



ASIA PACIFIC COUNCIL OF AMERICAN CHAMBERS OF COMMERCE

2015 Policy Report



Trans Pacific Partnership

The Time for Action is NOW!

U.S. – TPP Trade

\$1.8 trillion in goods and private services in 2012 (37% of total)

FDI from TPP Countries in the U.S.

\$620.3 billion
(23% of FDI stock in the U.S.)

TPP Foreign Affiliate Employment

1.4 million American jobs

Jobs Supported by Exports

Approx. 4 million jobs supported by U.S. goods and services exported to TPP countries in 2012

APCAC Urges Immediate Action on TPP

- APCAC applauds recent progress on TPA in the Senate & House – we urge final passage by Friday, June 26, 2015
- TPP is an historic opportunity but the window for passage is closing rapidly.
- Congressional action now will support American businesses abroad and create jobs at home.



TPP: Key Facts

TPP is a long-term investment in the world's fastest growing region

TPP will:

- **Adhere to** a comprehensive, high-standard, and commercially meaningful agreement that removes barriers to trade and investment and addresses 21st century challenges in all sectors;
- **Deliver significant economic benefits** for American companies and workers;
- **Secure U.S. leadership** in the Asia-Pacific Region for years to come; and
- **Provide important impetus** for change in Japan to the benefit of U.S. companies.

APCAC applauds the progress on TPA in Congress and urges final passage by the Senate by Friday, June 26, 2015

- **An essential tool** to promote economic growth in the U.S. and Asia-Pacific allies, and draw other countries in region into free trade orbit.
- Will ensure U.S. is anchored firmly in Asia-Pacific trade architecture.
- **Cost of failure or inaction is high: Competing trade architectures that are less rigorous and exclude U.S. will advance in absence of TPP. U.S. cannot wait.**



TPP will Increase U.S. Exports: The Case of Agriculture

Nationwide, U.S. food and agricultural exports reached a record \$150 billion in 2014, supporting more than one million American jobs. Global demand for these products is growing but so is competition among suppliers. A high-standard TPP agreement that opens markets will support expansion of U.S. agricultural exports, increase farm income, generate more rural economic activity, and promote job growth.

Wheat: In 2014 the United States exported more than \$2 billion of wheat to the TPP region. Without the TPP agreement, U.S. wheat and wheat product exports face a competitive disadvantage because Australia, New Zealand and the ASEAN countries are all able to export wheat and wheat products to Vietnam at lower rates due to the ASEAN-Australia-New Zealand Free Trade Agreement.

Dairy: Japan and Canada are already top export destinations for U.S. dairy products. Under the TPP agreement, tariffs in all TPP countries will be cut, further opening a market that accounted for almost \$4 billion in U.S. dairy product exports in 2014. Without the TPP agreement, U.S. dairy product exports to Japan face a competitive disadvantage because Australian dairy products already receive preferential tariff treatment due to the Japan-Australia Economic Partnership Agreement.

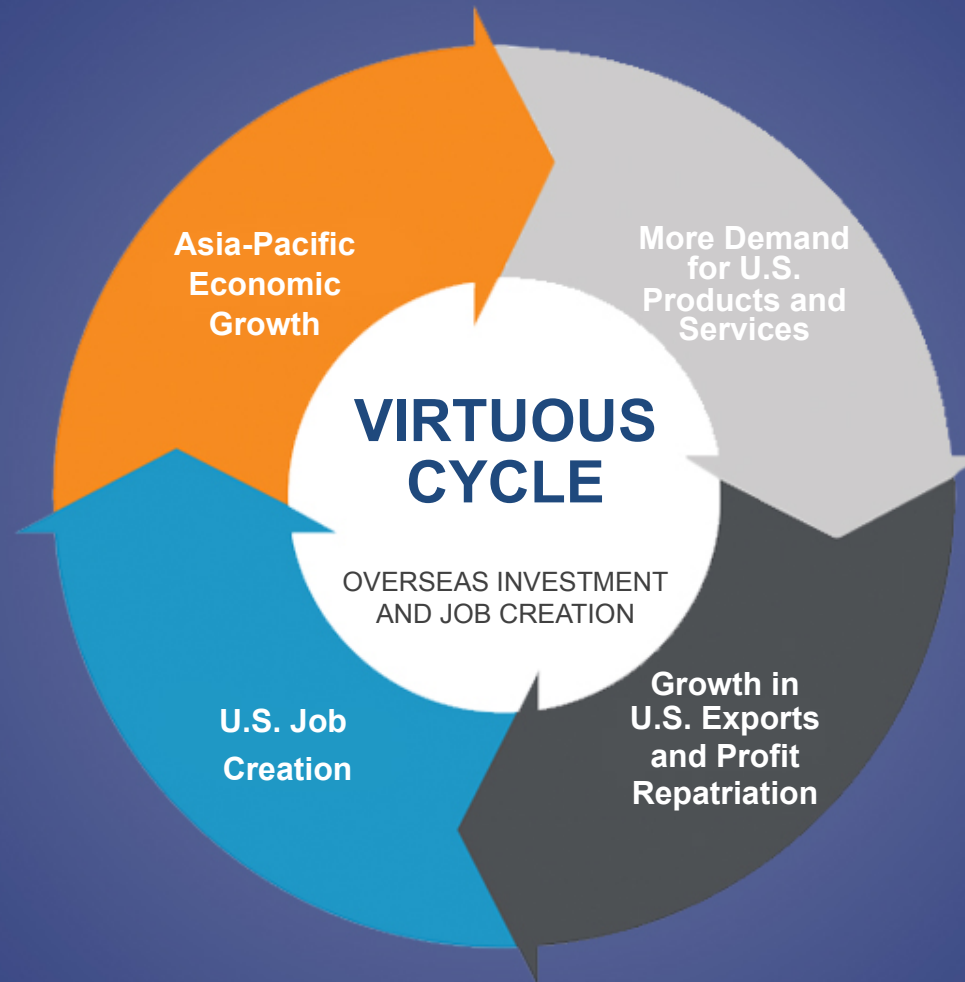
Beef: U.S. beef exports to the TPP countries currently face tariffs as high as 50 percent. Under the agreement, tariffs across the region will be cut, offering new market access opportunities to U.S. beef producers and exporters. In 2014 the United States exported almost \$4 billion of beef to the TPP region. Without the TPP agreement, U.S. beef exports face a competitive disadvantage because Australia is able to export beef to Japan at lower tariff rates due to the Japan-Australia Economic Partnership Agreement.

Source: USDA

“The growth of U.S. agriculture depends on our ability to compete in the international marketplace. We will cede potential markets and economic leadership to our competitors if we cannot negotiate and ratify trade agreements through TPA.” — Bob Stallman, President of American Farm Bureau Federation



Pro-growth, pro-market reforms in TPP countries create American growth and jobs



TPP “behind the border” reforms promote expansion and market access, fostering a virtuous cycle that leads to U.S. job growth.



TPP – View from Japan

TPP is Critical to advance **Rule of Law** and **Market Access** in the region



Prime Minister Shinzo Abe
Speech to Joint Session of U.S.
Congress April 29, 2015

“We must take the lead to build a market that is fair, dynamic, sustainable . . .

“In the Pacific market, we cannot overlook sweat shops or burdens on the environment. Nor can we simply allow free riders on intellectual property.

“Instead, we can spread our shared values: the rule of law, democracy, and freedom.

“That is exactly what the TPP is all about. . .

“TPP goes far beyond just economic benefits. It is also about our security. Long-term, its strategic value is awesome. We should never forget that.”

- 1 TPP has become for its members a key symbol to demonstrate commitment to growth and structural reforms.
- 2 TPP is attracting non-members who see it as catalyst for growth: Philippines, South Korea, Taiwan, and others.



TPP – View from Australia



Prime Minister Tony Abbott

- Key U.S. allies and trading partners, such as Australia, are working hard to complete TPP, but they are also hedging their bets
- Australia concluded landmark bilateral FTAs last year with China, Japan and Korea – opening markets to Australia that remain closed to American exports
- Australia is part of the ongoing regional trade negotiation, RCEP, that includes India, China, and the entire region
- To be clear, Australia strongly prefers the TPP, and having the USA present and engaged in the region
- But it is also clear that Australia has an alternative strategy of both bilateral and multilateral FTAs in case TPP fails for any number of possible reasons.



Benefits Under KORUS for U.S. Exporters

General

Korea was the 6th largest trading partner of U.S. in 2014, and the 6th largest export destination for U.S. farm products in 2014 (KITA, 2015 / U.S. Census Bureau, 2014)

Overall U.S. goods exports to Korea marked \$46.2 bn in 2014 compared to \$45.2 bn in 2011 (U.S. Census Bureau, 2015)

Overall U.S. services exports to Korea marked \$20.7 bn in 2014, a \$10.4 bn surplus in favor of the U.S., compared to the \$16.7 bn exported in 2011 (U.S. Census Bureau, 2015)

U.S.-Korea two-way trade increased 84.0% over the last decade and reached \$114.0 bn in 2014 (KITA, 2015 / U.S. Census Bureau, 2015)

29 U.S. states have more than doubled exports to Korea over the last decade (2001-2011) (East-West Center, 2014)

Specific

Exports of U.S. autos to Korea increased 38.0% annually on average from 2011~2014, growing from \$350.0 mn to \$910.0 mn (KITA, 2015)

Exports of U.S. pharmaceuticals to Korea increased 19.2% annually on average from 2011~2014, growing from \$610.0 mn to \$1,040.0 mn (KITA, 2015)

The U.S. exported \$6.9 bn in agricultural and food products to Korea in 2014: Key increases (2012~2014) included lobster 272.3%, cherries 39.4%, lemons 42.1%, nuts 26.4%, beef 5.4% (U.S. Census Bureau, 2014 / USTR, 2015)

The U.S. exported \$37.4 bn in machinery and electrical machinery to Korea in 2014, 5.6% growth YoY (USTR, 2015)

The U.S. exported \$20.7 bn of intellectual property works to Korea in 2014: Key increases (2011~2014) included software 64.3%, film 134.2%, insurance 22.4%, R&D 21.0% (USTR, 2015)

As a result of the KORUS FTA, 19 U.S. law firms have opened offices in Korea



Tax & Financial Reporting Reform to Advance American Competitiveness

1

- Review and adopt residence-based taxation (RBT), where taxation would be based on the residence rather than the citizenship (U.S.) of the taxpayer. Put U.S. business people on level footing with foreign competitors who have RBT.

The U.S. has the dubious distinction of being – along with only North Korea and Eritrea – one of only three countries in the world with a citizenship-based tax collection system. Every other country has a territorial-based system.

3

- Amend FATCA to eliminate burdensome and unnecessary reporting requirements, e.g. for categories of non-U.S. accounts that are routinely held by compliant, middle-income Americans working in the Asia-Pacific region.

2

- To advance American competitiveness the U.S. should adopt territorial tax system for U.S. companies, putting US companies, as well as individuals, on level playing field.

4

- FATCA and the Foreign Bank Account Report (FBAR) should exempt from reporting requirements retail banking and securities accounts held in the country where the taxpayer is resident. Clarify FBAR filing requirements for Form 8938 to simplify reporting of accounts.



Reauthorize the U.S. Ex-Im Bank – U.S. Jobs Depend on it

1

The Export-Import Bank (Ex-Im) helps finance U.S. exports of manufactured goods and services at no cost to American taxpayers with a total lending cap of \$140 billion. Ex-Im's authority to operate expires on June 30 unless Congress acts to renew it. It is critical to American export competitiveness that it do so.

2

Ex-Im helps to level the playing field for U.S. exporters by providing the same kind of financing support that other governments provide to their exporters.



3

It supports
About 200,000 jobs
each year at no cost
to the taxpayer.

4

In FY2014,
Ex-Im supported
\$27.5 billion in U.S.
exports.

5

It is not "corporate welfare" - companies that receive Ex-Im support pay fees as in the private sector. Those fees have paid for all Ex-Im operations **and** returned to the Treasury \$675 million FY2014, and more than \$1 billion in FY 2013.

6

Ex-Im can
help sell
U.S.-made
products.

7

Ex-Im employs prudent risk
management, enjoying historically
low default rates: Its default rate
for this past quarter was 0.194%.

8

Japan, Germany and especially
China have much larger export credit agencies
– failure to renew Ex-Im's authorization
amounts to "unilateral disarmament."

APCAC urges Congress to fully reauthorize Ex-Im by the June 30 deadline!



APEC Business Travel Card

The APEC Business Travel Card (ABTC) allows business travelers expedited immigration access when traveling on business within APEC.

The ABTC was implemented by the USG with bipartisan support in 2014. Now, U.S. business people are on a more level footing with those from other APEC economies.

Significant implementation issues remain with certain governments, and U.S.-issued ABTC's are not being honored in all APEC economies.

APCAC urges the USG to continue working within APEC to resolve implementation issues, as in the recent success achieved with Taiwan.

APCAC also urges DHS/CBP to continue to allocate resources to allow U.S. citizens living in Asia to interview for the card overseas, as was done at the recent APCAC meeting in Singapore.

Allow more opportunities for American citizens to interview for both Global Entry and ABTC overseas.



Opportunities in the Healthcare Sector

U.S. healthcare companies have in many cases taken up strong positions in Asian markets. Advanced but aging economies like Japan are growth markets for U.S. healthcare solutions, while developing Asian economies are also opportunities for disease prevention solutions. Strong opportunities for U.S. pharmaceutical and biotech firms across the board.

APCAC Advocates the Following:

1

Paradigm shift to focus more on disease prevention

Focusing on prevention, screening, early detection and early treatment of disease

2

Evidence-based global best practices

Recommendations with potential to yield significant positive impact including vaccination, preventive care, healthcare associated infection (HAI)

3

Efficient allocation of healthcare resources

Enhancing productivity and reducing waste and corruption in procurement process

4

Alignment with government growth policy goals

Recommendations with potential to boost economic growth

5

Adequate reward for innovation in national healthcare programs

Promote regional dialogues, particularly in APEC, on healthcare as these have made a material difference to U.S. manufacturers and exporters

Continue efforts on regulatory harmonization and expedited approval processes



Opportunities in the Aerospace and Defense Sectors



U.S. Government support to encourage American partners such as Japan, Korea and Singapore to source U.S. defense products, strengthening security **and** bolstering US exports.

Supporting base realignment in Pacific force structure.

- Improve posture of forces and create sustainable structure.
- Address concerns from allies over deployment congested areas, e.g. Okinawa
- Provide growth and jobs to U.S. territories, e.g. Guam.



Opportunities in the ICT Sector

Cooperate with Key Partners on Global Rule Making for the Internet Economy

- Keep the Internet open, free, global and encouraging to innovation
- Government-business collaboration facilitates effective policymaking
- U.S. and key partners like Australia, Japan, Korea, and Singapore can help drive global ICT policy
- The Cloud era requires re-invention of existing domestic policy framework
- Policy coordination is necessary in Internet governance, privacy, cybersecurity, IP and standards-setting

Sharing Best Practices

- Innovation-friendly privacy code, Inter operable cybersecurity, free flow of data
- Implementation of ICT in public sectors (open data, E-Gov, healthcare, education, etc.) is challenging, and needs ongoing attention
- Support regional efforts, particularly in APEC, on personal data protection including cross border data flows – ensure rules allow free flow of information and permit US access to Asian markets in financial services, Internet of Things, and other key growth areas.

Diplomatic Dimensions of Internet

- Develop Asian ICT Common Policy framework (in contrast to frameworks in EU, China, etc.)
- ICT Common Trade Principles (Jan 2012) serve as a benchmark for TPP ICT issues
- Need ICT/related Trade Policy alliance toward China, India, Russia, Brazil and other protectionist countries
- Expand (policy/industry) influence to ASEAN countries through Japan
- Share multi-stakeholder approach

★ Work together with Asian partners in leading establishment of global Internet infrastructure
Capacity Building for 5 billion Internet users and emerging Internet of Things ★



Opportunities in the Energy and Environment Sectors

- COP 21 and concerns on GHG and pollution are driving key Asian economies to start to address energy mix and promote clean energy.
 - Represents a key opportunity for U.S. clean energy solutions.
 - APCAC urges USG to support policies that result in a cost-effective supply of energy while increasing energy security, limiting greenhouse gas (GHG) emissions, and encouraging innovation and foreign investment in new projects.
- Key recommendations include:

 - Continue DOE approvals for LNG exports to Asian countries.
 - Urge Asian countries to adopt sustainable strategies for use of thermal sources, promoting use of LNG: supports US exports of LNG as well as high efficiency gas solutions where U.S. companies can fill demand
 - Promote market access for U.S. technologies, including through streamlining regulatory approval processes that can hamper access to markets.





Opportunities in the Financial Services Sector

Promote reforms in the financial sectors of Asian countries - helping U.S. firms expand Asia-Pacific operations. This would spur economic growth as well as opportunities for U.S. financial sector companies to access growing Asian markets

- Promote financial services as a growth area by expanding consumer access to low-cost, high-value-added financial services in areas such as defined contribution savings plans, particularly important in countries like Japan and Korea with rapidly aging populations;
- Ensure a regulatory level playing field for domestic and foreign service providers
- Eliminate or reduce foreign ownership caps and other discriminatory restrictions on access for U.S. companies that exist in many markets
 - Restrictions on international credit card systems (Korea)
 - Restrictions on cross-border flow of financial data
 - Preferences for SOE financial institutions



ASEAN Economic Community (AEC)

The ASEAN Region is a critical hub of U.S. trade and investment.

- Almost \$100 billion of US goods and services exports go to ASEAN. ASEAN countries, taken together, rank 4th after Canada, Mexico and China as a goods export market for the United States. The U.S. is ASEAN's 3rd largest trading partner.
- 7% of U.S. jobs from exports are supported by exports to ASEAN. More than 560,000 American jobs are directly or indirectly supported by goods and services exports to ASEAN.
- ASEAN is the number one destination for U.S. investment in Asia. U.S. investment in ASEAN is almost \$190 billion exceeding US investment in China, India, Korea, Hong Kong, Taiwan, and New Zealand combined. ASEAN investment into the U.S. exceeds \$27 billion.

APCAC Advocates for:

- Deeper, sustained, engagement and leadership by the United States in ASEAN so we continue to shape the rules on trade and investment, and drive innovation in the rapidly evolving business environment.
- Increased capacity building and technical assistance to encourage full implementation of ASEAN Economic Community integration commitments.



Opportunities for U.S. Commercial Growth in Myanmar

Since the enactment of the new Foreign Investment Law in 2012, Myanmar has attracted over \$7.5 billion in FDI. To allow American commerce to compete in Myanmar with the E.U. and other Asian countries, APCAC urges the U.S. Government to remove barriers that put U.S. companies at a disadvantage.

Reform the Specially Designated Nationals (SDN) List.

The U.S. is one of the only countries that maintains a list of sanctioned individuals and entities in Myanmar, which generally prohibits U.S. persons from dealing with them. Given that many Myanmar businesses are linked to individuals on the SDN list, while many others have opaque shareholding structures that make it difficult to determine whether SDN individuals are involved, U.S. companies are at a disadvantage when seeking local business partners and obtaining competitive services compared to their non-U.S. counterparts.

Expand Access to Banking Services

While financial transactions with Myanmar banks are generally allowed, many banks are still unwilling to engage in financial services with Myanmar due to the high perceived risks arising from uncertainty around the scope and applicability of U.S. sanctions. Thus, it is extremely difficult for a U.S. company to find a foreign bank willing to conduct business in Myanmar. U.S. companies, in many cases, are forced to open an account with a foreign bank in either Singapore or Thailand.

Reduce Burden of Responsible Investing Reporting

Any U.S. person or entity engaging in new investment of more than \$500,000 in the aggregate is subject to the State Department's "Reporting Requirements on Responsible Investment in Burma". The reporting requirements are time-consuming (and frequently expensive) for American businesses (particularly SMEs) and many simply do not have the resources to comply.