



Trans Pacific Partnership

At this point, the Chamber neither endorses or opposes the pending Trans Pacific Partnership free trade agreement. Rather, we ask that you forego action until the full impact of the TPP is understood. There are elements that should be lauded and others that leave room for improvement. By no means is the Agreement without its faults. However, the message sent, should the House Resolution pass, to our collaborative partners in Quebec and Canada might easily be misinterpreted as anti-trade and anti-Canada. As I will note later on, Canada has made significant concessions relative to opening their tariff protected markers.

Historical Context:

The TPP took five years to negotiate. It required bringing 5 new countries into the Free Trade fold with the 7 countries with whom multi-lateral free trade agreements already exist. It will not be until May 3rd, that the ITC (International Trade Commission) issues its report on the likely effects the TPP will have on the U.S jobs and our economy as a whole. The Report is a deep and comprehensive review of the 30 Chapters and Trade Rules contained in the agreement and is meant to set the stage for the Congressional debate that will most likely occur after the Presidential election. Action in advance of this analysis seems premature.

Regardless of the Findings in that Report, I think it is important for everyone to understand that, despite the complexity of a 12 country trade agreement, there are some elements that clearly will benefit Vermont businesses, that embody Vermont values and principles and, should the trade agreement be fully executed, will aid both American and Vermont workers.

The Basics:

The TPP is simply an expanded Free Trade Agreement that hopes to bring in 5 new countries into an expanded partnership. Those countries are: Japan; Vietnam, Malaysia, Brunei and New Zealand. The current signatories are the US, Canada, Mexico, Peru, Chile, Singapore and Australia. From the macro geo-political perspective, this is clearly a pivot by the West towards Asia in hopes to inducing China to reduce its tariffs and quotas thereby allowing access to their markets.

There are 4 Principles contained in the TPP that I believe speak to Vermont values and to improving opportunities for Vermont businesses.

1. Establishes Labor Standards – the most comprehensive ever in such a far reaching agreement. By no means are they perfect. For instance, while the standards apply to countries like Vietnam and Malaysia that have sub-standard labor practices they do not expand to Mexico (current NAFTA signatory), another country with a poor history of fair labor standards. That said: it does set:
 - a. Standards meet the International Labor Organization (ILO) Declaration of Fundamental Principles that:
 - i. Allow the Formation of Labor Unions
 - ii. Allow for Collective Bargaining
 - iii. Prohibits Child Labor

- iv. Prohibits Forced Labor
- v. Applies retroactively to NAFTA
- vi. And Will Begin to Level the Playing Field for the American Worker
2. Establishes Comprehensive Environmental Standards – the highest standards ever set in trade agreement history – that:
 - i. Combats wildlife trafficking
 - ii. Illegal Logging
 - iii. Promotes the long term conservation of species including:
 1. Whales
 2. Dolphins
 3. Sharks
 4. Sea Turtles
 5. Rhinos and Elephants
 - iv. Combats Ozone Depleting substances and addresses energy efficiency
3. Provides Small Business Assistance – acknowledges that only 5% of US small businesses export and are missing a large international market:
 - a. High Taxes
 - b. Streamlines Paperwork
 - c. Removes Penalties for Small Shipments of Products
4. Eliminates over 1,800 Tariffs -which are essentially taxes- that countries currently levy on Made in America Products. This helps:
 - a. SME's
 - b. Agricultural Products – Dairy Farmers
 - c. Manufacturers

Vermont Specific Data: (source: National Business Roundtable: 2-11-16)

- International Trade, both export and imports of goods and services, accounted for 95,000 jobs in Vermont
- Of those jobs: More than 36,000 Vermont Jobs Depend on Trade with TPP Countries
- 61% of VT exports went to TPP countries
- VT exported 1.9 billion dollars' worth of goods and 204 million worth of services to the 6 TPP countries that have FTA's with the US
- Vermont already exports 314 million in goods and 73 million in services to the new 6 Partner Countries in 2014
- The reduction in Tariffs and other benefits will see these numbers rise significantly

The Vermont Dairy Industry stands to benefit from the loosening of Canadian Dairy Tariff Rate Quotas (TRQ) which have posed significant barriers preventing Vermont dairy products from accessing our largest trading market.

The TPP will ease access to Canadian Dairy markets up to 3.25% of their total output by reducing TRQ's using 2016 as a base over a 5-year phase in. Fluid milk, butter, cheese and Yogurt tariffs would then settle out over a 14 yr period. Whey powder would see a full elimination of the 208% TRQ over 10 years.

There is a long process ahead before ratification or defeat of the TPP. 12 countries have to ratify it. The Trade Agreement is complex and as I noted took 5 years to negotiate. I understand that Vermont wants to protect workers jobs but, respectfully, that is a too simple of a reaction. Jobs are gained or lost dependent on a number of circumstances. No job is ever safe from the vagaries of business cycles, trade agreements, changes in habits or consumer demands. For jobs that are lost, new opportunities arise. The TPP has been crafted to level the playing field for the US worker in recognition of mistakes or miscalculations of the past. (unenforceable intellectual property rules and environmental regulations,

weak labor standards, state-owned business competition, tariff quotas that were astronomical) Vermont does not exist in a national or international vacuum. It is incumbent upon all of us, and legislators in particular, to understand that our responsibility is to ensure that Vermonters can compete on a world stage and in a 21st century economy. This is particularly true as we effect our own “pivot” to the North.