AmericanInternational AutomobileDealers®

POSITION PAPER

TRANS-PACIFIC PARTNERSHIP TRADE AGREEMENT

BACKGROUND

The Trans-Pacific Partnership (TPP) is currently under negotiation. Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. According to the IMF, the world economy will grow by $21.6 trillion over the next five years, and nearly half of that growth will be in Asia. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's share of the region's imports declined by about 43%, according to the think tank Third Way. Intra-Asian trade now accounts for half of the region's total international commerce — up from just a quarter in 1985. Free Trade agreements put in place a rules-based system for two way trade and can be used to address concerns countries have with existing trade relations. The countries currently negotiating to enter into the TPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States.

The Administration has outlined five key features of a potential deal – comprehensive market access; supply chain development; cross-industry issues; "new" trade problems; and living agreement. Finalizing such an agreement would allow for those countries included to operate under consistent regulations and avoid disruptions in the global auto industry. While concerns remain regarding the auto sector negotiations progress is still being made.

POSITION

AIADA and the nearly 500,000 employees of the nearly 10,000 international nameplate franchises with a total combined average payroll of $25 billion strongly support passage of the TPP. The truth is that free trade spurs global competition. That competition, combined with adaptable skills and hard work, is inextricably connected to the drive for continued innovation, productivity, and ultimately, more abundant and desirable choices for American consumers.

MORE ABOUT THE ISSUE

- A study by the Peterson Institute for International Economics estimates the TPP could boost U.S. exports by $124 billion by 2025, generating hundreds of thousands of American jobs.
- In 2012, trade with the TPP countries supported an estimated 14.9 million American jobs and 45 percent of U.S. goods exports went to those countries.
- AIADA and the Association of Global Automakers released a study in May of 2015 that found international automakers have invested more than $72 billion into 425 facilities and offices, with 33 manufacturing plants and 59 research and development centers located in the U.S. with more than $9.3 billion in direct U.S. payroll.
- According to a report released in January of 2105 by the Japan Automobile Manufacturers Association, Inc., a record high 71 percent of Japanese-brand vehicles in the U.S. are built in North America.
- In 1963, in response to European tariffs on U.S. exports of frozen chicken, U.S. trade officials began collecting a 25 percent tariff on imported trucks; many have named it the "chicken tax". While most retaliatory tariffs are eliminated when the trade dispute is resolved, the import truck tariff was written into law, and has remained on the books for five decades. This high tariff is out of sync with general U.S. trade policy. Today, the average U.S. import duty on imported manufactured goods is 3.3 percent. In other words, the tariff on imported trucks is nearly seven times higher than the average U.S. tariff on manufactured products. It is also ten times higher than 2.5 percent tariff on imported cars. The 50-year-old import truck tariff has long outlived its original purpose; the U.S. has negotiated the eventual elimination of the import truck tariff in every free trade agreement it has completed and it is time to do so with TPP.

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