



1700 NORTH MOORE STREET
SUITE 2250
ARLINGTON, VA 22209
T (703) 841-2300 F (703) 841-1184
WWW.RILA.ORG

February 1, 2010

Ms. Carmen Suro-Bredie
Chair, Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street NW
Washington, D.C. 20508

Via Electronic Submission

RE: UNITED STATES-TRANS-PACIFIC PARTNERSHIP FREE TRADE AGREEMENT
DOCKET: USTR-2009-0041

Dear Ms. Suro-Bredie:

The Retail Industry Leaders Association (RILA) appreciates the opportunity to provide comments to the Trade Policy Staff Committee of the United States Trade Representative on the prospect of the United States' participation in the Trans-Pacific Partnership Trade Agreement (TPP). RILA strongly supports the negotiation of a comprehensive free trade agreement with the proposed participants (Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore and Vietnam) and believes membership in the TPP will enhance political and economic ties among partner nations and create the foundation for a broader economic alliance in Asia.

Background

The Retail Industry Leaders Association (RILA) is a trade association of the largest and most successful companies in the retail industry. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales. RILA members operate more than 100,000 stores, manufacturing facilities and distribution centers, have facilities in all 50 states, and provide millions of jobs domestically and worldwide. Our members pay billions of dollars in federal, state and local taxes and collect and remit billions more in sales taxes. Our members are also leading corporate citizens with some of the nation's most far-reaching community outreach and corporate social responsibility initiatives.

The retail sector, along with the suppliers and customers that it serves, is an essential part of the U.S. economy. Retailers meet the needs of U.S. consumers, and in doing so are essential drivers of the U.S. economy. We also serve the global market for consumer goods and bring U.S. products to the foreign markets where they operate. Retailers provide quality jobs at all employment levels with good benefits. The industry also creates opportunities for entry-level employment, part-time work, jobs for non-skilled workers, management training, as well as a variety of rewarding professional careers.

Benefits of the Trans-Pacific Partnership

Virtually all of RILA's members, both retailers and suppliers, rely on international trade to conduct their businesses. Our members depend on imports of both finished consumer products and production inputs for merchandise that will eventually be sold at retail stores. Many RILA members are also working to expand retail outlets and operations in countries that are open to U.S. investment and expand market access for American products.

RILA and its members are champions for trade expansion and recognize that building upon trade partnerships is essential to providing U.S. consumers with the quality and variety of products they expect at prices they can afford, and to creating opportunities for global retailers to offer goods and services to customers around the world. Global trade is a powerful force that can empower people to provide a better life for themselves and their families. Like other comprehensive FTAs, RILA believes that the TPP has the potential to create valuable new opportunities to expand economic activity while also ensuring that the benefits of trade are not undermined by a lack of respect for or enforcement of adequate workplace, environmental, investment, or intellectual property rights and obligations. Trade agreements not only benefit American consumers, workers, and businesses but also help to create jobs for workers in developing nations who are trying to lift themselves out of poverty.

U.S. Competitiveness at Stake

In today's highly competitive global marketplace, U.S. retailers, service suppliers, farmers and manufacturers are in direct competition with foreign competitors that offer similar products and services with all seeking to gain a competitive advantage. Negotiating and implementing a meaningful TPP, which would remove tariffs and non-tariff barriers and could save companies and consumers millions of dollars annually, is one way in which the U.S. Government can and should help U.S. businesses to better compete. Faced with two equally performing products

from a U.S. company and a foreign competitor, with one costing slightly more because of tariffs, a rational buyer would always select the cheaper good.

Other nations are acting aggressively to enact free trade agreements, thereby giving their industries an economic advantage over U.S. goods and services. While we applaud other nations for continuing to liberalize trade during this global recess, we recognize that it is crucial to our global competitiveness for the United States to likewise seek to enter new trade agreements like the TPP. Entering TPP negotiations would keep the United States actively engaged in the global trade community and ensure a place in what can potentially become a significant trade alliance. The TPP should be a comprehensive, high-standards agreement that can expand as other economies in the region seek to join in the future.

Content and Structure of the TPP

To ensure a TPP with the highest standards and most comprehensive benefits for the United States, RILA seeks for these elements in an agreement:

Across the Board Tariff Eliminations: The TPP should provide duty-free access for all products. This agreement should truly represent universal product coverage, with no specific products or sectors excluded from benefits.

Protect Against Non-Tariff Barriers: History has shown that when tariffs are reduced, non-tariff barriers (NTBs) often arise to prevent trade. Negotiators should include robust provisions to eliminate and prevent NTBs such as diverse standards and labeling requirements, and encourage transparency in government regulations.

Standardize Existing Agreements: The United States has existing bilateral FTA's with Australia, Singapore, Chile, and Peru, and these separate agreements contain varying standards and policies. Entering into a multilateral agreement with these nations provides a unique opportunity to unify and harmonize the agreements to create a single market with a common set of rules (as opposed to the hub and spoke model that currently exists). This approach will help to foster trade between and among all the TPP partners.

Liberalization of Services Trade, Including Goods Distribution - RILA believes that the negotiation of the TPP on services trade must prioritize market access improvements in distribution services (broadly defined as retailing and wholesaling as well as ancillary services such as express delivery, telecommunications and financial services). More specifically, RILA supports the elimination of local equity requirements that cap foreign

retail investment, the elimination of competitive needs or investment screening tests, the easing of restrictions on the repatriation of profits for this sector, liberalization of telecommunications and transportation sectors, and the removal of unwarranted restrictions on store size and operating hours.

Strong Intellectual Property Rights Protection: Because RILA's members are globally competitive, protection of retail brand names has become a growing concern. RILA seeks disciplines that would make it easier for retailers to protect their brand names in other countries. The TPP should include the highest standard for the protection of brands and trademarks.

Flexible Rules of Origin: As consumers demand better goods and services, retailers seek out the best quality products at prices that are affordable for consumers. The TPP rules of origin should be flexible to facilitate efficiencies in global sourcing. In particular, RILA supports broad cumulation for all products, particularly textiles and apparel, produced in TPP countries and other U.S. FTA and preference partners. The rules of origin should also be predictable, transparent, and easily administered. For example, for textiles and apparel, RILA supports the existing rule of origin in the P4 agreement, which is a 50% regional content rule. On the contrary, several RILA members believe the rule of origin for textiles and apparel in existing U.S. FTAs hinders efficiencies and generally does not incentivize sourcing in FTA partner countries. For footwear, RILA supports a substantial transformation or tariff shift rule of origin.

Strong Investor Protections: RILA believes that TPP negotiators should secure high-standard rules for investor protections for all sectors. Such protections should open foreign markets to U.S. investment, protect U.S. investors, and provide for neutral and effective international arbitration to resolve disputes between investors and a host country. In particular, the TPP investment chapter should ensure high-level protections related to national treatment, minimum standard of treatment, pre-establishment, expropriation, indirect expropriation, fair and equitable treatment, full protection and security, and the free transfer of capital. RILA also believes the investment chapter should be negotiated on a negative-list basis and should include full coverage for investment agreements.

Transparency in Regulatory Practices: Every effort should be made to increase transparency in government regulatory practices.

Inclusion of Vietnam: The United States already has FTAs with several of the TPP countries. An obvious exception is Vietnam, which presents a economic significant opportunity, both from a sourcing perspective and as a new market for retail outlets. Vietnam is already an important supplier of a variety of products, including apparel, furniture, and electronics. A TPP that includes Vietnam would provide a powerful incentive for that country to further open its market as well as to raise labor, intellectual property, and investment standards. Given the unique circumstances presented in Vietnam, it is important that the rules and commitments made for Vietnam are high-standard. These rules will also likely be a template for other developing countries in the region to consider joining the TPP in the future.

Expansion to Include New Partner Nations: The TPP should be crafted in a way to provide for other nations in the region to join the partnership in the future. As such, the TPP would serve as a vehicle for future U.S. engagement with important and emerging economies throughout Asia.

Horizontal Issues To Improve Efficiencies Throughout Supply Chains: The TPP has the potential to greatly improve supply chain efficiencies within the TPP region. To maximize the potential benefits, negotiators must first identify barriers to the production and movement of goods throughout supply chains. Some factors to consider:

- At the point of production, negotiators should identify and catalog the public and private standards that apply to the manufacture of goods in terms of supply chain security, safety and quality, and social conditions (labor and environment). Negotiations should then seek to develop a unified regulatory approach by TPP countries to harmonize these requirements.
- As goods are distributed or moved through the supply chain, negotiators should review distribution operations throughout the TPP countries to ensure that sufficient infrastructure and systems exist to allow the timely delivery of goods and services. Negotiators should also consider trade facilitation through customs modernization, simplified document requirements, and simple and predictable rules of origin.

Conclusion

RILA strongly supports U.S. entry into the TPP negotiations and looks forward to being an active participant in the process as the United States moves forward with negotiations on this

February 1, 2010
Ms. Carmen Suro-Bredie
Page 6

important initiative. If you should have any questions about these comments, please contact me at stephanie.lester@rila.org or by phone at (703) 600-2046.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie Lester". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephanie Lester
Vice President, International Trade