



August 2, 2021

The Honorable Katherine Tai
United States Trade Representative
Washington, DC 20508

Dear Ambassador Tai:

We, the undersigned business organizations, thank the United States for its recent decision to become a full participant in WTO negotiations on the Joint Statement Initiative (JSI) on Services Domestic Regulation (SDR). We laud this action as an important step in facilitating trade in the services sector which has been disproportionately encumbered by burdensome, unpredictable and opaque regulatory regimes. To make the negotiations even more beneficial to U.S. services exporters and workers, we urge the U.S. to work with like-minded countries to engage other JSI participants to apply the proposed disciplines to services sectors where no specific commitments have yet been made.

The current SDR negotiations seek to extend disciplines only to the services areas included under the WTO General Agreement on Trade in Services (GATS), which is decades old, limited in coverage, highly uneven in national commitments and no longer fit for all services. The WTO estimates that it costs double to trade in services compared to trade in goods; streamlining and updating regulatory regimes in the broadest array of services sectors will go far in correcting this inequity.

Services trade fuels the global economy, growing at double the rate of merchandise trade over the last decade, and comprising nearly half of global trade today in value-added terms. However, U.S. and global services trade was crippled as the COVID-19 pandemic closed borders, shattering the hospitality industry and throwing commercial, transport, and goods-related services into deep decline through the first quarter of 2021. With the continuing challenges brought on by the COVID-19 pandemic and variants of the virus still surging worldwide, the outlook for global recovery in the services sector remains uncertain.

Adoption of the JSI on SDR, if expanded to include services sectors beyond current GATS schedules, would significantly boost a services recovery. It is key to competitiveness and inclusivity, especially for emerging economies and for micro, small and medium sized enterprises (MSMEs) with limited capability and resources to navigate global markets. In addition, the digital economy continues to emerge as a central avenue of services trade, gaining in importance during the global pandemic, yet restrictions, both trade and investment, in this part of the economy are on the rise.

We cannot overstate the importance of the services industry to the U.S. economy. According to U.S. government statistics the services industry accounts for more than two-thirds of U.S. GDP and supports 80 percent of private-sector jobs. Foreign sales of U.S. services are estimated at \$2.5 trillion, including cross-border exports from the U.S. and services sales by foreign affiliates of U.S. companies. While the U.S. trade deficit grows year over year, U.S. trade in services has consistently run a surplus in recent years, totaling \$287 billion in 2019.

U.S. participation in the JSI on SDR is the right choice for a vibrant domestic economy and global recovery; extending the scope of regulatory disciplines to cover all sectors of the services economy will build back even better at home and abroad. It aligns with U.S. objectives for a resilient, inclusive and efficient rules-based trading system and is consistent with the objectives of the June 13, 2021, Carris Bay G7 Leaders' Communique.

The undersigned organizations represent leading U.S.-based global companies, those in the services industry and those reliant on services, who trade and operate in every region of the globe. Our goal is to facilitate exports and open markets so our companies and the millions of workers our members employ can compete more effectively, especially in a time of economic challenge. U.S. engagement in the JSI on SDR with the goal of achieving the broadest coverage of services possible will help the U.S. achieve its goal of building back better for all in 2022 and beyond.

Yours respectfully,

National Foreign Trade Council
U.S. Chamber of Commerce
U.S. Council for International Business