



UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

**U.S. House of Representatives
Ways and Means Committee
Hearing on President Obama's Trade Agenda
February 9, 2011
Written Testimony of
United States Council for International Business**

The United States Council for International Business (USCIB) appreciates the opportunity to provide written testimony to the House Ways and Means Committee for its hearing on the status of the President's trade agenda.

USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation. Its members include top U.S.-based global companies and professional services firms from every sector of our economy, with operations in every region of the world. With a unique global network encompassing the International Chamber of Commerce, the International Organization of Employers and the Business and Industry Advisory Committee to the OECD, USCIB provides business views to policy makers and regulatory authorities worldwide, and works to facilitate international trade and investment.

USCIB has consistently urged the Administration to pursue an active trade and investment agenda designed to open global markets. We commend the Administration for finalizing the U.S.-Korea FTA negotiations, establishing the National Export Initiative to double exports over five years, and moving forward with the Trans-Pacific Partnership (TPP) negotiations. Efforts to improve enforcement of existing trade agreements, especially through the WTO dispute procedure have been helpful. However, much more could be done to open global markets for U.S. business.

During the recent economic downturn, we strongly believed that an improved global environment for trade and investment would stimulate growth and jobs in the United States. A study* supported jointly by the United States Council Foundation and the Business Roundtable and written by Matthew J. Slaughter, Associate Dean, Tuck School of Business, illustrated how U.S. multinational companies strengthen the U.S. economy through their global operations. A

*"How U.S. Multinational Companies Strengthen the U.S. Economy", Matthew J. Slaughter, Spring 2009. Published by Business Roundtable and the United States Council Foundation

proactive U.S. strategy for opening markets is critical to continued growth of these companies. It is also needed to ensure U.S. businesses can continue to compete with companies from other countries that have completed trade agreements.

The key elements of a trade and investment agenda should include: completing the Free Trade agreements with Korea, Colombia and Panama; concluding an ambitious Doha Agreement in the World Trade Organization; moving forward with the Trans-Pacific Partnership negotiations to reach a high-standard trade framework; identifying new bilateral and multilateral trade initiatives with significant economic partners; addressing ongoing U.S. – Chinese trade and investment issues; accelerating work on investment treaties that will ensure protection of U.S. business investments in other countries; and aggressively promoting U.S. exports of clean technologies and environmentally-friendly goods and services.

USCIB applauds the Obama Administration for finalizing the U.S. – Korea FTA negotiations last December and urges the President to bring the agreement to Congress as soon as possible for final approval. Our organization represents global companies across the full range of industry sectors that will benefit from implementation of the Korea FTA. It will eliminate tariffs on almost all goods, open up many opportunities for service providers, increase regulatory transparency, establish high standards for intellectual property protection, and enhance investment protections. With the agreement between Europe and Korea taking effect soon, it is critical that the U.S. move quickly to approve and implement the FTA as soon as possible to protect U.S. business activities in Korea that will support job creation back home and prevent the loss of trading opportunities to other countries.

Similarly, USCIB supports finalizing the Colombia and Panama FTAs and urges the Administration to lay out a timeline for action on these agreements in the coming months. Panama has addressed the major concerns that had been delaying action by signing a Tax Information Exchange Agreement and increasing transparency of its financial sector. Colombia has demonstrated its willingness to work with the U.S. to resolve remaining concerns if the Administration will provide a clear path towards completing the agreement. From the business perspective, these FTAs would level the playing field as many of the Panama and Colombia products already enter the U.S. duty-free. Again, our companies are losing market share in these countries as competitors from Canada and Europe take advantage of reduced tariffs resulting from already completed trade agreements. We also believe that the U.S. has a compelling foreign policy interest in supporting a democratic ally such as Colombia through enhanced economic ties.

The Doha negotiations in the World Trade Organization offer the greatest potential for opening markets globally and expanding business opportunities for U.S. companies. USCIB strongly supports efforts by the Administration to reach an ambitious, balanced, and comprehensive agreement that will provide meaningful commercial benefits for U.S. business. We agree with the view that

2011 provides a particularly opportune window for all countries to move forward on completing the round. USCIB believes a successful Doha Agreement would insure against the growth of protectionist policies, stimulate the global economy, and create employment opportunities.

USCIB has actively engaged with the Administration as it advances the Trans-Pacific Partnership (TPP) negotiations. The Asia-Pacific region includes many of the fastest growing markets for U.S. businesses but also one that presents many market access and intellectual property protection challenges. The TPP could provide significant trade and investment benefits if it lives up to the promise of being a high-standard agreement. It also has the potential to serve as a platform for adding more countries in the region leading to a wide-reaching free trade area. While we support the goal of completing these negotiations by November 2011, we urge the Administration to focus on achieving the level of commitments needed to make the TPP a high-standard, commercially meaningful agreement.

In addition to completing the trade negotiations already in progress, USCIB urges the Administration to present a vision for future trade and investment initiatives that confirms its commitment to opening global markets. As technology changes, business models evolve, and new challenges emerge to global trade, the Administration needs to be pushing forward with new and innovative trade negotiations. We need to find ways to engage our largest commercial partners – Europe, China, India and others – in trade arrangements that eliminate tariff and nontariff barriers still confronting U.S. companies seeking to do business in those markets.

China presents a particularly significant challenge that must be part of the trade agenda. USCIB supports the Strategic and Economic Dialogue with China as well as the work of the JCCT, but urges the Administration to develop a clearer strategy for engagement with China on trade and investment issues. While U.S. trade with China has grown significantly over the last 10 years, U.S. businesses still confront a wide range of barriers to doing business in and with China. The pirating and counterfeiting of all kinds of intellectual property continues to be rampant throughout China. Recent export taxes and quotas on raw materials and rare earth metals give domestic companies an unfair competitive advantage. Indigenous innovation policies hinder U.S. companies trying to sell to Chinese government entities. Clean energy subsidies to state-owned enterprises discriminate against foreign producers. To tackle these and many other non-tariff barriers to trade, the U.S. will need a coherent and comprehensive approach to opening markets in China.

It is essential from our perspective that work on protecting U.S. business investments in foreign markets is an integral part of the trade agenda. For many of our companies, investment in markets outside the U.S. is a necessary part of their ability to compete with foreign companies. Local rules, regulations, and practices can discriminate against U.S. investors or threaten their property unless we have agreements that provide adequate protection and recourse.

Negotiations with China and India on high-standards bilateral investment treaties should be accelerated and additional negotiations undertaken with remaining key countries. High-standard protections must be part of the TPP and any new agreements the U.S. undertakes.

Finally, the Administration should aggressively promote U.S. exports of clean technologies and environmentally-friendly goods and services. USCIB has joined with several other associations in proposing principles to guide U.S. government efforts that include: ensuring clean technology neutrality; activating U.S. commercial diplomacy; evaluating the effectiveness of clean technology promotion programs; developing additional sources of funding in support of clean technology exports; strengthening intellectual property protection for clean technologies; and reducing barriers to green trade. We believe that government efforts consistent with these principles would significantly enhance U.S. exports in the fast growing areas of clean technology and services.

In summary, USCIB believes that the Administration has a great opportunity to implement a trade and investment agenda over the next two years that could significantly open global markets for U.S. businesses, realize the goal of doubling exports, stimulate the economy, and create new jobs throughout the country. But it must act quickly and decisively. The Korea FTA needs to be brought to Congress in the next few weeks and approved by Congress by July 1. A clear framework needs to be presented in the next few weeks for completing the Panama and Colombia FTAs this year. The Administration must be prepared to move quickly on the Doha negotiations if other key countries demonstrate the will to make meaningful market access commitments. TPP negotiations need to stay on track for reaching a high-standard, commercially meaningful agreement by November of this year. New trade initiatives with our largest trading partners need to begin in the near term. A comprehensive strategy for engaging China on continuing barriers to trade and investment must be crafted and actively pursued. The U.S. needs to complete high-standard bilateral investment treaties with China and India. And the government should implement a program for promoting clean technologies and environmental services. USCIB stands ready to work with the Administration and Congress on all of these elements of the trade agenda to open markets and create opportunities for U.S. businesses to compete on a level global playing field.

Supplemental Sheet

Testimony Submitted on Behalf of USCIB

Robert J. Mulligan
Senior Vice President, Washington
United States Council for International Business
1400 K Street, NW, Suite 905
Washington, D.C. 20005
Tel: 202-682-7375
Fax: 202-371-8249
rmulligan@uscib.org