Insight

The Trans Pacific Partnership Agreement is Finalized

JACQUELINE VARAS | OCTOBER 6, 2015

The terms of the Trans-Pacific Partnership (TPP) were finalized yesterday after representatives from the United States, Japan, and ten other Pacific-Rim nations spent nine days in Atlanta negotiating the deal. If passed by Congress, TPP will be the largest free trade agreement ever enacted, linking together 40 percent of the world's Gross Domestic Product (GDP) and almost 800 million people.

The purpose of TPP is to stimulate Pacific commerce by eliminating barriers to trade. This includes abolishing over 18,000 taxes that are currently levied on American exports to TPP partner countries, some as high as 100 percent. Without thousands of tariffs driving up the prices of American-made goods, overall U.S. competitiveness in the Asian-Pacific region will improve.

Assuming TPP is relatively similar to other FTAs, it will also have a generally positive impact on American business. Currently, exports from small and medium-sized businesses to TPP nations total $247 billion. The finalized deal includes further provisions to aid small business by removing costly red tape, providing companies with access to express delivery services, and establishing a committee to exclusively assist smaller businesses with the agreement. TPP is the first trade deal to specifically address trade barriers to small businesses, which make up 98 percent of all U.S. exporters.

In addition to eliminating barriers to trade, TPP attempts to set forth commonly-held intellectual property rights. Intellectual property protections are a fundamental part of any modern trade agreement in order to avoid problems with counterfeiters and trade secret theft. They also benefit the U.S. by giving manufacturers the confidence to freely trade with their Asian-Pacific partners. Concerns about TPP's intellectual property provisions have arisen, however, especially in the pharmaceutical industry with regard to patent exclusivity for biologic medications.

AAF has previously highlighted findings from the Office of the United States Trade Representative suggesting that TPP could potentially increase U.S. exports by $124 billion. The free trade agreement could also boost U.S. GDP by $77 billion and create 550,000 U.S. jobs over the next ten years. Now that a final deal has been reached and a vote from Congress may occur as early as next February, Congress should carefully consider the potential economic benefits of the agreement.