The second volume covers adjustment and income distribution effects; innovation in pharmaceuticals and access to medicine; environment; labor standards; trade facilitation, anti-corruption, SMEs, and regulatory coherence; digital trade; competition policy; State-owned Enterprises; dispute settlement; and exchange rates. Six sample conclusions from these essays are as follows:

* *Agriculture:* "When the TPP is ratified and begins to take effect nearly 32 percent of tariff lines in Japan, 31 percent in Vietnam, 92 percent in Malaysia, all but one tariff line in Australia, and 99 percent in New Zealand will be eliminated, and further market liberalization will be phased in over periods of 15 to 20 years. These openings of market access far surpass the record established by past free trade agreements (FTAs)."

* *Services:* "US service firms enjoy better access, especially to the markets of Japan, Malaysia, and Vietnam. Moreover, the TPP chapters establish a minimum floor for liberalization, which will eventually be achieved in TiSA and agreed by future members of the TPP. Nonconforming measures scheduled in the TPP may be whittled away in future negotiations. Services trade offers enormous opportunity for US export growth in the decade ahead. The TPP represents a significant milestone in reaching that potential."

* *Intellectual Property Rights:* "[T]he compromise reached is a good one, strengthening incentives for innovation, especially in the pharmaceutical space, while incorporating important safeguards to ensure access to essential medicines."

* *Environment:* "[T]he environment chapter of the TPP is extensive; it is a substantial improvement over both the NAFTA and the KORUS FTA in terms of the breadth and depth of obligations and enforcement provisions."

* *Customs and Trade Facilitation:* Customs Administration and Trade Facilitation chapter is an important part of the TPP. It will reduce the time goods spend in transit and limit incentives for customs officials to use delays and paperwork to elicit bribes. If well implemented, the chapter will be especially useful for the developing countries in the agreement. It is also likely to have spillovers for trade broadly, as trade with non-TPP members will also benefit from better trade facilitation.

*   *State-Owned Enterprises:* "TPP's SOE commitments went beyond those previously agreed to in international agreements, and they have provided a good foundation for the rules governing SOE behavior well into the future."

The analysis is available at:

PIIE Briefing 16-1 - *Assessing the Trans-Pacific Partnership, Volume 1: Market Access and Sectoral Issues*: https://piie.com/publications/piie-briefings/assessing-trans-pacific-partnership-volume-1-market-access-and-sectoral

PIIE Briefing 16-4 – *Assessing the Trans-Pacific Partnership, Volume 2: Innovations in trading Rules*: https://piie.com/publications/piie-briefings/assessing-trans-pacific-partnership-volume-2-innovations-trading-rules

3. Farm Bureau Federation – The Farm Bureau Federation, America's largest agricultural producer association, conducted a quantitative assessment of the TPP's results for 10 major commodities and product groups, accompanied by a qualitative assessment of outcomes for processed food and food manufacturing. This study found a likely $8.5 billion in total additional farm receipts from the implementation of TPP ($5.8 billion for livestock, $2.7 billion for crops), and $4.4 billion in additional net farm income.

To put this in context, the U.S. Department of Agriculture's Economic Research Service estimates net farm income for the U.S in 2015 at $56.4 billion, illustrating the very high value of the TPP Agreement for farm families and rural America. The detailed estimates for the major commodities are as follows:

*   Corn: $680 million in additional cash receipts

*   Soybeans: nearly $530 million increase in the value of the soybean crop

*   Beef: $1.14 billion in additional cash receipts

*   Pork: $1.1 billion in additional cash receipts

*   Poultry: $625 million in additional cash receipts

*   Fruits, vegetables, and nuts: $1.3 billion in additional cash receipts

In addition to these potential gains, the Farm Bureau stresses that failure to approve TPP will mean not the status quo but a net loss to U.S. farmers, since FTAs among the TPP partners (e.g. Japan-Australia) are already creating tariff differentials that disadvantage U.S. producers. The Farm Bureau's report is at: http://www.fb.org/newsroom/news_article/400/

4. American Pistachio Growers: In testimony to the ITC, the professional association of full-time pistachio nut growers reports the following:

> "In 2009, American Pistachio Growers, formerly the Western Pistachio Association, requested the U.S. Trade Representative Office's office seek the full elimination of tariffs for all TPP members with a focus on Vietnam. At that time, Vietnam's tariff for raw pistachios was 40 percent ad valorem. During the course of the negotiations, Vietnam unilaterally reduced their applied tariff to 15 percent. As a result, the industry has already seen market growth in Vietnam. Upon implementation of the agreement, Vietnam will reduce its tariffs by a third, with all duties being completely eliminated beginning year three of the agreement. Ultimately, the elimination of all duties are estimated to develop Vietnam into a $25 million market."

Note: To put this potential $25 million export gain in perspective, in 2015 U.S. pistachio exports to the world totaled $750 million.

5. National Cattlemen's Beef Association: The NCBA, representing American ranchers and beef producers, testifies as follows:

> "The National Cattlemen's Beef Association (NCBA) is the oldest and largest national trade association representing America's cattle producers. NCBA strongly supports the Trans-Pacific Partnership (TPP) because it tears down massive tariff and non-tariff trade barriers that prevent U.S. beef producers from meeting foreign demand for U.S. beef. Most importantly, TPP removes the massive 38.5% tariff on U.S beef in Japan and levels the playing field with our Australian competitors who currently enjoy a significant tariff rate advantage over U.S. beef in Japan. Without TPP, the U.S. beef industry will continue to lose market share in Japan, our largest export market at $1.6 billion in sales in 2014. TPP establishes a Pacific trade framework founded on science-based and market-driven principles and limits the disruption of politics in trade."

6. The National Retail Federation: NRF's May 2016 report details the value TPP will have for international retail businesses, shoppers, consumer protection, and U.S. family living standards The report finds that the TPP will support the retailing industry and raise U.S. living standards by "getting rid of unnecessary and sometimes high costs of doing business with and in TPP countries," "providing assurance (and reassurance) that suppliers of goods for the U.S. market meet produce goods that measure up to U.S. consumer protection, labor and environmental standards, and "helping to grow the U.S. economy in general." The NRF's report views the following specific features of the TPP as combining to create these benefits:

* Eliminating tariffs, helping both U.S. exporters and U.S. retailers and consumers;

* Trade facilitation, including required on-line publication of customs forms and trade regulations, express delivery, required electronic customs forms and electronic signatures, and related provisions;

* E-Commerce and cross-border data flow rules, including bans on forced localization of servers;

*	Intellectual property rules including trademark protection and customs cooperation in anti-counterfeiting programs;

*	Investment protection, helping U.S. retailers open stores abroad and helping foreign consumers interested in purchasing U.S. brands;

*	Strict food safety rules which "help to ensure that other TPP countries better align their food safety systems with those of the United States,"

*	Strong labor and environmental standards, including bans on child and forced labor, and provisions requiring protection and conservation of endangered species, and combatting illegal fishing and logging.

NRF's report is available at:

https://nrf.com/resources/retail-library/trans-pacific-partnership-agreement-holds-potential-retailers-and-american

**7.	Motion Picture Association of America:** In testimony to the ITC, the MPAA (representing the major U.S. film studios), reports on TPP's copyright provisions as follows:

> "The Intellectual Property chapter makes important gains in raising the level of copyright protection and enforcement in the region. These protections will benefit both U.S. and foreign rightsholders and facilitate consumers' access to diverse content, particularly in the digital marketplace. One important gain achieved by the TPP for the motion picture industry is extending the term of protection to the global minimum standard of life plus 70. This has a direct benefit to creators and is also important to facilitating global trade in creative works. TPP Parties must also implement the WIPO Internet Treaties, and criminalize the circumvention of technological protection measures. … The U.S. film and television industry faces daunting barriers in many markets as well as relentless challenges to the integrity of its product. The TPP has the potential to open foreign markets and to foster copyright protection and enforcement, which will strengthen U.S. competitiveness and support U.S. jobs.

**8.	Wine Institute:** Representing U.S. winemakers and vineyards in California, Oregon, Washington, Virginia, New York, and other producing states, the U.S. Wine Institute comments as follows on TPP's potential to reduce non-tariff barriers to U.S. wine exports:

> **Technical Barriers to Trade:** "Wine Institute supports the agreement for its potential to address non-tariff barriers such as standards, conformity assessment, and technical regulations. In particular, the establishment of a Technical Barriers to Trade committee will serve to promote dialogue among TPP countries, stakeholders, and interested parties. For the first time in any U.S. FTA, the TPP Technical Barriers to Trade Chapter contains an Annex on wine and distilled spirits which establishes certain best practices with regard to labeling and certifications for those products. Such commitments will help to streamline the exporting process and will make complying with various labeling rules

more predictable and transparent throughout the TPP countries. For example, provisions that will assist U.S. wine exporters include:

o Label content including declarations of alcohol and net contents will be streamlined and expiration dates shall not be required for most products.

o Description (traditional) winemaking terms may not be prohibited on labels, unless a country is bound by a prior FTA.

o Wineries will not be required to disclose winemaking practices on a label, unless for health or safety reasons.

o Most certificate requirements will be eliminated for vintage, varietal, and regional claims for wine; and

o Wine samples required for customs clearance purposes must be of reasonable size."

Intellectual Property: "TPP will reinforce and develop the existing WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and other international intellectual property agreements to promote an effective and balanced approach to intellectual property rights among the TPP countries. The TPP will improve procedures and transparency among member countries for trademark, copyright, and patent applications, expand the intellectual property rights qualifying for protection, and provide for more robust enforcement mechanisms. Among other things, the TPP will help support the U.S. government and wine industry's efforts to combat product counterfeiting and trademark infringement. In addition, specific provision relating to recognition of geographic indications in the TPP are designed to promote due process and help to protect pre-existing trademark and other product name rights. The TPP also contains a section on protection of trade secrets, which is a precedent for future free trade agreements."

9. Personal Care Products Council: The Council, representing U.S. cosmetics and personal care manufacturers, explains the value of the TPP Agreement's Technical Barriers Trade chapter and cosmetics Annex, and the way these amplify the TPP Agreement's tariff elimination:

"We believe the TPP agreement's commitments to eliminate tariffs and the unique inclusion of a cosmetic annex that harmonizes long-standing regulatory divergences will not only significantly reduce industry costs, but also facilitate market access and trade, especially for small and medium-sized companies. … For example, the TPP agreement will eliminate Vietnam's 27 percent tariff on all US cosmetic products imported into Vietnam by year 4 and immediately eliminate Malaysia's 20 percent tariff on cosmetic accessories entering its market.* However, the biggest win for the industry will be the agreement to eliminate the regulatory burdens placed on US cosmetics products. Currently both the ASEAN and Latin American countries have regional agreements (ASEAN Cosmetic Directive, ANDEAN Regulation 516) that provide mutual recognition for the personal care product requirements. The TPP cosmetic annex will allow US companies to enjoy some of these same benefits. Elements of the TPP Cosmetic Annex that will lower costs of putting products on the market in TPP countries include:

* Elimination of requirements that imported products be accompanied by Certificates of Free Sale (CFS). Companies report significant costs related to CFS, including processing fees and delays in shipping.

* Eliminating dual registrations for products that only differ by shade or fragrance. … Costs and time delays for registering each shade or fragrance variation can be significant depending on the number of SKUs being placed on the market.

* Elimination of requirements to include product notification or registration numbers on product labels.

Allowing compliance with labeling requirements after a product has entered the country but before being placed on the market."

* *Note for context: The U.S. tariff rate on most cosmetics is permanently set at zero.*

10. Semiconductor Industry Association: The Semiconductor Industry Association, representing manufacturers at the core of high-tech industry, already exports duty-free to all TPP countries through the WTO's Information Technology Agreement and the zero-tariff relationship the U.S. has created with Mexico, Canada, Australia, Singapore, Chile, and Peru through FTAs. The Association views TPP as "incredibly important to our industry" on grounds including its rules preventing market-access restrictions for commercial products with cryptography, new procedural safeguards and increased penalties for theft of trade secrets and other forms of intellectual property, rules disciplining State-owned Enterprise competition, rules on cross-border data flow and barring localization requirements for computer equipment, and other reasons. Two examples highlighted in SIA's testimony to the ITC include:

Commercial Cryptographic Goods: "The TPP contains provisions in the market access and TBT ICT Annex that generally prohibits restriction on the import, use and sale of commercial cryptographic goods – a new requirement never before applied in a trade agreement. Specifically, the TPP prohibits Parties from imposing discriminatory restrictions on commercial products with encryption, such as requirements to turn over proprietary information as condition of access, to partner with a domestic entity, or to use a particular technology or standard. Given the ubiquity of commercial encryption in everyday technology products to protect and secure personal information, data transfer and on-line services, mitigating against the adoption of restrictive policies (i.e. in Vietnam, China, and India), will protect trade flows of semiconductors and other ICT products on the scale of hundreds of billions of dollars."

> **State-owned Enterprises:** "The U.S. semiconductor industry has a long history of battling the effects of market and trade distortions caused by foreign government subsidies, intervention, discriminatory investment requirements and other no-competitive behavior that ad vantages SOEs and national champions. When a private company is competing directly against a government, the playing field is certainly not level. SIA firmly believes that the competitiveness of companies and their products, not the intervention of governments and authorities, should be the principle determinant of industrial success and international trade. The TPP provisions on SOEs are an important step in achieving this objective. In the TPP, Parties must ensure that that their SOEs make commercial purchases and sales on the basis of commercial considerations, and that SOEs do not discriminate against another Party's companies. The investment chapter also includes obligations that prevent discriminatory measures that advantage domestic SOEs and force foreign investors to favor another country's domestic technology, a common "forced localization" tactic. The following TPP provisions are incredibly important to the semiconductor industry:
>
> o Bans on specified "performance requirements, including local content requirements, export requirements, and technology transfer or technology localization requirements.
>
> o Clarifications that TPP investment disciplines apply to SOEs and other persons exercising delegated government. This will prevent SOEs, acting on behalf of governments, to take actions that discriminate against foreign investors and then evade challenge by asserting they are not covered by the disciplines of the agreements.
>
> o Rules requiring Parties to ensure that administrative bodies regulating both SOEs and private companies do so in an impartial manner and do not use their regulatory authority to provide preferential treatment to their SOEs.
>
> These rules provide a solid foundation to combat the market and trade distorting effects of SOE activity based on government influence, rather than commercial considerations."

The Semiconductor Industry Association's statement is available at: http://www.semiconductors.org/clientuploads/directory/DocumentSIA/International%20Trade%20and%20IP/ITC%20TPP%20Post-Hearing%20Statement-%20Final.pdf

11. Brookings Institution: Brookings Institution trade analyst Dr. Joshua P. Meltzer notes many specific benefits from TPP, summarizing the outcome for the United States as follows:

> The TPP will create new opportunities for U.S. exporters in areas where barriers remain high, such as in agriculture, services, and high-end manufacturing. The TPP includes new commitments on intellectual property and investment, and makes significant progress reducing tariffs in areas of key export interest for the U.S.. On the import side, the already-relatively low average U.S. tariff rate means that the impact of the TPP on U.S. industry from imports will be small. Moreover, the integration of U.S. businesses into global supply chains means that access to lower-cost imports will increase the competitiveness of U.S. businesses domestically and in overseas markets.

Meltzer also notes the potential of the TPP Agreement to have broader significance as a standard-setter for future world trade:

> Finally, the TPP is important because of what it demonstrates globally in terms of the possibility of making progress on trade and investment liberalization and the capacity of the U.S. to lead such an effort. For one, the diversity of countries involved—lower-middle-income countries such as Vietnam, upper-middle-income countries such as Malaysia and Mexico, and high-income countries such as Japan, Australia, Canada, and Chile—sends an important message about the benefits to all countries of undertaking further trade and investment liberalization, committing to high standards and new regulations and rules on issues such as labor and the environment.

Dr. Meltzer's testimony to International Trade Commission is available at: http://www.brookings.edu/blogs/future-development/posts/2015/12/09-trans-pacific-partnership-benefits-meltzer

12. Progressive Policy Institute: PPI's November 2015 paper *The Trans-Pacific Partnership and Small Business: Boosting Exports and Inclusive Growth*, by trade lawyer and policy analyst Ed Gerwin, is the major in-depth examination of the opportunities TPP will help to create for smaller businesses seeking to begin exporting. The paper highlights, among other features of the agreement, the importance of TPP's SME chapter and its rules on e-commerce, supply chains, and trade facilitation:

* TPP's introduction of a *Small and Medium Enterprises chapter*, with requirement that TPP countries establish user-friendly digital portals to provide small traders with easily accessible information on the TPP and how SMEs can benefit from it, as well as information on intellectual property rights and rules relating to topics including foreign investment, business registration, employment regulation, and tax requirements.

* *Digital trade rules*, including ensuring rights to cross-border data-flow, prohibition of imposing customs duties on electronic transmissions, electronic authentication and signatures, requirements for consumer protection and privacy laws;

* *Supply chain connections*, including reducing the cost and complexity of serving multinational GVCs through common rules of origin for TPP products and components and a TPP-wide system for verifying that goods meet these rules.

* *Trade Facilitation provisions*, including rules that help create transparent customs rules and published laws and procedures; require prompt release of shipments without waiting for decisions on applicable duties and fees; encourage advance customs valuation rulings to make trade more predictable; provide expedited customs procedures for express shipments; and create common commitments and performance standards for key customs issues, including automation, risk management, and minimum times for goods clearance.

PPI's paper is available at: http://www.progressivepolicy.org/issues/economy/the-trans-pacific-partnership-and-small-business-boosting-exports-and-inclusive-growth/ A sample:

13. Third Way: The non-profit think-tank Third Way has published a series of studies of TPP, examining agriculture, manufacturing, investment, labor, and the environment. A summing-up document presented to the ITC by Trade Project Director Gabriel Horwitz concludes that conceptualizing the possible futures as 'with TPP' and 'status quo' is mistaken:

> "Third Way has long warned that if the **United States doesn't set the rules for commerce in the Asia-Pacific region, China will.** Since 2000, China has concluded 13 trade agreements with more than 20 countries and is now drafting its own Asian trade deal, the Regional Comprehensive Economic Partnership, that doesn't include us. We know what happens if China writes the rules—U.S. businesses and workers lose. Compare that to the TPP, and the choice is clear."

Third Way's analytical articles are available at: http://www.thirdway.org/e-binder/your-one-stop-shop-third-ways-resources-on-the-trans-pacific-partnership

14. Center for Strategic and International Studies: Writing in their May 2016 article "The Strategic Case for TPP," CSIS President John Hamre and eight senior analysts with academic, business, and government experience in trade, defense, and Asian affairs argue for TPP as both an economic and geopolitical necessity. The summary of the agreement's economic benefits is as follows:

> "TPP promises significant economic benefits for the United States. … Most of the benefit would come from an expansion of higher-value exports and delivery of sophisticated services to the Asia Pacific. Foreign direct investment into the United States is also likely to grow substantially, with the prospect of new jobs for Americans. In addition to cuts in tariffs and other barriers to trade at the border, the agreement will establish new rules that make it easier for American companies and workers to compete in the global economy. Among other things, these will better protect U.S. intellectual property and enable freer cross-border data flows, establish the first-ever disciplines on state-owned enterprises, and require stronger labor protections in emerging economies like Vietnam.

Dr. Hamre et al are at: http://csis.org/publication/strategic-case-tpp

15. American Natural Soda Ash Corporation: In testimony to the ITC, the American Natural Soda Ash Corporation reviews the agreement as follows:

> "Because U.S. domestic soda ash market is very low, export markets are critical to industry growth. … The TPP countries are important markets for U.S. soda ash and accounted for nearly 40 percent of all U.S. soda ash exports in 2014. Nevertheless, U.S. market share is increasingly being encroached upon by environmentally destructive and energy intensive synthetic Chinese soda ash which as a geographic advantage in many TPP countries, receives assistance from the Chinese government through a VAT rebate, and has a tariff advantage in Vietnam. TPP will increase U.S soda ash's competitiveness in the region by cutting tariffs in Japan and Vietnam."

*	Soda ash is a raw material used in the manufacturing of goods such as glass, detergents, and other chemical products. About 90 percent of U.S. soda ash is produced in Wyoming.

**16.	Barcoding Inc.:** Based in Baltimore, MD, Barcoding Inc. is a 70-employee firm which designs software and hardware for automatic ID. Their testimony to the ITC argues the following:

> "We constantly have products stuck in customs. Many of our customers are manufacturers who have just-in-time operations – we can't afford for items to be late. The tariffs on our products are complicated and expensive. Whether the customer pays for the tariff or we do, we lose money. Different countries have different standards. These variations are another hurdle for our small business to overcome. We are also concerned about intellectual property protections in other countries. … The Trans-Pacific Partnership would reduce many of the barriers we face with doing business in Asia Pacific countries, help increase our sales, and hire more workers. It would fast-track shipping requirements, reduce tariffs, simplify customs and regulations, protect intellectual property, and safeguard intellectual property."

**17.	High Impact Technology LLC:** High Impact Technology, based in Portland, Oregon, manufactures ballistic coatings for fuel tanks and armored kits for vehicles, principally selling to public buyers such as police forces and military. Its testimony to the ITC reports:

> "We have several significant barriers we must overcome to do business in other countries, including high tariffs and intellectual property violations. Sometimes tariffs from other countries can be as high as 30 percent on our products, and that's very onerous on our small business. We also fear patent infringement in some Asian countries that have weaker intellectual property protections than we hold in the United States. We have put significant efforts into developing our innovative protective products and we do not want others to steal our innovations. The Trans-Pacific Partnership would give our small business the weight and authority of the United States government when it comes to managing challenges in the Asia Pacific. It would reduce tariffs, protect intellectual property, and facilitate our success abroad."

**18.	International Business Machines (IBM):** IBM is one of the world's major technology and services firms, operating worldwide and offering advanced computing, software, and other products. IBM evaluates the digital trade elements of TPP as follows:

> "Digital trade is especially important for entrepreneurs and small businesses that would not be able to reach their customers in other countries if it were not for the Internet. The TPP will ensure that these critical engines for U.S. economic growth are not shut down by digital protectionism. TPP also recognizes that privacy is fundamental to maintaining trust online and it strengthens data privacy protection by requiring that every signatory has a legal framework in place to provide for the protection of the personal information of e-commerce consumers. Since the days of Cordell Hull and the General Agreement on Tariffs and Trade, the United States has led the postwar world in seeking to tear down existing trade barriers such as tariffs on goods. Now through TPP our nation is leading

again, this time by preventing emerging trade barriers on the Internet before they can take hold."

19. Lancer Corporation: Lancer Corp. is a manufacturer of soda and drink dispensing equipment based in San Antonio, Texas. Its testimony to the ITC focuses on reforms and transparency in technical barriers to trade issues such as the setting of technical standards and the operation of conformity assessment procedures:

> "Currently, it is burdensome to comply with different certification standards for the various countries that our company serves. Because each country has different standards, filling out the necessary paperwork and ensuring compliance with the separate standards costs us in time and administrative overhead. In addition, it becomes increasingly more difficult to compete with foreign competitors if new markets are not opening. The recently finalized Trans-Pacific Partnership (TPP) would streamline these certification standards, harmonizing the certification process across member countries to eliminate burdensome and often redundant paperwork. In doing so, the agreement would allow us and other businesses to enter into new markets more easily, creating more jobs in Texas while providing us with a more prosperous economy."

20. Northwest Door: Northwest Door is a 70-year-old Tacoma, Washington, firm specialized in making and selling garage doors. President Jeff Hohman's testimony to the ITC explains the firm's stake in TPP:

> "The recently finalized Trans-Pacific Partnership is critical for us to reach customers in other countries. Currently, we can barely compete with Chinese companies because they face lower tariffs in the Pacific Rim than we do. Tariffs increase the cost of our doors by 5 to 25 percent, so when customers can buy garage doors from Chinese companies at far lower prices, it is hard for us to compete and remain competitive. The Trans-Pacific Partnership would reduce tariffs and lower other barriers to international trade in the Asia Pacific. Ten percent of our sales are exported to four TPP member countries, and at least four other countries are potential markets for our business. Doing more business overseas would help us add even more jobs and increase wages for our local employees and providers."

21. U.S. Conference of Mayors: Representing the governments of nearly 1400 cities with populations of 30,000 or more the U.S. Conference of Mayors comments as follows:

> "Given that 89% of current exports originate in city/metro areas (USCM/HIS), TPP will be a "shot in the arm" for our local economies, especially because the agreement contains provisions promoting exports from small and medium sized businesses that are the backbone of our Main Street communities. … TPP is a high standards trade agreement that will reform the rules for trade and level the playing field for US workers and businesses. It contains the strongest labor and environmental protection standards of any trade agreement in history, strong intellectual property protections, and requirements that other countries keep the Internet free and open. Its effect will be to raise standards across the Trans-Pacific region. We call on Congress to adopt TPP as soon as possible. This is

an opportunity to bring more economic and wage growth to our communities and the U.S. economy as a whole.

22. **Express Delivery Association:** The Express Delivery Association represents the air cargo and express delivery companies which are the transmission belts for just-in-time delivery of inputs and materials for manufacturing supply chains, and which carry the small export shipments of American SMEs to customer abroad. The Association's summary of the TPP Agreement's provisions on trade facilitation, customs, digital trade, and State-owned Enterprise competition explains as follows:

> "The TPP will mean faster, more reliable and more transparent customs clearance. The agreement requires the release of express shipments within 6 hours of arrival. This is particularly important to small and medium-sized businesses, which often find complex customs and border procedures among the most serious obstacles to increasing their exports, and are particularly reliant on the quick movement of goods, through services such as express delivery, to reach individual customers as rapidly as possible. …
>
> The TPP is the first agreement to seriously protect an open internet and to ensure the free movement of data across borders, which is important for every business in today's global economy, and is especially critical to the continued growth of global e-commerce. … The TPP provides new measures to ensure fair competition between private and public sector express delivery service operators and also guarantees regulation of these operators is impartial, non-discriminatory and transparent. These provisions ensure companies of all sizes have access to a range of delivery options to meet their business needs."

23. **The App Association:** The App Association represents over 5,000 small app and software developers in the U.S. and worldwide. Typically they produce software works for download, which are rarely subject to tariffs or other policies easily suited to modeling. The Association views a number of TPP provisions as directly related to the health of their industry and their ability to market apps worldwide, including rules for cross-border data flow, bans imposition of customs duties on electronic transmissions, bans on forced localization of server capacity, rules requiring policies to protect user privacy, and intellectual property. Two examples drawn from the App Association's formal statement of support for TPP cover the Agreement's strong rules against forced localization of server capacity, and its protection of their source codes from forced disclosure to competitors:

> **"Prohibition on Data Localization Policies:** Companies looking to grow in new markets too often face regulations that force foreign providers to build and/or use local infrastructure in-country. These data localization requirements cause serious declines in imports and exports, reduce an economy's international competitiveness, and undermine domestic economic diversification. Small app development companies do not have the resources to build or maintain unique infrastructure in every country they may do business in and are effectively excluded from commerce by such requirements. The TPP recognizes this by prohibiting the practice of data localization, subject to very limited exceptions."

> **“Prohibition on Requirements to Provide Source Code for Market Entry:** Some governments have put policies into place, or have proposed, requiring companies to give access to or even transfer proprietary source code before being able to legally enter that country’s marketplace. For small app development companies, intellectual property is the lifeblood of their innovation and transfer of source code to a government presents an untenable risk to theft and piracy. The TPP recognizes such requirements as serious disincentives to international trade and a barrier to the digital economy by prohibiting this practice for mass-market software.”

V. MAJOR FLAWS IN TRADE OPPONENT STUDY

In the face of the overwhelming support for TPP from economists and trade experts, trade opponents have taken to citing a discredited study authored by a team led by Jeronim Capaldo, a PhD candidate and research fellow at the Global Development and Environment Institute. Key questions have been raised about the credibility of this study and previous studies using the same model by: Robert Lawrence, Professor of Trade and Investment at Harvard University: https://piie.com/blogs/trade-investment-policy-watch/studies-tpp-which-credible and economists from The European Centre for International Political Economy: http://ecipe.org/blog/capaldo-fails-to-convince/ AND http://ecipe.org/publications/splendid-isolation-capaldo-study-ttip/.