

Policy Briefing Note

For Canadian Manufacturing Coalition Members

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| Date: | October 5, 2015 |
| Subject: | Trans-Pacific Partnership Agreement: Key Benefits for Manufacturers and Exporters |
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Trans-Pacific Partnership: Background

On October 5, 2015, the Government of Canada, along with 11 other national governments, announced the conclusion of negotiations of the Trans-Pacific Partnership ("TPP"). TPP is a comprehensive and modern international trade and investment agreement that provides Canadian companies with preferential access to a market of 792 million people and a combined GDP of \$28.1 trillion (or close to 40 per cent of the world economy).

TPP countries comprise some of the fastest-growing markets in the world, as well as two of the world's three largest economies (the United States and Japan). Canada's average annual merchandise exports to TPP markets (2012-2014) was valued at more than \$366 billion, while two-way investment in 2014 was valued at more than \$782 billion. According to Jayson Myers, CME President & CEO and Chair of the Canadian Manufacturing Coalition, "The TPP is a modern trade agreement that reflects the new realities of cross-border supply chains and the long-standing integration of Canada's North American market. It strengthens the competitiveness of Canadian business, our suppliers and our customers. Simply put, Canada could not afford to be left out of this landmark deal."

Summary of Main Benefits for Canadian Manufacturers and Exporters:

1) Non-Technical Barriers to Trade/Tariff Reductions:

- Canada has obtained an advantageous tariff outcome for several of its exports to TPP nations – including the elimination of all tariffs on industrial goods, agricultural products, forestry products, chemicals and minerals for example.
- For example, the majority of Canada's industrial goods exported to TPP countries will be duty-free immediately upon entry into force of the Agreement. With certain exceptions, the TPP will eliminate the majority of remaining tariffs on industrial goods within 10 years. Tariffs on all industrial products not eliminated within 10 years will be eliminated within 20 years.
- For a detailed list of tariff reductions afforded by the TPP, please use the following links:
 - [Automobile & Auto Parts](#)
 - [Chemical and Plastics](#)
 - [Industrial Goods & Consumer Products](#)
 - [Agricultural & Agri-food Products](#)
 - [Forestry & Value-Added Wood Products](#)
 - [Services](#)

2) National Treatment & Market Access for Goods:

- Includes a commitment for all parties to provide each other's goods with "national treatment" once they enter a TPP market, with limited and specific exceptions. Essentially, goods imported from a TPP party must be treated the same way as goods produced in that market.
- Includes provisions on the parties' obligations with respect to tariff liberalization, including provisions that could allow for the acceleration of tariff elimination.
- Contains enhanced transparency provisions for import and export licensing procedures that will provide greater certainty and predictability for Canadian companies operating in TPP markets.

3) Rules of Origin:

- Provides for clear rules of origin that reflect Canadian production realities and methods, and minimize administrative burden.
- Reflects and supports the integration of Canadian businesses into North American supply chains by allowing for the accumulation of materials and production among TPP countries.
- Includes product-specific rules of origin (PSRs) that are based on the "tariff-shift" approach, which clearly sets out the non-originating materials that may be used in production.
- Includes provisions that support the remanufacturing sector, making it easier for the producers of key remanufactured goods to meet the rules of origin and thereby benefit from preferential tariff treatment.

4) Customs Administration & Trade Facilitation:

- Provides Canadian exporters with access to binding advance rulings from the importing country regarding matters such as the tariff classification of their goods or and whether their goods qualify as originating under the TPP rules of origin.
- Provides Canadian exporters with access to a mechanism for addressing situations in which a trader disagrees with a ruling on a customs matter.
- Ensures that TPP parties will automate and streamline their custom procedures (through respective customs authorities), at border crossings.

5) Technical Barriers to Trade:

- Promotes the use of internationally accepted standards and acknowledges their role in supporting greater regulatory alignment and good regulatory practices.
- Provides national treatment for conformity assessment bodies within TPP member countries and contains a number of WTO-plus obligations that foster closer cooperation between TPP members' organizations that are responsible for standardization, conformity assessment and accreditation.
- Improves transparency by requiring notification and publication of technical regulations and conformity assessment procedures.

6) Investment:

- Sets out stronger and predictable investment rules, including a requirement that Canadian businesses be treated fairly, equitably and in a non-discriminatory manner in TPP countries, includes protection from expropriation without prompt and adequate compensation.

- Provides access to an independent international investor-state dispute settlement (ISDS) mechanism subject to appropriate safeguards, and reserves the full rights of governments to legislate and regulate in the public interest.
- Preserves Canada's ability to review certain foreign investments pursuant to the *Investment Canada Act*, including existing ICA review thresholds.

7) Trade in Services:

- Covers a broad range of services through a “negative list” approach – i.e. all service sectors are covered by the Agreement, with the exception of the few sectors that are listed by a country. The negative list approach also ensures coverage for services as they evolve over time.
- Provides a framework that facilitates the voluntary negotiation of mutual recognition agreements (MRAs) between Canadian competent authorities/professional bodies and their counterparts in TPP countries.

8) Trade Remedies:

- Reaffirms WTO rights and obligations with regards to trade remedies, including provisions relating to the use of anti-dumping, countervailing and safeguards.
- Reinforces certain international best practices in anti-dumping and countervail investigations, and allows for, in exceptional circumstances, bilateral safeguard measures (e.g. temporary tariff increases) to protect domestic industry from injury following a surge in imports as a result of the Agreement.

9) Temporary Entry for Business Persons:

- Provides Canada with new commitments from Australia, Brunei, Malaysia and New Zealand for business visitors providing after-sales services, as well as new commitments from Chile and Mexico to extend coverage for business visitors providing after-lease services, which helps Canadian companies offer installation and maintenance services for products sold or leased in these markets.
- Improves commitments for intra-company transferees from Australia, Chile, Japan, Malaysia, New Zealand, and Vietnam, which will further support Canadian investors in these markets.
- Provides new commitments from Australia, Chile, Japan, Malaysia and Mexico to extend temporary entry privileges, as well as the right to work, for the spouses of certain covered Canadian business persons.

10) E-Commerce:

- Ensures that the parties will not discriminate against or impose custom duties or other charges on online digital products.
- Includes provisions protecting the free flow of information across borders, and prevents governments in TPP countries from requiring the use of local servers for data storage.
- Includes commitments by the parties to maintain measures to protect users from unsolicited commercial electronic messages, or spam, in order to build trust and confidence in the use of electronic commerce.

11) Government Procurement:

- Reflects Canada's approach in other agreements, including government procurement obligations, such as the WTO Government Procurement Agreement (GPA).

- Grants Canadian suppliers predictable and secure access to government procurement contracts within new markets in the TPP, namely Australia, Brunei, Malaysia and Vietnam and expands market access at the sub-national level with existing free-trade-agreement partners, Chile and Peru. Canada has also secured commitments from Australia at the sub-federal level.
- **North American Procurement:**
 - New access to the procurement activities of six major US regional power authorities, such as the Tennessee Valley Authority; and federal power authorities which operate hydroelectric power, fossil fuel plants, nuclear power plants, wind turbines, solar panels and transmission systems
 - Canada, the United States and Mexico have also agreed through a separate mechanism to harmonize the tendering provisions of Chapter 10 of the NAFTA with those of the TPP, which will reduce red tape and result in efficiency gains for businesses that supply these governments.
 - Canada and the United States have also agreed to apply the TPP procurement thresholds to the government procurement activities covered by the NAFTA.

12) SOEs and Designated Monopolies:

- Secures agreement by parties to ensure that their state owned enterprises (SOEs) operate on the basis of commercial considerations and in a non-discriminatory manner when making purchases and sales.
- Commits parties to fair SOE competition without undue advantages from their government owners and includes rules aimed at greater transparency with respect to the nature of government control over and support for a commercial SOE.

13) Intellectual Property:

- **Enforcement:** Ensures strong and robust rules for the civil, criminal and border enforcement of IP rights; including appropriate remedies to combat trade in counterfeit and pirated goods in line with Canada's *Combating Counterfeit Products Act*; Contains border enforcement measures so that border officers can detain suspected counterfeit or pirated goods in a manner consistent with Canadian law.
- **Geographical Indications:** Includes rules to promote transparent and fair administrative systems for the protection of geographical indications.
- **Patents:** Ensures patent protection for inventions in all fields of technology; Promotes transparent and efficient patent administration systems in line with Canada's current regime including criteria regarding patentability exclusion;
- **Trademarks:** Provides protection against infringing use of trademarks, such as brand names and symbols;
- **Pharmaceuticals:** Reflects Canada's existing regimes, systems and laws on: patent linkage; protection for clinical trial data; and early working exceptions.

14) Transparency & Anticorruption:

- Includes provisions that build on Canada's existing international commitments to fight corruption and reinforces a collective commitment to eliminating bribery and corruption in trade and investment in line with parties' commitment under the United Nations Convention against Corruption, and the domestic frameworks put in place by all TPP parties to criminalize bribery.

15) Dispute Resolution:

- Includes process for expeditious settlement of disputes modelled on the WTO dispute settlement system. Provides for alternative methods to settle a dispute in its early stages such as conciliation and mediation and provisions.

For more information about TPP and its implication for members, please contact:

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