

TRANS-PACIFIC PARTNERSHIP
Trade Ministers' Report to Leaders
October 8, 2013

Based on your instruction to seek to conclude the Trans-Pacific Partnership (TPP) agreement this year, Ministers and negotiators for the 12 TPP countries have been working intensively in recent months and are moving closer to finalizing this landmark agreement. Ministers have actively engaged both plurilaterally and bilaterally to address specific issues and provide guidance to our negotiators. Negotiating teams have now met for 19 formal rounds of talks, as well as in numerous intersessional meetings, to exchange proposals, identify creative and pragmatic solutions to outstanding issues, and close gaps.

The common vision and joint commitment of the TPP Leaders to a state-of-the-art agreement that establishes high standards and new disciplines has guided our work. Ministers continue to explore mutually-acceptable solutions on the remaining issues. Additional discussions here in Bali on these issues – including related to market access for goods, services/investment, financial services, government procurement, investment, temporary entry, and labor – have been productive, and will inform the work of negotiators in the weeks ahead. Ministers have also discussed how best to achieve an ambitious, balanced, 21st-century agreement that will enhance trade and investment among us, promote innovation, economic growth and development, and support the creation and retention of jobs in our countries.

Since the last meeting of the TPP Leaders in 2011, Mexico, Canada, and most recently, Japan have joined the TPP negotiations. The successful integration of these partners into the negotiations reflects the vigorous work of the original TPP countries to actively facilitate their entry, as well as the serious efforts of new members to contribute constructively toward an ambitious and timely conclusion. With its current membership, the TPP now includes some of the world's most robust economies, representing nearly 40 percent of global GDP and about one-third of all world trade. The growth of the initiative from five countries just a few years ago to 12 today validates the TPP's high-standard approach as a promising pathway to a Free Trade Area of the Asia Pacific.

Ministers, negotiators and officials will continue to actively engage stakeholders in our respective countries, ensuring the transparent process to which Leaders are committed. Ministers and negotiators alike genuinely value the detailed input of stakeholders on many issues. While frequently reflecting different perspectives, such wide-ranging input provides a deeper understanding of the important issues Asia-Pacific businesses, workers, consumers, and families face. Ministers will continue to seek to craft an agreement that appropriately and fairly balances this range of interests to achieve a comprehensive and transformative agreement with broadly shared benefits.

Negotiators have made significant strides toward realizing each of the five defining features of this historic agreement, which can set the standard for future trade agreements.

(1) Comprehensive Market Access

The 12 TPP negotiating teams continue to focus on achieving our goal of a comprehensive, high-standard market access package that provides comprehensive, duty-free access to each other's goods markets and simultaneously lifts restrictions on services, investment, financial services, temporary entry, and government procurement. On goods market access, Ministers have agreed on a timeline for progress in order to accelerate the pace of their work and finalize the overall package on the timeframe Leaders envision. Much progress has been achieved, but agreement remains outstanding on treatment of the most sensitive products. Chief negotiators and team leaders are coordinating the work of each of the goods market access teams in order to move the process forward successfully.

At the same time, negotiators are continuing to make progress toward packages that will provide TPP countries access to one another's services, investment, temporary entry, and government procurement markets. Access to services and investment markets is being negotiated on a "negative list" basis, which assumes access unless countries take an exception. Ministers recognize the substantial benefits that liberalizing services sectors can have on enhancing regional and global competitiveness, and each TPP country has successively improved its market access offers over the past year. Still, additional work remains to achieve an outcome on services and investment consistent with Leaders' objectives for a high-standard outcome. On government procurement, recognizing the significant opportunities for our businesses and workers in this area, TPP countries continue to refine and enhance market access offers in order to reach agreement.

(2) Regional Agreement

To help promote production and supply chains and trade among the TPP countries, and to support jobs across the region, Ministers have agreed that negotiators will construct a single tariff schedule and have common rules of origin. In a difficult and time-consuming exercise, the 12 negotiating teams have agreed on a significant share of these rules and are intensifying their engagement to ensure they complete the remaining work. The goal of Ministers and negotiators is to develop trade-facilitating rules of origin that encourage cumulation across the region, which will promote production and supply chains between the TPP countries and make it much easier for businesses, both large and small, to take advantage of the agreement. In addition, to support the development of value chains among TPP members, negotiators are far along toward agreement on such issues as customs, express delivery, e-commerce, and standards. In all of these areas, the goal is high-standard outcomes that will facilitate trade and create new opportunities for businesses and workers in all TPP countries.

(3) Cross-Cutting Trade Issues

Negotiators are in the final stages of our work on four cross-cutting issues that advance APEC work undertaken in these areas, and which seek to address issues that have an impact on trade and the capacity of its benefits to be broadly shared. These include:

- (1) *Regulatory and other non-tariff barriers.* These have increasingly replaced tariff barriers as the key obstacle businesses face in accessing foreign markets. The TPP countries have agreed on ways to improve our regulatory practices, promote transparency, and conduct regulatory processes in a more trade-facilitative manner, as well as to coordinate approaches in specific sectors.
- (2) *Competitiveness and business facilitation.* This work includes a plan for holistic review of TPP countries' progress toward developing the production and supply chains that will enhance competitiveness and maintain jobs in our markets, as well as mechanisms to update commitments in the future as appropriate.
- (3) *Small and medium-sized enterprises.* Expanding the participation of SMEs in regional trade will be helped by the enhancement of access to specific, relevant, and user-friendly information and resources about the TPP and its benefits.
- (4) *Capacity building, cooperation and development.* This work seeks to address the needs of current and future TPP countries to implement the ambitious provisions of the agreement and thus fully realize its benefits, and includes additional commitments to enable TPP to contribute to each of our economic development priorities, including through public-private partnerships.

(4) New Trade Issues

A hallmark of the TPP agreement will be its treatment of new issues that have emerged in global trade. Ministers and negotiators continue to work toward agreement on these issues, including promoting the new digital economy, capturing the benefits of green growth and new technologies, ensuring a transparent and pro-competitive business environment, and coordinating to advance common policy goals, such as ensuring that our trade agreements are supportive of key public health and environmental priorities. Ministers recognize that groundbreaking work is being done in these areas. As such, engagement is serious and constructive, and focused on bridging differences and reaching high-standard disciplines in these complex and sensitive areas.

(5) Living Agreement

The integration of Mexico, Canada, and Japan into the TPP since Leaders' last meeting has served to further strengthen the TPP. Ministers have been pleased by the interest of additional Asia-Pacific countries in joining TPP in the future and stand ready to engage with them to facilitate their participation following the completion of the initial agreement. Reflecting the Leaders' commitment to make possible the expansion of the TPP to countries across the region, the teams are nearing accord on a structure, institutions, and processes that will make the TPP a living agreement and which can evolve as appropriate in response to future developments in trade, investment, technology, or other emerging issues and challenges, as well as future joint work in areas of common interest.

Next Steps

Ministers will remain actively engaged in advancing the negotiations to a successful conclusion. We will commit the resources necessary to do so. We also will continue to remain actively engaged with our respective stakeholders as we move forward. The final stage of the TPP talks

will require an intensification of effort at all levels to find creative, pragmatic, and flexible approaches to resolve outstanding issues, as well as an unwavering commitment to the high-standard, ambitious outcome that the TPP Leaders – and indeed, your Ministers and negotiators – seek.