

U.S. Business Coalition for TPP
“Services Business Objectives for TPP”
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Why is a TPP Agreement on Services Important to America?

- More than 100 million Americans work in services businesses (83 percent of private sector employment in 2011).
- Top line numbers: over 70 percent of jobs in every state are services. At least 60 percent of jobs in every single congressional district are services. Check it out at the website: **servicescoalition.org/jobs**
- Trade in services generates quality, high-paying jobs. In the U.S. these jobs on average pay more than \$60,000. Many pay significantly more, particularly those in professional and management services, wholesale trade, transportation and warehousing, finance, insurance, and information services.
- Increasingly, U.S.-based service companies are serving international customers.
- The numbers are impressive, but the importance of services goes beyond the numbers of workers or share of GDP. **The most important thing to recognize is that all businesses—small and large—and all segments of the American economy, including agriculture, manufacturing, and energy depend on services to be successful.**
- Recently the WTO and OECD determined that Mark Twain was right: “There are lies, damn lies, and (trade) statistics’. By looking more closely at the value added in manufactured goods, they determined that the share of services in international trade really is 45 percent, rather than 23 percent, as previously reported. Greater than either manufacturing or farming.

- All economies and businesses need efficient services to be competitive in the global economy of today, and especially if they are to plug into the supply chains that are the predominant phenomenon in international trade.
 - Manufacturing jobs depend on services. A recent study in Sweden found that a major tool company requires more than 40 different services to operate its business. This is typical of all manufacturing.
 - For example, GE, General Motors, and Boeing depend on services workers in their own companies or from outside service suppliers---in accounting, finance, product design, distribution and logistics, advertising, computer-related services, telecommunications, express delivery, just to name a few.
 - Likewise, ask any farmer about the reliance on services: crop insurance, extension services, financing, storage services, distribution and marketing, equipment maintenance, etc.
 - Small businesses are in particular need of access to efficient, economical services in order to compete in international markets and to maximize efficiency and competitiveness at home.
- Simply put, a revival of manufacturing and prosperity on farms and ranches can only occur with the success of services
- **Second thing to recognize is that the global competitiveness of American services is unequalled.** The U.S. is the largest provider of international services in the world, providing \$632 billion to overseas consumers in 2012.
- But we are not even close to realizing the full potential from services in energizing our economy because of the barriers and discrimination that our services providers face overseas

The TPP Must Deal with the Digital Revolution

- In the last twenty years technological advancement and the wide use of the Internet by businesses and consumers have changed dramatically the way in which businesses, especially services, serve customers and clients around the world. Increasingly trade is conducted in digital form. Today businesses rely on the Internet to manage, operate, and provide products and services to a global market, which includes 2.9 billion Internet users.
- The Internet is the Great Silk Road of the 21st century. Just as the Great Silk Road provided the transmission route for trade among Asia, Europe and North Africa during the 6th thru 14th centuries, the Internet today plays that role for the entire globe.
- It is absolutely essential, therefore, that the international trading rules ensure the free flow of data across borders. However, current international trade rules do not adequately reflect the realities of international trade in the digital era.
- Small and medium sized business owners in the United States routinely use the Internet and other digital tools to connect to vendors and consumers domestically and internationally. In 2011, small and medium sized enterprises (SMEs) exported \$247 billion to the Asia Pacific region. Without the digital infrastructure to support exports, including digital cloud storage, SMEs would be unable to provide their services to this lucrative market. Access to cloud computing services, where data is often transferred across borders, provides small and medium sized enterprises the ability to cost effectively procure computing power that previously had been unaffordable.
- To be a truly 21st Century trade agreement, the TPP must open borders to digital trade in the same manner it aims to open borders to trade in goods and services.

TPP Should Set the Standard for Digital Trade: TPP can set a global precedent for opening borders to trade in digital products and services through the following:

- Ensure parties can transfer, access, process or store data across borders.
- Prohibit parties from requiring the establishment or use of local servers or other infrastructure in order to provide digital products and services in a country.
- Ensure non-discriminatory treatment of digital products and services from other parties.
- Allow parties to regulate cross-border data flows for legitimate policy reasons only within the well accepted standards under Article XIV of the General Agreement on Trade in Services (GATS). Allowing a lower bar for exceptions will remove business certainty and eliminate accountability of governments to ensure any restrictions they impose on data flows are justified and not unwarranted trade barriers.

Requiring Data to Reside Within a Country's Borders Undermines Security: Businesses often backup data outside the country where it is collected to ensure it remains safe and secure in the event of natural disasters, power outages or other developments that bring a data center offline. Preventing data from crossing borders will eliminate the ability to mitigate these risks. Not to mention that it is totally uneconomic to maintain the data in each country of collection.

What are the other major services issues to be addressed by TPP?

To fully realize the potential of the services economy, it is essential to eliminate the many barriers and forms of discrimination to service trade. This includes barriers to market entry, discrimination in foreign markets, lack of regulatory coherence among countries, and a general failure to keep international trade rules aligned with new developments and realities of modern business practices.

Of particular importance are: leveling the playing fields for services vis-à-vis state owned and sponsored enterprises that provide commercial services;

and much more transparency and due process in foreign governments' regulatory processes.

Unfair Competition from State-Owned Enterprises

Unfair competition from government subsidized, supported, or owned/controlled enterprises is a rapidly increasing barrier to the provision of services by U.S. firms in many markets.

The preferential treatment to these state-owned enterprises (SOEs) takes many forms.

- Exemptions, in whole or in part, from laws and regulations applicable to privately-owned enterprises.
- Subsidies granted to the SOE competing against the unsubsidized firms, or the SOE may be granted a monopoly on providing a given service.
- Foreign-owned firms may also face harsher financial and regulatory requirements and stricter supervisory enforcement than the SOEs with whom they compete.

Discrimination and Lack of Transparency and Due Process

Discrimination in obtaining licenses and business permits often prevents firms from establishing operations or outlets in foreign markets. Lack of transparency and due process in regulatory matters (e.g., right to appeal decisions) for obtaining the necessary legal authorizations is commonplace.

Conclusion

- The U.S. economy is in the midst of a revolution---the services revolution

- Having as dramatic an impact on our work life and our daily life as industrial revolution 100-150 years ago when Edison invented incandescent light bulb, and Bell invented the telephone.
- Add to that the phenomenon of globalization.
- To excel in this new world, the U.S. must promote a set of trading rules and market access opportunities that allows our services industries to achieve their full international potential.
- Strong, modern provisions on services, especially cross border data flows, are essential for our future prosperity and job growth.