

**Trans-Pacific Partnership
Trade Ministers' Report to Leaders
September 9, 2012**

In the ten months since the nine TPP Leaders met in Honolulu, Hawaii and directed us to dedicate the resources necessary to conclude this landmark agreement as rapidly as possible, we have made encouraging headway toward completion of the agreement based on the broad outlines you approved last November. We have held four negotiating rounds since then and many plurilateral meetings of individual negotiating groups between formal negotiating sessions, as well as numerous bilateral meetings to find paths forward on specific issues. These meetings, extensive preparatory work intersessionally by each of our teams, and the active consultations with our stakeholders that we have conducted domestically to obtain input as we further developed our negotiating positions, have significantly narrowed the gaps between us in a wide range of areas, while continuing work on other issues where progress has been slower.

Your joint commitment to this milestone agreement served to focus our work and we have made significant progress on many of the 29 chapters under negotiation, including customs, cross-border services, government procurement, telecommunications, competition policy, small- and medium-sized enterprises, competitiveness and business facilitation, and cooperation and capacity building. The negotiating groups moved their work ahead substantially on other issues, including rules of origin, investment, financial services, and temporary entry. In addition, we continue to make progress in working through our differences on the other chapters. We are determined to build on the momentum we have achieved to close as many of these chapters as possible this year, recognizing that the agreement is a single undertaking and must result in a balanced package that all TPP countries can embrace.

We are pleased with our progress toward realizing each of the five defining features of this historic agreement, which we expect will set the standard for future trade agreements.

(1) Comprehensive Market Access

We have continued to work to construct a high-standard market access package that provides comprehensive duty-free access to each other's goods markets and simultaneously lifts restrictions on services, investment, and government procurement. The nine teams continued efforts to develop tariff packages that will open our industrial goods, agricultural, and textiles markets to one another. This work is progressing at varying paces for different countries. At the same time, we are developing packages that will provide access to each other's services, investment, and government procurement markets. On services and investment, we are negotiating access to each other's services and investment markets on a "negative list" basis, which assumes access unless countries take an exception. Although we have made sound progress since you met in December, this approach is new to some TPP countries, and we have additional work to do to achieve an ambitious outcome on services and investment consistent with our approach on goods. Some positive steps have been taken on government procurement, another issue that some TPP countries are including in a trade agreement for the first time. It is clear, however, that further work is needed across the market access negotiations to develop high-standard, balanced packages for each country, consistent with your clear vision guiding our

negotiations. We now are focused on developing creative solutions so areas of sensitivity will not compromise the ambition set for this agreement, recognizing that only by doing so will we achieve our key goals of maximizing trade and investment among us and supporting the creation and retention of jobs for our citizens.

(2) Regional Agreement

The nine TPP teams have had discussions on steps toward the construction of a single tariff schedule and have made considerable progress in the last ten months on agreeing on common rules of origin, which are among the most important features of this agreement to promote trade among our countries. We are working to develop simple and enforceable rules of origin that will encourage cumulation across the region, which promote production in TPP countries and make it much easier for our businesses, both large and small, to take advantage of the agreement. We also have made solid progress on other commitments throughout the agreement that will support the development of production and supply chains among TPP members, including on such issues as connectivity, services, customs cooperation, and standards. While our nine countries have different approaches to some of these issues, we are working closely and constructively to find compromises so that we can ensure this agreement will promote synergies between our economies and raise living standards for our people.

(3) Cross-Cutting Trade Issues

We are moving toward conclusion of each of the four dynamic cross-cutting issues we are including in the TPP, and our efforts have been greatly facilitated by the significant APEC work already done in these areas. In the past ten months, we have made promising movement forward toward agreement on the chapters that address: (1) regulatory and other non-tariffs barriers, including related to goods, industrial and agricultural standards that increasingly are the major barriers that companies face in gaining access to foreign markets, and we have significantly narrowed the gaps between us on new ways to improve regulatory practices, eliminate unnecessary barriers, reduce regional divergence in standards, promote transparency, and conduct our regulatory processes in a more trade-facilitative manner, as well as to cooperate on specific regulatory issues covering certain sectors of interest to the nine countries; (2) competitiveness and business facilitation, including focusing holistically on ensuring that we are developing the production and supply chains that will enhance our competitiveness and maintain jobs in our markets; (3) ways to expand the participation of small- and medium-sized enterprises in regional trade, including through enhancing their access to specific relevant and user-friendly information and resources about the TPP; and (4) capacity building and cooperation to help those TPP countries that need it to implement the high ambition of the agreement and thus fully realize its benefits, as well as additional commitments on development that would contribute to each of our economic development priorities, building on development work in other fora, input from stakeholders, and new proposals from TPP members.

(4) New Trade Issues

Since you last met in November, we have continued to consider carefully how best to address new issues that have emerged in global trade. We have spent considerable time discussing, for

example, developments in information technology, and commitments that can help harness the new digital economy to enhance our competitiveness, promote trade, and support our small- and medium-sized businesses link to the global economy. We also have been considering ways to advance our common interests in capturing the benefits of green growth and new technologies. In addition, we continue to weigh appropriate approaches to ensuring a transparent and pro-competitive business environment. These, and other issues under discussion, are new and complex issues, but we are pleased by the commitment of the nine countries to engage seriously and seek outcomes that will promote trade and investment in these areas, and benefit all of our businesses and peoples.

(5) Living Agreement

We are pleased by the interest of Mexico and Canada to join the TPP negotiations and warmly welcome their participation, which will add to the strength of our initiative and help us to advance our goal of enabling the TPP to serve as a possible platform for economic integration throughout the Asia Pacific. We continue to discuss with other countries their interest in potentially joining the negotiations in the future. At the same time, we have made significant progress in reaching agreement on establishing a structure, institutions, and processes that will make the TPP a living agreement, and allow it to evolve as appropriate in response to future developments in trade, technology or other emerging issues and challenges. We also are considering the most productive and efficient approach for future joint work in areas of common interest.

Next Steps

We recognize the priority that the Leaders of our nine countries accord to concluding this agreement. Having made significant progress across the agreement, we are now working to address the remaining issues, which include many complex, new, and sensitive areas on which careful consideration and thorough consultation is needed. We will continue to commit the resources necessary to do so, as you have directed us, and also to integrate Mexico and Canada into the negotiations efficiently so that we can bring this negotiation to a successful conclusion as soon as possible.