America's International Trade Agenda: An Opportunity for Growth

Remarks by

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Thank you. It's a real treat to be back in Chicago and to have the honor of meeting with all of you. I'd like to thank the scheduling gods for selecting today's date – rather than, say, January 6, when I believe the mercury here topped out at minus 11 degrees!

While the weather may be cold, however, things are really heating up on the international trade front, so I don't think there could be a more opportune moment for me to be here with you.

The United States is pursuing a rejuvenated trade agenda, the most ambitious in many years. The business community has pushed hard for progress in a number of areas, and business engagement will be essential going forward. We need to get all our oars in the water to move ongoing trade talks toward a successful conclusion.

Today I will be talking about the recent, very welcome WTO agreement in Bali, the trade negotiations we are currently pursuing with our partners in Europe and the Pacific, and the critically important issue of Trade Promotion Authority, which is now the subject of formal debate on Capitol Hill. And I hope to give you a sense of what is driving this newfound energy on trade.

Most of all, I hope to leave you with a sense of urgency. Urgency to engage with our negotiators on the specifics of the various trade negotiations, since there are some very important issues at stake. But even more importantly, urgency to make your voice heard to members of Congress in support of Trade Promotion Authority, without which we cannot proceed meaningfully on any of this.

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Before I get started, let me tell you a little bit about my organization, the United States Council for International Business. USCIB is a private business association based in New York City. We represent some 300 major U.S. multinational companies and leading exporters, global law firms and industry associations. We promote open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation.

USCIB advocacy take places primarily in the multilateral arena. We interface with the UN, the OECD, the International Labor Organization and many other multilateral bodies in which we have some form of representation. We do this through a unique global network of the world's leading representative business bodies, including the International Chamber of Commerce.

USCIB also offers a range of business services for exporters and companies operating overseas. The best-known of these is the ATA Carnet, what we call a "Merchandise Passport," which enables you to take product samples and professional equipment temporarily, for up to one year, into any of about 80 countries around the world, without having to pay duties or taxes on entry. We work with a network of trusted service providers.

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On to the main topic: how U.S. leadership can drive expanded trade – and the jobs and economic growth it delivers – and where we go from here at a very important moment for U.S. trade policy.

After a bit of a lull during President Obama's first term, liberalization of international trade and investment has re-emerged at the top of the global economic agenda.

In the past year, we have seen:

- progress toward completion of the Trans-Pacific Partnership between the United States and 11 Asia-Pacific nations
- the launch of talks on a Transatlantic Trade and Investment Partnership between the United States and the European Union
- the conclusion of an important package of agreements among World Trade Organization members at their ministerial last month in Bali, Indonesia, including a historic agreement on trade facilitation
- and most importantly, the re-emergence of bipartisan support for renewing U.S. Trade Promotion Authority.

There are many reasons for this renaissance in trade policy. One is continued slow growth in the United States and many of our trading partners. Another is strong business advocacy, both in the U.S. and overseas, in support of opening up trade as a sort of "cost-free" stimulus.

Now, the importance and **benefits of trade** are well known and incontrovertible. For example:

- Ninety-six percent of the world's consumers live outside of the United States.
- Trade supports one in five American jobs.
- Since 2002, U.S. exports have grown more than twice as fast as GDP, and now account for 14 percent of GDP.
- Workers in U.S. companies that export goods earn on average 18 percent more than those in similar jobs in non-exporting companies.

You here in Illinois know also that:

- Your state trades more with the world than any other state except for Texas and California.
- International trade supports 12.6 million Illinois jobs, more than twice as many as 20 years ago.
- Imports ensure lower prices and increased choices for Illinois consumers, and make the goods produced and exported from the state more competitive.
- Foreign-owned companies maintain key investments in Illinois, and now employ nearly a quarter-million Illinoisans.

In short, international trade and investment are vital to your region and your state's success.

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There is another critical factor in the rejuvenation of trade policy. It is this: There is a new realization among policy makers – both in this country and overseas – that, in a world of increasingly sophisticated **global value chains**, both exports <u>and</u> imports are crucial to our success. What's more both inward <u>and</u> outbound investment provide a huge boost to a country's economy, and to its ability to create and sustain high-quality jobs.

Now more than ever, policy makers are beginning to understand that countries that <u>don't</u> act to remove barriers to imports (and, in some countries, exports), that don't welcome and support cross-border investment in all its forms, or that fail to streamline their regulatory and administrative procedures to make it easier for foreign companies to set up shop, are <u>shooting themselves in the foot</u>.

A recent OECD paper on global value chains gives us a lot to think about in this regard. For example, OECD research shows that the import share of U.S. export value has tripled in the last 30 years from 7 percent to 22 percent, while the global import content of exports is approaching a staggering 40 percent. It further reveals that, when services embedded in manufactured goods are counted in our trade data, the overall services component of U.S. trade rises from about 20 percent to 40 percent.

It is clear that the traditional "arm's length" model of trade is increasingly a thing of the past. As Pascal Lamy, the former director general of the WTO, has observed, when intermediate goods cross borders multiple times before becoming final products, protectionism "is even more stupid than we thought it was," because import barriers essentially become an ever-increasing tax on one's own exports.

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So what about the main trade agreements the U.S. is negotiating, or has recently concluded? What do they mean for us economically, and what we need to do in order to make them succeed?

First, **let's look at the WTO**. I called the trade facilitation agreement reached last month in Bali historic, and it is. It shows what is possible when negotiators begin to think in new ways, recognizing the new realities of a world of highly integrated global value chains.

Prior to the Bali ministerial, we in the trade community had been bemoaning the stalemate in the Doha Round for what seemed like forever. But as we entered 2013, WTO members focused their attentions on harvesting what they could from Doha. Key here was an agreement on trade facilitation, which was already a win-win for all.

And in Bali, lo and behold, negotiators came through! Despite many doubts and steep odds, WTO members finalized a trade facilitation agreement that should, if implemented, provide a big boost to trade, jobs and incomes worldwide.

This is a major victory not only for the WTO but for the international trade community. The Bali agreement is a binding promise for all WTO members to expedite movement, release and clearance of goods, and to cooperate on customs issues. This agreement will significantly decrease transaction costs for small and mid-sized companies. It will create a more transparent, harmonized and simplified way to trade across borders. It also simplifies access to customs documents, regulations and makes available other documents that will allow for further engagement on trade.

A study by the Peterson Institute for International Economics, estimates that the trade facilitation agreement could deliver global job gains of 21 million and increase world GDP by $960 billion annually. That's a tremendous boost for a global economy that is still largely stuck in the doldrums.

We worked closely with our counterparts in the International Chamber of Commerce network around the world to push for an agreement in Bali. It was in part because of this consistent – indeed persistent – pressure from the business community that negotiators were able to reach the finish line.

The Bali package was a truly global effort. U.S. leadership was critical in getting it done, and we will need to continue pushing toward implementation. We must carry this momentum forward in other areas as well. We need to keep our foot on the gas pedal.

One important change in the mindset among many WTO members in recent years is an increasing willingness to pursue "plurilateral" agreements among coalitions of the willing, as we did with the Information Technology Agreement that freed up trade in many information technologies in the 1990s.

Unfortunately, China's position has made it impossible to expand the ITA at this time, but that should remain a priority goal, given the sector's importance for growth and improved societal well-being.

Last year, several like-minded countries initiated a plurilateral negotiation on a Trade in Services Agreement, or TiSA. As I noted earlier, services are a fast-growing part of global value chains and an agreement to reduce barriers to trade in services would provide another boost to the global economy and U.S. companies who are leaders in providing services around the world. With services, addressing regulatory barriers between countries will be a critical aspect of the negotiations.

We will be working closely with our counterpart organizations overseas, including the International Chamber of Commerce, to maintain the pressure on WTO members to keep the ball moving forward on TiSA and in other areas, and to negotiate in good faith. I would encourage all of you to do likewise. The WTO is an important institution, and trade liberalization at the multilateral level, while often unheralded next to higher-profile FTAs and regional accords like TPP, can have a far greater impact simply because it is global.

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Next let me turn to the **Trans-Pacific Partnership**. This agreement would cover major markets in Asia which represent some of the fastest-growing markets for U.S. companies. The 11 other countries that are involved in the TPP negotiations have a combined population of 482 million people and account for 15 percent of global trade. Together they account for some 40 percent of U.S. goods exports, supporting nearly 15 million U.S. jobs. Interestingly, the TPP countries account for just 20 percent of our services exports, so there is clearly a big opportunity for growth there as well.

TPP seeks to not only eliminate tariffs but also address barriers that have emerged in recent years such as leveling the playing field for competing with state-owned enterprises, preventing restrictions on cross-border data flows, and preserving protection for investments. We also need to maintain and, where possible, improve upon the market access commitments obtained through our existing FTAs with five of the TPP countries.

It's important to view the TPP in its geopolitical context, as a key part of the U.S. "pivot" to Asia. Especially after President Obama had to cancel his attendance at the APEC summit last year, it is important to get this done as a sign of the U.S. commitment to the Asia-Pacific region.

The TPP is already attracting interest from other countries such as Korea and Taiwan, and could even include China at some point opening market access to throughout the region. This can also provide a broad base of countries in support of TPP provisions that might be taken to the WTO for a multilateral agreement.

The U.S. and its 11 other TPP partners made a big push to wrap up negotiations by the end of 2013, but there were still too many unresolved issues. The U.S. says it will continue to press to complete the deal early this year. But there are still tough issues to address – especially with Japan, which came into the negotiations late and has some sensitive areas it is seeking to protect, especially in agriculture.

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Then there's the **Transatlantic Trade and Investment Partnership**, or TTIP, our negotiations with the European Union.

The EU is already our biggest export market, and Transatlantic trade and investment forms the largest commercial relationship in the world. But there are plenty of opportunities for us to deepen and expand this crucial relationship through TTIP. For Europeans, the talks are a key barometer of their own economic prospects coming out of the Greek default crisis and a general economic malaise. And of course our own economic success depends in large measure on a healthy, growing Europe. So there is a lot to gain.

The U.S. and the EU have by far the largest economic relationship in the world. Together, we generate half the world's output. And our strong trade ties of some $1 trillion a year are buttressed by even deeper investments, which amount to over $3.6 trillion on each others' territories.

But while trade with the EU is already very open and substantial, an agreement to eliminate remaining tariffs on trade in goods and services would still be significant. In short, we can do even better.

Given the immense size of our ties, even small improvements would bring large gains to our economies. The Business Coalition for Transatlantic trade estimates that, with an ambitious trade and investment agreement, in five years U.S. and EU exports to each other would be over $150 billion higher, our economies some $250 billion bigger, and we would generate an additional 500,000 high-paying jobs.

But the real opportunity for TTIP is to find ways to reduce regulatory barriers to trade between the U.S. and EU. By eliminating duplicate testing requirements, establishing common definitions and criteria, mutually recognizing rules as possible, increasing transparency in regulatory processes and other steps, the TTIP could further open trade and have a major economic impact. Progress in this area would provide a foundation for addressing the same challenges in other bilateral, regional, and multilateral negotiations.

We are urging negotiators to aim high, to strive for agreement on high-standard provisions related to investment protection, state-owned enterprises, forced localization, cross-border data flows and other areas that can serve as a standard for the rest of the world.

We believe a successful TTIP would not just increase jobs and boost the global competitiveness of our firms, with their highly-integrated transatlantic operations. More broadly, it would signal ongoing momentum towards more open global market and could catalyze work in the WTO for more ambitious multilateral liberalization.

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So as I'm sure you would all agree, it is a truly amazing time to be working on international trade. But where do we go from here?

At the broadest level, our political leaders and trade negotiators must carry forward this newfound momentum from Bali and elsewhere. We need to conclude an ambitious and comprehensive TPP to open up new markets around the Pacific. We must move forward with the TTIP to cement and deepen the world's largest two-way commercial relationship.

Most importantly, and most urgently, the Congress needs to re-establish **Trade Promotion Authority**, without which we cannot negotiate in good faith or expect our trading partners to do the same. We need everyone's support and advocacy to make the case for TPA.

Bipartisan TPA legislation was introduced last week by Senators Max Baucus and Orrin Hatch, and by Representative Dave Camp in the House. It's important that we all are vocal and maintain pressure on our elected representatives to support TPA as it moves its way through Congress.

In this regard, let me give a huge shout-out to those here in Chicago and in Illinois who have so strongly championed trade and TPA. These include Representative Mike Quigley, who had a great interview with Crain's earlier this month. He recognizes that this is a global economy we live in, and that if we don't secure trade deals with Europe and the TPP countries, someone else will.

Hats off also to Representative Peter Roskam for voicing his strong support for TPA. So right here in Illinois, between the Democrat Quigley and the Republican Roskam, you are exemplifying the sort of bipartisan support for TPA that will be essential for passage.

Kudos also to the Chicago Tribune, whose editorial page put out a ringing endorsement of TPA last month. But as the Tribune pointed out, critics of trade are much louder than trade supporters at the moment, and unfortunately many of them do not feel constrained by the truth. We need to do everything we can to get the facts out there and to make the case for trade.

Along with our members and our counterpart business associations in Washington, we at USCIB are working hard, through a new coalition called Trade Benefits America, to do just that – to get the facts out about trade, and to counter some of the myths that protectionists are putting out about Trade Promotion Authority.

Trade critics like say that TPA is unconstitutional and amounts to Congress giving away its constitutional authority to the President. But the fact is that the Legislative and the Executive branches share authority over international trade, and TPA ensures Congressional oversight and input on trade negotiations.

The critics say TPA undermines U.S. sovereignty in areas like consumer protection, health and environmental laws, and financial standards. But the fact is, under every trade agreement we have ratified, Congress has ensured that the U.S. retains full authority over its domestic laws and regulations.

The critics say TPA undermines the transparency of trade negotiations. But the fact is exactly the opposite. Past TPA bills have typically included mandatory notice and consultation provisions requiring the Administration to seek Congressional input before, during, and at the conclusion of trade negotiations.

I urge everyone to get the facts about TPA at a website we've created with our industry partners. Go to www.tradebenefitsamerica.org.

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So in conclusion, let me just thank you for the opportunity to be with you here today, and to Richard Paullin and the others at the International Trade Association of Greater Chicago for providing such an important platform for discussion of trade and as a central meeting place for the champions of trade throughout the Chicago area.

Our plate is full, but the victory in Bali provides important forward momentum. It won't be easy, and it will require tremendous leadership on the part of the United States, both our government and the business community. But if we can get TPA passed, then all the pieces will be in place for us to capitalize on this new dawn for international trade, and to move ahead with a broad and ambitious agenda!

Thank you.