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**National Foreign Trade Council
Before the U.S. Trade Policy Staff Committee on a
United States – Trans-Pacific Partnership Free Trade Agreement
March 4, 2009**

Mr. Chairman and members of the Committee, thank you for the opportunity to testify today on the initiation of negotiations on a U.S. – Trans-Pacific Partnership Free Trade Agreement (TPP). I am Chuck Dittrich, Vice President, Regional Trade Initiatives of the National Foreign Trade Council (NFTC). The NFTC's members are leading U.S. companies actively trading and investing around the world. For over ninety years, the National Foreign Trade Council has worked to promote an open rules based world trading system. Our mission is to assure that our member companies have the opportunity to pursue active commercial engagement that creates economic opportunity both at home and in the foreign markets they enter.

As an organization comprised of companies representing a broad cross section of industries that drive the U.S. economy, the NFTC applauds this initiative to deepen ties and expand the scope of our economic and strategic relations with trading partners in the Asia-Pacific region, starting with the negotiation of a TPP with Singapore, Chile, New Zealand, Brunei Darussalam, Australia, Peru and Vietnam. The TPP is an ambitious effort to craft a high-standard plurilateral FTA. The successful completion of the WTO Doha Round is our highest priority, but we believe the TPP initiative will complement those efforts and foster progress towards global trade liberalization.

We support this focus on the Asia-Pacific region on its commercial merits. This region is key to maintaining and increasing U.S. competitiveness in the world. We believe the strategy of building on an existing P-4 agreement among Chile, New Zealand, Singapore and Brunei and adding willing partners as the terms of the agreement are strengthened is wise and may serve as a model for future regional agreements. And finally, as we face a global economic crisis of historic proportion, we endorse the initiation of this major trade liberalizing initiative as a clear statement to those who would use the economic fear now circling the globe as an excuse to erect protectionist barriers that have the potential to further damage U.S. and global economic recovery.

The Commercial Merits of the TPP

The Asia-Pacific region is growing faster than the world average with real GDP growth of 7.9% for the period of 2007-2008. The United States is the number one trading partner in the region, and we are the largest or second largest partner for every major economy in Asia. Asia-Pacific countries represent a market equal to 41% of the global population, or the equivalent of 2.7 billion consumers. It is in fact the largest export market globally. Asian countries are also increasingly trading among themselves, with a proliferation of inter-regional agreements that is causing the United States to gradually lose market share in the region. Foreign competitors are

gaining preferential access to Asia-Pacific markets at the United States' expense, due to the growing number of trade agreements to which the U.S. is not a party.

The U.S. has been without trade promotion authority for almost a year, but the process by which USTR considered initiating a TPP has followed the terms of the lapsed authority, and we applaud that effort by USTR to maintain close consultation with Congress in making the decision to enter into this negotiation. The NFTC supports the negotiating objectives laid out by the U.S. Trade Representative in the letters of notification to the leaders of the House and Senate.

Among these objectives we particularly note the importance of negotiating the highest possible standards of agreement in the areas of:

- tariff elimination on the broadest possible basis,
- discipline of state owned enterprises,
- intellectual property rights protection,
- comprehensive liberalization of trade in services,
- securing for U.S. investors in TPP countries rights comparable to those that would be available under U.S. legal principles and practices,
- fair transparent and predictable government procurement practices
- and the effective development and enforcement of environmental and labor regulation that meet or exceed those in any agreement now in place in the region.

The TPP Architecture

The TPP was initially conceived by Singapore, New Zealand and Chile in 2003, with Brunei joining negotiations in 2005 and the agreement among those four entering into force in 2006, with investment and financial services provisions still under negotiation. Therefore, this existing agreement is a starting point but does not reflect the state of the art model agreements most recently negotiated by the U.S. This is particularly true in the areas of IPR, agriculture, pharmaceuticals, and government procurement.

The NFTC supports the notion that the existing architecture will serve as a starting point for negotiation and would oppose any effort to weaken provisions in these or other areas that have been negotiated with other U.S. FTA partners. Since we already have bilateral FTA's in place with four of the eight countries currently in the negotiation, we also support the commitment by USTR that U.S. rights and obligations under our existing FTA's will be preserved.

While the current partners at the table negotiating the TPP are not the largest in region, they are significant. Singapore, Chile, Australia and most recently Peru have completed agreements with the United States, have gained economically from such agreements and share our objectives for regional economic integration.

Starting with an existing agreement, with partners who have proven a willingness to negotiate to the highest standards is a sound strategy, although a calculated risk. The proof of success of the TPP process will be the ability to reach a critical mass under a high standard agreement that will also pull in larger economies in the region.

This is a stated goal of not only the United States, but also of the other nations embarking on the negotiation of this new expanded TPP. They share the vision of using the TPP as a potential building block toward a larger Free Trade Area of the Asia Pacific, and it is in America's national interest to be an equal partner in that effort, rather than on the outside looking in.

A Cornerstone of a Forward Looking Trade Agenda

The NFTC supports a national trade agenda that combines bold market opening initiatives, responsible and balanced enforcement of existing agreements and a comprehensive domestic strategy to prepare the American workforce for the realities of a global economy.

According to the IMF, world growth has ground to a virtual halt, falling to the lowest levels since World War II. Output in advanced economies is expected to contract by 2 percent in 2009 and growth in emerging and developing economies is expected to slow sharply from 6¼ percent in 2008 to 3¼ percent in 2009. U.S. unemployment is approaching 8% and 4 million Americans have lost their jobs in the last year. World trade is projected to contract 2.8 percent this year after growing 4.1 percent in 2008 and 7.2 percent in 2007.

Despite G-20 commitments to refrain from raising new barriers to trade in goods and services, we are facing creeping protectionism around the world, through increased tariffs and subsidies, buy national requirements in economic stimulus measures and other import restrictions. This is occurring at a time when the U.S. relies on exports as an economic driver more now than ever before. In 1968, exports accounted for 5.3% of GDP. By 2003, exports accounted for 9.5% of GDP and last year exports were 13.1% of GDP.

At a time when global pressure is closing markets, it is incumbent on the U.S. to lead and to seek new ways to open markets. The TPP is an innovative and economically significant initiative to do just that, and we wholeheartedly support it.