

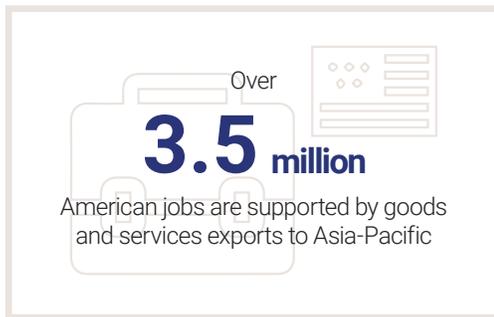
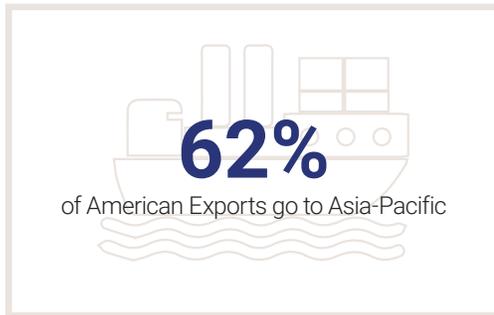


ASIA-PACIFIC INITIATIVES FOR U.S. ECONOMIC EXPANSION AND AMERICAN JOB GROWTH

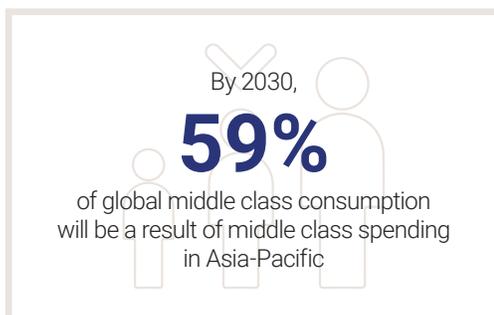
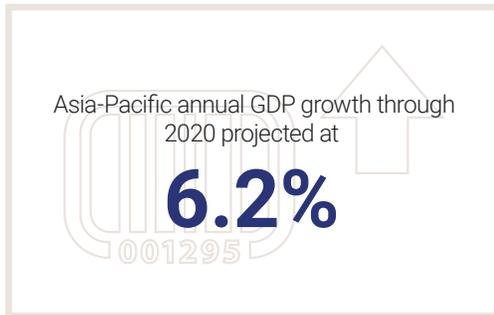
JULY 2018



U.S. - ASIA PACIFIC TRADE



ASIA-PACIFIC: A GROWTH MARKET



The Asia-Pacific Council of American Chambers of Commerce (APCAC) looks forward to working hand-in-hand with the Trump Administration and Congress to maximize opportunities for American companies and workers that will result in job growth in the United States and increase business in Asia-Pacific for American companies.

Representing 28 American Chambers of Commerce in Asia and over 15,000 company members, APCAC supports policies and initiatives that make it easier for American companies to do business in Asia, the fastest-growing market in the world.

EXECUTIVE SUMMARY

At the heart of APCAC's message to the Trump Administration and Congress is that open and fair-trade practices that put U.S. companies on a level playing field with foreign competitors translates directly into more jobs for American workers. U.S. goods and services exports to Asia-Pacific support over 3.5 million U.S. jobs. This number will rise as trade expands in the region if U.S. companies benefit from trade regimes as their competitors do. Removing non-tariff barriers and raising standards in other markets will result in more sales of American manufactured goods, agricultural products, and services. This will allow American companies to "sell American," and foreign consumers to "buy American."

For centuries, Asia has been an important home for American business looking to grow beyond the United States. From the frozen steppes of Mongolia to the verdant valleys of New Zealand, over 25,000 Americans go to work each day across the Asia-Pacific region to open new markets for products and services that carry the distinguished "Made in USA" label. These dedicated American men and women, and the American companies they support, need the full and unbridled support of the Trump Administration to ensure American business remains strong and the envy of the world.

The recommendations in this report focus on initiatives that will make it easier for America and American business to compete and do business in Asia. We urge the Administration and Congress to support and champion these proposals, which call for high standards for establishing rules for trade and targeted trade enforcement; strong diplomatic and commercial engagement between the U.S. and Asia; critical tax and regulatory reform by the U.S. Congress; and a recognition of the regional impact that trade frictions between the United States and China will have on American business.

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ENGAGE WITH AND ADVANCE AMERICAN INTERESTS IN THE INDO-PACIFIC REGION



The President, the Vice President and the Cabinet made many visits to the region during President Trump's first year and APCAC appreciates the significant time and resources the Administration spends engaging directly with the American business community operating in the region, and we encourage this high-level engagement to continue.



APCAC applauds the strategic focus by President Trump and his Administration in supporting a “free and open Indo-Pacific” region. The President, the Vice President and the Cabinet made many visits to the region during President Trump's first year and APCAC appreciates the significant time and resources the Administration spends engaging directly with the American business community operating in the region, and we encourage this high-level engagement to continue. Additionally, the participation of the Administration in multilateral platforms such as APEC and ASEAN was fruitful and APCAC urges high-level participation in all subsequent summits. We welcome continued travel by Cabinet members and senior U.S. government officials to the region of the world where “showing up” matters and AmChams are always happy to host visiting delegations of Administration and Congressional leaders. The presence of senior U.S. leaders signals America's leadership and strong commitment to the region. APCAC strongly supports the U.S.-Japan Infrastructure Partnership in Third Countries initiative, and also supports U.S. involvement in emerging forums such as the Asian Infrastructure Investment Bank, where there are opportunities for American companies, as well as in institutions such as the Asian Development Bank, where the U.S. has traditionally played a key leadership role.

U.S. embassies in Asia and throughout the world work to open new markets and protect existing rights for American corporations and their workers. Our first line of defense, American embassies are essential for trade enforcement. For large or small companies looking to make their first export sales or expand to additional markets, the American Embassy offers the trade counseling, market intelligence, industry matchmaking, and commercial diplomacy needed to connect with business opportunities. The impact of this work ripples throughout the U.S. economy by broadening and deepening the U.S. exporter base, removing obstacles to the export success of American companies, advancing U.S. business interests around the world, attracting foreign direct investment, and supporting job creation throughout small towns and large cities across the United States. APCAC calls on the Trump Administration to appoint – and for the Senate to confirm – high level vacancies, including ambassadors in South Korea (awaiting confirmation), Australia, Singapore, and Mongolia, most of which have been vacant since January 2017.

To promote robust engagement, APCAC encourages the U.S. Administration and Congress to fully fund the U.S. Departments of State and Commerce, USAID, OPIC, the Office of the U.S. Trade Representative, the Export Import Bank (EXIM), and the U.S. Trade and Development Agency. We need strongly staffed and adequately resourced agencies to pursue effective enforcement of existing rules, maintain a leadership position in policy and negotiating forums, and compete effectively as other countries maintain or expand their export-support programs.

APCAC SUPPORTS TRADE AGREEMENTS

Free, fair and reciprocal trade practices that put American companies on a level playing field with foreign competitors translate directly into more jobs for American workers. U.S. goods and services exports to Asia-Pacific already support 3.5 million U.S. jobs. This number will rise as trade expands in the region if U.S. companies benefit from trade regimes as their competitors do. Removing barriers and raising standards in other markets will result in more sales of American manufactured goods, agricultural products, and services. This will allow American companies to “sell American”, and foreign consumers to “buy American.”

To this end, APCAC members welcome the opportunity to work with the Administration to identify areas for enforcement of U.S. trade laws, and to support bilateral negotiations in the region. In addition, APCAC respectfully urges the Administration to consider a mix of both bilateral and regional/multilateral engagement on trade. Recognizing the value to U.S. companies of adopting a consistent approach to high level trade and investment standards across a major trading region, APCAC reiterates its long-standing call for the Administration and Congress to bring the United States into the Trans Pacific Partnership (TPP) now known as the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP).

One of the greatest deterrents to exporting, especially by competitive U.S. Small and Medium Enterprises (SMEs), is the complexity of different trade rules for every single market. Bilateral trade deals are effective at opening markets on a one-by-one basis, but regional trade deals are better at simplifying the process of exporting to multiple markets. Accordingly, APCAC urges the Administration to focus both on opening bilateral markets while simplifying the process of exporting through regional agreements such as the TPP. The U.S. needs to lead multi-party negotiations to achieve the most favorable results for American exporters and to be party to the next generation of agreements to ensure that U.S. companies can remain competitive and are not shutout of opportunities that our rivals will enjoy.

The three U.S. free trade agreements with APCAC members Australia, Korea, and Singapore have proven track records of opening those markets to U.S. goods and services and improving our balance of payments in each market. But, as other governments conclude regional agreements that exclude the United States, our exporters face growing competitive threats in the Asia-Pacific markets that collectively are home to three billion potential customers – one need look no further than the Regional Comprehensive Economic Partnership (RCEP), an agreement under negotiation among 16 nations including India and China, and the CPTPP



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to see examples of multilateral trade agreements moving forward without the United States and where American companies will be shut out of opportunities for growth and expansion. Additionally, many of the EU agreements are providing challenges to the U.S. dairy industry and would require controversial geographic indicators for dairy products. These EU agreements include the EU Vietnam agreement as well as the EU Singapore agreement both of which are moving towards entry into force. To maximize U.S. economic expansion and jobs growth, APCAC urges the U.S. Administration and Congress to pursue multiparty trade agreements in the Asia-Pacific region. American trade, investment, and innovation will flourish best through multilateral agreements that address border, behind-the-border trade barriers issues as well as traditional tariff issues.

U.S. lawmakers can take a direct and conclusive step to strengthen the American economy by further opening markets in the Asia-Pacific and by establishing standards that underpin fair competition, lower tariffs, expand market access, and update rules for services, intellectual property protection, digital trade, labor and environment standards, regulatory transparency, government procurement, domestic content, localization requirements, and competition with state-owned enterprises (SOEs). Growing U.S. participation in international trade and investment will transmit American standards and values abroad, which will strengthen regulatory regimes and provide more transparency and certainty for U.S. exporters and American companies with supply chains in the Asia-Pacific region.

U.S. - CHINA TRADE RELATIONS: BE FIRM, AVOID TARIFFS & RECOGNIZE REGIONAL IMPLICATIONS

APCAC supports free, fair, and reciprocal terms of trade between the United States and China. The U.S. and Chinese economies are deeply intertwined and trade between the two countries supports significant business for American companies and 2.6 million American jobs. Still, APCAC supports efforts to address China's market access barriers, protectionism, opaque regulatory requirements, and discriminatory enforcement – all of which have created a troubling and un-level playing field for American companies. To avoid escalating tensions between the U.S. and China and upsetting regional priorities and complicated global supply chains, APCAC encourages the U.S. Administration to consult with the business community on trade actions to improve the effectiveness of actions and minimize disruptions. Working with like-minded partners in Europe and Asia could help increase pressure on China.

SUPPORT FOR U.S.-JAPAN INFRASTRUCTURE PARTNERSHIP IN THIRD COUNTRIES INITIATIVE

APCAC applauds the initiative taken by the U.S. and Japan governments to partner on infrastructure in third countries as an alternative to China's Belt & Road Initiative. The governments have held several business roundtables with the private sectors from both countries with discussions on joint financing and risk mitigation, facilitating commercial cooperation, and creating an enabling environment for infrastructure investment with policy advocacy, capacity building and PPPs. American companies have leading technology for all types of infrastructure, including energy, transportation, waste & sanitation and telecommunications. Infrastructure demand in the Indo-Pacific region is immense and this partnership could open doors for substantial business opportunities for American companies if the U.S. and Japan governments work together on financing.

ADOPT A TERRITORIAL (RESIDENCE-BASED) TAX SYSTEM FOR AMERICAN INDIVIDUALS

The U.S. taxes Americans on their worldwide income. This unique system results in an un-level playing field as American citizens compete for jobs abroad – including at U.S. companies – with foreigners who are less expensive to employ. The on-going reduction in the number of American citizens in key management positions diminishes the ability of U.S. businesses to effectively provide goods and services in the region. As the Administration and Congress enacted a territorial tax system for U.S. corporations, so, too, should such a system be adopted for individual taxpayers. This will level the competitive playing field, promote exports, and create more investment and jobs for U.S. companies and citizens.

TRANSITION TAX AND GILTI

The Transition Tax and Global Intangible Low Taxed Income (GILTI) provisions, which were introduced as part of the Tax Cuts and Jobs Act of 2017, may result in double-taxation for American small business owners in Asia, who are not the intended target of these rules that impose a significant tax burden. This should be modified by providing an exception for such small business owners.

While the introduction of the Transition Tax and the Global Intangible Low Taxed Income provisions as part of the Tax Cuts and Jobs Act of 2017 may have primarily targeted U.S. multinational corporations, they also apply to U.S. individuals operating a business through a foreign corporation, but without certain benefits that help U.S. corporations mitigate double taxation (e.g. an indirect foreign tax credit and certain deductions). Both provisions tax the U.S. individual on earnings generated by their foreign subsidiary with the Transition Tax being imposed on the past accumulated earnings through December 2017 and the GILTI being imposed annually on the current earning starting in 2018 even if no distribution is made by the foreign subsidiary. Both of these provisions can cause financial difficulties for American small business owners abroad as they create phantom income (deemed income inclusion without a cash remittance), and some taxpayers may be in a position with a significant tax liability but no cash on hand to pay. Therefore, we ask the Administration and Congress to reconsider the application of these provisions to U.S. individuals abroad and/or provide appropriate relief to such individuals to avoid financial difficulties.

REVIEW AND REFORM THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

FATCA's costly reporting requirements and its significant legal and financial risks can make it unprofitable for financial companies to serve Americans overseas. While the introduction of the Common Reporting Standard has somewhat leveled the playing field, APCAC urges lawmakers to reform the law comprehensively or support specific reform proposals, including a Same Country Safe Harbor provision, which would treat the financial accounts of Americans abroad in their country of residence the same way as it treats the U.S. accounts of Americans residing in the U.S.

EXPAND MARKET ACCESS FOR AMERICAN EXPORTS

Discriminatory tariffs raise the cost of American exports. APCAC urges the U.S. Administration and Congress to engage with governments throughout the Asia-Pacific to eliminate or lower import tariffs and levies on the goods that U.S. workers produce. APCAC also supports prohibiting tariffs on digital products (such as software, music, video, and e-books) in order to promote digital trade and e-commerce, the avenues through which many businesses and consumers access the global marketplace.

SUPPORT AMERICAN FARMERS

APCAC recommends that the Administration press for sound, science-based food safety export and import regulations. With America's food supply among the safest in the world, this will help partner countries protect the health and safety of their food and give American farmers and ranchers a fair chance to feed the region's people. We applaud the U.S. Department of Agriculture's (USDA) recent creation for an Undersecretary of Trade, and encourage U.S. agencies and financial institutions to provide more opportunities to leverage U.S. financing for the agriculture sector.

SAFEGUARD THE DIGITAL ECONOMY AND FREE FLOW OF DATA

APCAC urges the Administration to engage with the technology industry, and other like-minded countries, to design high standard, practical data management policies that promote the free flow of data across borders, while protecting privacy and security, and prohibiting forced localization of digital infrastructure – a costly discriminatory measure that certain governments impose on American companies, requiring them to place their data, servers, research facilities, and other necessities overseas as a condition for accessing those markets. APCAC asks the Administration to push policies that preserve the single, global, digital marketplace and include cutting edge rules to promote Internet-based commerce -- a central area of American leadership, and one of the world's great opportunities for growth. Free international movement of data will ensure operational efficiencies, support higher levels of data security and more importantly, allow the individuals, small businesses, and families in America to take advantage of online shopping, communicate efficiently at low cost, and access, move, and store data freely. APCAC encourages the Administration to work with other like-minded countries around the world and cooperate in adopting and championing worldwide best practices allowing free flows of data.

SUPPORT INCREASED MARKET ACCESS FOR FINANCIAL SERVICES

APCAC recommends that the Administration continue its ongoing efforts to open markets further for U.S. financial services providers and workers in the world's fastest-growing region. Equally important is to make sure that the U.S. and other partnering countries approach the regulation of financial markets with the objectives of not only financial stability but also sustainable growth, in close partnership and cooperation with governments in the region to allow for flexible but efficient prudential regulation, including emergency measures in the event of financial crisis.

There continue to be caps on the percentage of ownership Americans and American companies can own in financial services companies in many countries around the Asia-Pacific region. In the spirit of reciprocity, the Administration should work to eliminate those barriers to trade. Also, APCAC is seeing a disconcerting trend across the region to adopt regulations that provide a right of first refusal or first order of preference to domestic financial services companies, many of which are state-owned enterprises, particularly in the area of reinsurance.

STRENGTHEN INTELLECTUAL PROPERTY RIGHTS PROTECTION

APCAC urges the Administration to work with governments in the Asia-Pacific region to strengthen protection of intellectual property, pressing for better rules and more vigorous enforcement. Strong copyright protections and patentability standards are essential to protect U.S. innovators along with the jobs and solutions to global challenges they generate. The rights of creators must be respected by establishing clear protections for copyright works such as songs, movies, books, and computer software. The U.S. must continue to lead in the development of new business models for distributing creative content that keeps pace with evolving technology. It is also essential to establish copyright safe harbors for Internet Service Providers (ISPs) to develop their business, while also helping to address Internet copyright infringement in an effective manner. APCAC urges the U.S. Administration to continue its anti-counterfeiting efforts, tracking of IPR infringements and imposing strong measures against countries with widespread violations of IP rights.

PROMOTE REGULATORY COHERENCE

APCAC urges the Administration to foster an open, fair, and predictable regulatory environment for American companies operating in Asia-Pacific markets. Principles that are central features of the U.S. regulatory process such as transparency, impartiality, and due process in administrative procedures and investigations are crucial. In addition, promoting regulatory consistency across multiple markets will support more rapid export growth, particularly for U.S. SMEs

SUPPORT U.S. SMALL AND MEDIUM BUSINESS GROWTH

International trade negotiations should pay particular attention to reducing barriers to trade that disproportionately affect smaller firms. These barriers include high tariffs and taxes, unnecessarily complex regulatory requirements, corruption, customs "red tape," restrictions on cross-border data flows, weak logistics services that raise costs, and slow delivery of small shipments. Regulatory harmonization across markets would provide a special boost for American SME exporters.

Small and medium enterprises, one of the primary drivers of job growth in the U.S., too often are locked out of important foreign markets when they try to export their made-in-America goods due to unnecessary high duties and non-tariff trade barriers. While 98% of the American companies that export are SMEs, fewer than 5% of SMEs export. That means there's huge untapped potential for SMEs to expand their businesses by exporting more to the 95% of global consumers who live outside U.S. borders.

SUPPORT TELECOMMUNICATIONS FRAMEWORK FOR COMPETITIVENESS

APCAC urges the Administration to build a strong framework of policies to help ensure the competitive supply of telecommunications services across the Asia-Pacific, benefiting U.S. telecommunications operators who seek to operate in the region, and all those industries in the U.S. that stand to gain from hundreds of millions of potential new customers accessible to them by such networks. This framework ensures that competition can take root and that anticompetitive conduct is discouraged.

SUPPORT TRANSPARENCY AND ANTI-CORRUPTION

APCAC recommends that the Administration promote good governance and address the corrosive effects of bribery and corruption on economic activity and the un-level playing field that results. Key areas of focus include ready access to information about the laws, regulations, and other rules affecting trade or investment in regional markets; guarantees of due process rights; existence and enforcement of anti-bribery laws; and rules against conflicts of interest in government. Continued enforcement of the Foreign Corrupt Practices Act and capacity building for the enforcement of regional anti-money laundering statutes will be a win-win and not only benefit U.S. businesses operating abroad but will also benefit the economies in the Asia-Pacific region.

CONCLUDE DOUBLE TAXATION AGREEMENTS TO ENCOURAGE INVESTMENT IN THE UNITED STATES

APCAC encourages the Administration to negotiate double taxation agreements between the U.S. and nations of the Asia-Pacific. The agreements will improve coordination between jurisdictions and provide a mechanism to address cross-border disputes. Most important, such treaties will facilitate foreign direct investment into job-creating business undertakings in the United States that the current U.S. tax system and absence of DTAs discourage. APCAC also urges the Administration to work with the Senate to eliminate the significant backlog of approved double-taxation treaties pending ratification.

ABOUT APCAC

Established in 1968, the Asia Pacific Council of American Chambers of Commerce is the association of 28 American Chambers of Commerce in the Asia-Pacific region.

APCAC's collective membership represents over 15,000 businesses, over 50,000 overseas American workers and over 10 million employees. American enterprises provided over \$620 billion USD in trade and investment in the APCAC region in 2016.





ADVANCING REAL OPPORTUNITIES FOR AMERICAN BUSINESS
IN THE WORLD'S MOST DYNAMIC REGION



Australia



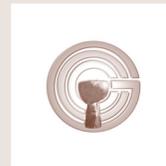
Bangladesh



Cambodia



China



Guam



Hong Kong



India



Indonesia



Japan



Korea



Laos



Macau



Malaysia



Mongolia



Myanmar



Pakistan



Okinawa



New Zealand



Philippines



Saipan



Shanghai



Singapore



South China



Sri Lanka



Taipei



Thailand



Vietnam
(Hanoi)



Vietnam
(Ho Chi Minh City)