



The Trans-Pacific Partnership (“TPP”) Agreement

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Key Provisions, Requirements and Practices

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Agenda

- Impact of TPP
- Background
- Rules of Origin
- Industry Impact

The background consists of several overlapping, semi-transparent geometric shapes in various shades of blue (light, medium, and dark) and white. The shapes are primarily parallelograms and trapezoids, creating a dynamic, layered effect. The text 'TPP Background' is centered in the white space between these shapes.

TPP Background



WHERE

What countries does TPP affect?

- Australia
- Brunei
- Canada
- Chile
- **Japan**
- Malaysia
- Mexico
- New Zealand
- Peru
- Singapore
- United States
- **Vietnam**

WHAT

What does TPP do?

- The 30 chapters of the TPP cover a range of economic policy issues such as trade in goods (i.e. manufacturing, apparel), customs and trade facilitation, intellectual property, investment, environment, competition policy, etc.
- The intended goals of the trade partnership have been outlined to increase market access, decrease tariffs and barriers to trade, and promote competitiveness to ultimately create new opportunities and realize benefits.

HOW

How does TPP achieve its goals?

- Elimination of tariffs and commercially-meaningful market access for U.S. products exported to TPP countries
- Duties on goods will be eliminated according to a product- and country-specific schedule, indicated by “staging category”
- For many products, duties will be completely eliminated day of implementation
- Duty elimination for other product categories will take place incrementally, with timeframes for total duty elimination ranging from 3 to 30 years
- Also notable is that the TPP eliminates “ad valorem” fees with certain exceptions.

TPP Background: Steps to Implementation

President Obama notified Congress of his intent to sign the agreement on November 5th, 2015.

From that date, Congress has **at least 90 days** to review, but could take longer. Many speculate that a Congressional vote may not occur until **summer 2016** or perhaps after the **November 2016 elections**.

If Congress approves the bill, it must be signed by the President and his counter-parts in each TPP country.

Once the agreement is signed by all partners, the signatories are allotted time to draft and pass any domestic implementing language necessary.

The TPP will enter into force 60 days after either:

- a) All signatories have completed domestic implementation, or;
- b) Two (2) years have lapsed and at least 6 countries representing 85% of the 2013 GDP have completed domestic implementation.

**** Note:** The Final Provisions require that at least “6 countries” accounting for “at least 85%” of the combined TPP GDP in 2013 sign the agreement for it to take effect. In practical terms, this means that both Japan and the US must sign the TPP – if either country fails to do so, the agreement will lapse. ******



FREE TRADE AGREEMENT ASSISTANCE

WHEN

When does TPP go into effect?

- Using the Trade Promotion Authority (TPA), President Obama presented the full text of TPP to Congress, giving the legislature 90 days, from 11/5/2015, to review the agreement
- This vote is not expected until after the US elections in November 2016
- Once 6 countries with a combined G.D.P. (Gross Domestic Product) of 85% of the FTA area enact the agreement, it is considered to be ratified and in effect.

WHO

What functions and programs will be affected by the TPP?

- Chief Trade Officers, Trade Compliance, First Sale for Export, Free Trade Agreements
- Procurement, Sourcing, Trade Officers
- Finance
- Logistics
- Tax
- Information Technology (I.T.)
- Legal
- Sales

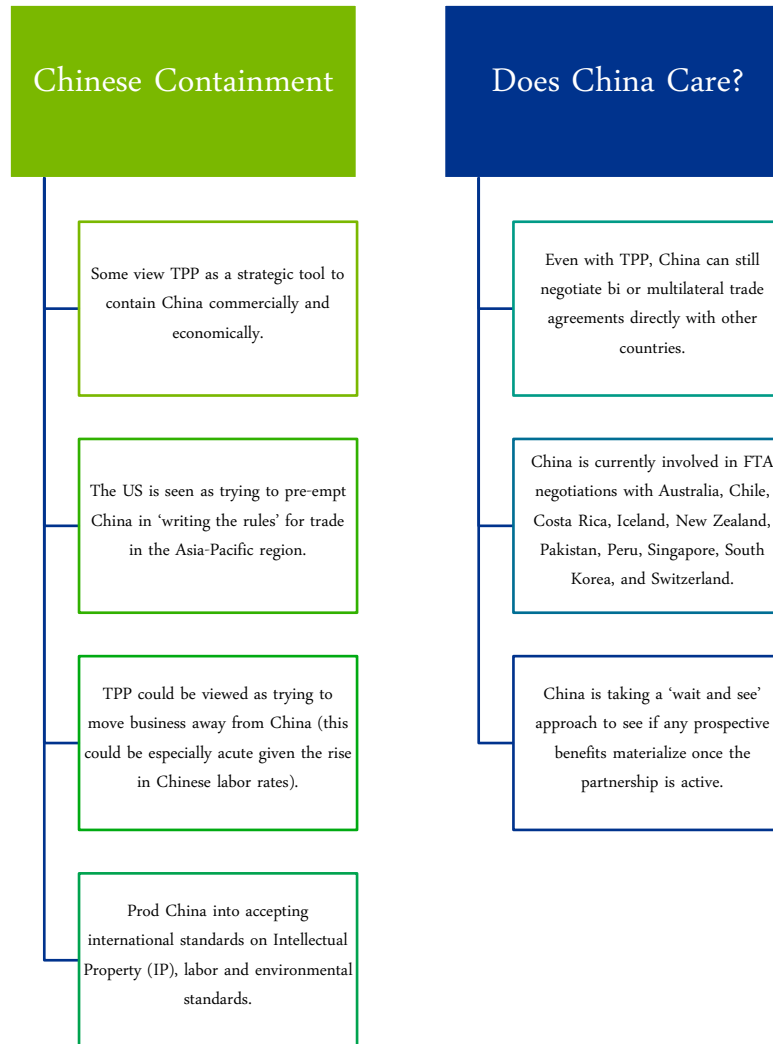
Trade professionals are **well positioned to become further empowered within their organization.**

The Agreement has been drafted to easily add additional member countries should they seek to join the partnership.

Countries Expressing Interest in Membership:

- Colombia
- Indonesia (declared intent to join)
- Philippines
- South Korea
- Taiwan
- Thailand

It has been reported that India has discussed joining TPP, but no formal position has yet materialized.



The screenshot shows a web browser window with the URL <https://ustr.gov/tpp/>. The browser tabs include "Attend: Update on VC Plan & ..." and "The Trans-Pacific Partnersh...". The website navigation bar contains the following links: "What is TPP?", "Explore the Issues", "Read the Deal", "Success Stories", "Get the Facts", "Share", and "Latest News".

The main content area is divided into three columns, each with a circular icon at the top:

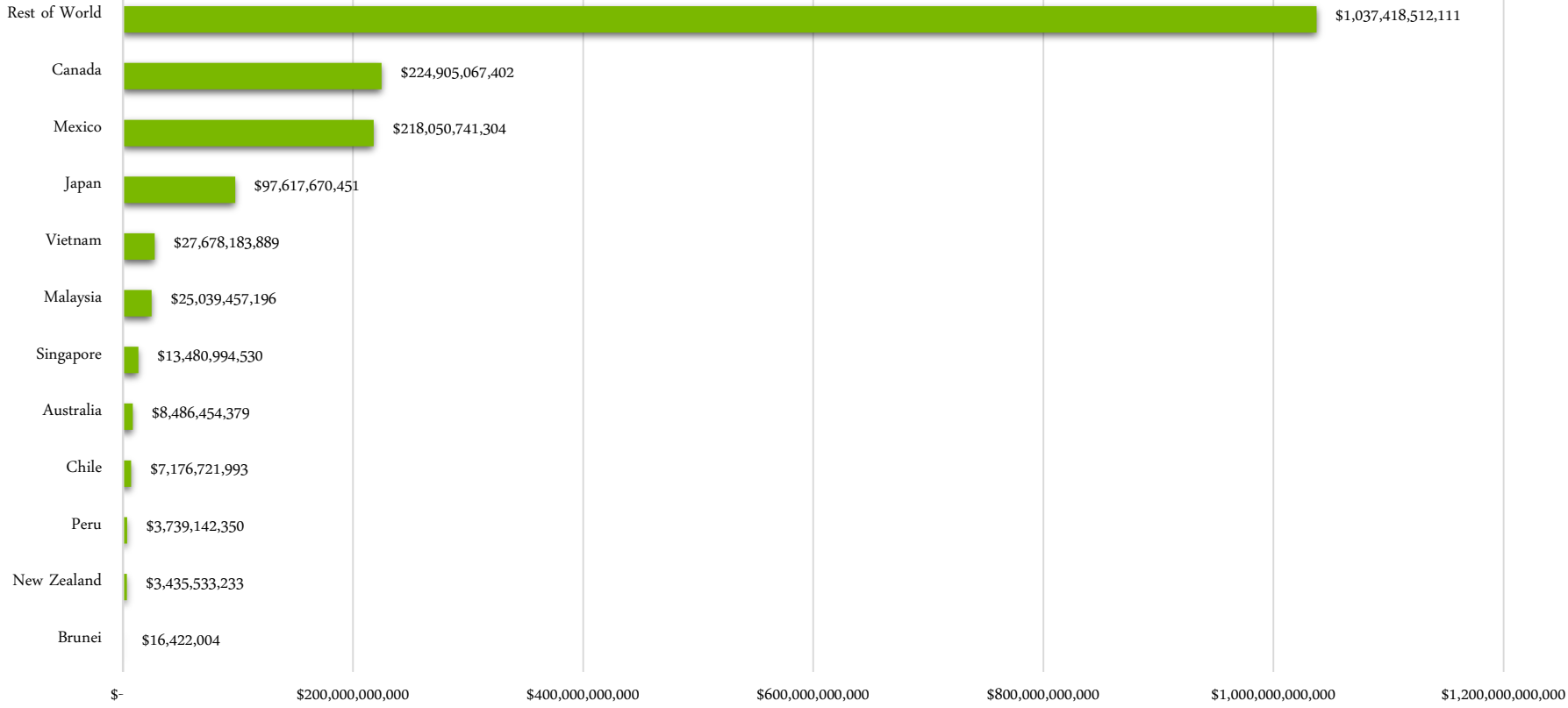
- Column 1: Leadership** (Icon: Flag)
 - TPP BOLSTERS U.S. Leadership**
 - TPP is a platform for engagement and growth in the Asia-Pacific Region. It solidifies relationships with our allies and firmly establishes the United States as a leader in the Pacific.
 - Key points (indicated by magnifying glass icons):
 - Upgrading the North American Free Trade Agreement (NAFTA)
 - Standing Up for Human Rights
 - Promoting Development
 - Strengthening Good Governance
 - Ensuring Fair Competition with State-owned Enterprises
 - Promoting Digital Trade
- Column 2: Jobs & Growth** (Icon: Person in uniform)
 - TPP SUPPORTS U.S. Jobs & Growth**
 - TPP levels the playing field for American workers & American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home.
 - Key points (indicated by magnifying glass icons):
 - Economic Benefits
 - Benefits for U.S. Small Businesses
 - Benefits for U.S. Manufacturing
 - Benefits for U.S. Agriculture
 - Promoting Innovation & Creativity
 - Promoting Trade in Services
 - Streamlining Customs & Cutting Red Tape
 - Getting the Best Deal for the U.S. Auto Industry
- Column 3: Values** (Icon: Leaf)
 - TPP PROMOTES U.S. Values**
 - TPP advances our values, helping to build a global trading system that will allow our workers to effectively compete in the modern economy.
 - Key points (indicated by magnifying glass icons):
 - Protecting Workers
 - Preserving the Environment
 - Ensuring Food Safety
 - Upgrading & Improving Investor-State Dispute Settlement
 - Promoting Transparency in Negotiations
 - Ensuring a Free & Open Internet

TPP Debate – Guess who said it!



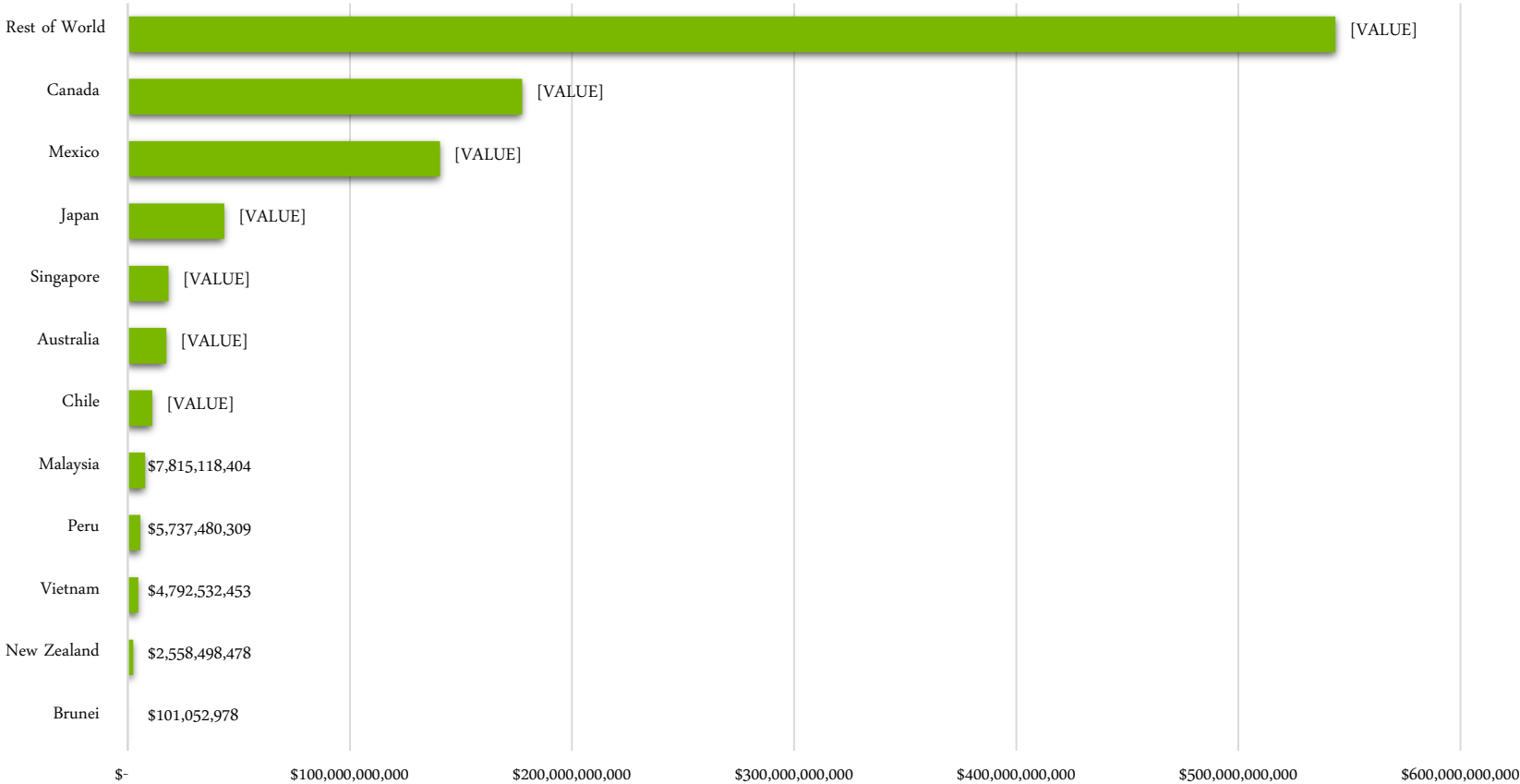
According to the USITC, the United States imported nearly 40% from other TPP party nations between January and September 2015.

Imports into the U.S. Q1-Q3 - TPP vs. Rest of World



According to the USITC, the United States exported nearly 45% from other TPP party nations between January and September 2015.

Exports from the U.S. Q1-Q3 - TPP vs. Rest of World



The background consists of several overlapping, semi-transparent geometric shapes in various shades of blue (light, medium, and dark) and white. The shapes are primarily parallelograms and trapezoids, creating a dynamic, layered effect. The text 'Rules of Origin' is centered within a white, trapezoidal area on the right side of the image.

Rules of Origin

The goods are wholly obtained or produced in one or more of the Parties (e.g., plants, animals, minerals, iron ore)



Produced entirely in the territory of one or more of the Parties, exclusively from originating materials,



Produced entirely in the territory of one or more of the Parties using non-originating materials provided the good satisfies all applicable requirements of Annex 3-D (Product-Specific Rules of Origin)

1) Tariff shift only

2) Regional value content (RVC) percentage

3) Both a tariff shift and RVC percentage

RVC methods:

- Focused Value Method
- Build-down Method
- Build-Up Method
- Net Cost Method (for vehicles only)

RVC Focused Value Method Example: Stove in 8516.60 -Qualifies for TPP

Material	HTS	Country	Cost	TPP	FVNM
Wire Harness	8544	China	\$20.00	N	\$0
Outer housing and support assembly	8537.10	China	\$30.00	N	\$30
Stove Top Part	8516	China	\$10.00	N	\$10
Display	8516	Mexico	\$10.00	Y	\$0
Producer Labor and Overhead	N/A	Mexico	\$30.00		\$0
Transaction Value adjusted to FOB Basis			\$100.00		\$0

8516.60	<p>A change to a good of subheading 8516.60 from any other heading, except from assemblies with outer housing or supports of subheading 8537.10; or</p> <p>No change in tariff classification required for a good of subheading 8516.60, provided there is a regional value content of not less than:</p> <ul style="list-style-type: none"> (a) 35 per cent under the build-up method; or (b) 45 per cent under the build-down method; or (c) 55 per cent under the focused value method taking into account only the non-originating materials of heading 85.16 and assemblies with outer housing and supports of subheading 8537.10.
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Producer

- Information the good originates

Exporter

- Information the good originates
OR
- Reasonable reliance on
Producer's information

Importer

- Information the good originates
OR
- Reasonable reliance on
Producer's information OR
- Reasonable reliance on
Exporter's information

The following parties may complete a certification of origin:

- Exporter
- Producer
- Importer

A TPP country may require an export certification if that country is exporting goods under TPP

- This certification must be completed by either a competent authority or an approved exporter

While there is no specific form required to claim preferential treatment under TPP, there are minimum data requirements which must be provided when requested.

TPP Certification of Origin

What is on Them?

The minimum data requirements for a TPP Certification of Origin:

<u>Certifier's</u> name, address, telephone number, and email address	<u>Description of good</u> at 6 digit HTS Classification
<u>Exporter's</u> name, address (place of export), telephone number, and email address if different from the certifier	<ul style="list-style-type: none">• If <u>single shipment</u>, invoice number• If <u>multiple shipments</u> of identical good, blanket period not to exceed 12 months
<u>Producer's</u> name, address (place of production), telephone number, and email address if different from the exporter or certifier.	<u>Origin Criterion</u> Most likely refers to (a),(b), and (c) in Article 3.2
<u>Importer's</u> name, address (must be a TPP country), telephone number, and email address.	<u>Certifier</u> Signature and Date with <u>prescribed statement</u>

Certification of Origin recordkeeping requirements:

- Importers must keep records necessary to demonstrate the good originates, including certification of origin, for no less than five years.
- Producers or Exporters must keep all records necessary to demonstrate that a good which they provided a certification of origin for, for no less than five years.
- All records must be maintained in a manner which allows for “prompt retrieval.”
 - May be in electronic, optical, magnetic or written form

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Industry Impact

With the TPP timing enactment unknown, the timing for preparation will depend on the complexity of the rules for each product category. The rules governing specific products may be complex and depend on specific HTS classifications. Some specific areas for consideration:

- Forecast accounting based on HTS classification and source
- Sourcing strategy and volume impact studies based on factory
- Analysis and modeling on the rules of origin
- Component composition and actual/ expected regional value content calculations and factory cost calculation reviews
- Product determinations and supporting documentation strategy
- Systems enhancements to support TPP
- Process enhancements for preparation of the TPP compliance activities under Importer Self-Assessment

Assessment

Phase 1 ---

Assess current landscape

- Forecast savings due to duty reduction
- Assess complexity of rules of origin
- Review impact on current trade and customs initiatives
- Assess sourcing strategy
- TPP IT and business readiness

Implement

Phase 2 ---

Implement new solutions

- Tariff engineering in order to reap most benefit
- Component composition of finished goods
- FTA engineering
- Use Regional Value Content rules for cost and sale benefits

Automate

Phase 3 ---

Automate to achieve and maximize future landscape

1. Companies with GTS

- Ensure systems compatibility in post-TPP setting

2. Companies with Cloud Solution (e.g. Integration Point)

- Ensure systems compatibility in post-TPP setting

3. Companies that do not have any GTM solution

- Build business case for a GTM solution
- Evaluate software packages/vendors

Monitor

Phase 4 ---

Monitor TPP program

■ Maintenance

- Monitor impact
- Industry and specific knowledge content
- Support services
- Reassess roadmap / design, re-design

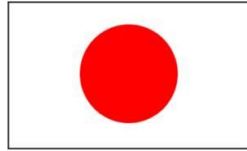
■ Automation

- Monitoring of current systems
- Plug-ins
- Systems support and help desk

Questions?



Australia



Japan



Peru



Brunei



Malaysia



Singapore



Canada



Mexico



Vietnam



Chile



New Zealand



U.S.

Thank you!