Statement of the U.S. Chamber of Commerce

ON: "The Administration's Reviews and Report to the President on Trade Agreement Violations and Abuses," docket number DOC 2017-0010

TO: The Office of the U.S. Trade Representative and the U.S. Department of Commerce

BY: U.S. Chamber of Commerce

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The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. In addition to 117 American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

The U.S. Chamber of Commerce appreciates the opportunity to present the following comments to the Office of the U.S. Trade Representative and the Department of Commerce as they prepare the "Administration's Reviews and Report to the President on Trade Agreement Violations and Abuses" pursuant to Executive Order 13796 of April 29, 2017 (82 FR 20819). The Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and it is dedicated to promoting, protecting, and defending America's free enterprise system.

According to the related Federal Register notice, the administration will use these comments to prepare "comprehensive performance reviews of all bilateral, plurilateral, and multilateral trade agreements and investment agreements to which the United States is a party and all trade relations with countries governed by the rules of the World Trade Organization (WTO) with which the United States does not have free trade agreements but with which the United States runs significant trade deficits in goods."

A host of studies—including several from the U.S. government—has addressed different aspects of this topic. Just a year ago, the U.S. International Trade Commission (USITC) issued a report entitled *Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures* (June 2016) after an extensive investigation. The Congressional Budget Office published *How Preferential Trade Agreements Affect the U.S. Economy* in November 2016. Much of the recent study by the Peterson Institute for International Economics entitled *The Payoff to America from Globalization* (May 2017) is highly relevant. The Chamber has published studies such as *The Open Door of Trade: The Impressive Benefits of America's Free Trade Agreements* (March 2015) and *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners* (March 2010) on the topic as well. The administration's review will benefit from examining these detailed reports.

As an overarching observation, these comments are also relevant to today's discussion of enforcement of U.S. trade agreements. Republicans and Democrats agree with the U.S. business and agriculture communities on the need for more vigorous enforcement of U.S. trade agreements, a goal that sometimes receives only lackluster support in practice. However, to make a basic point, there can be no enforcement without an agreement to enforce.

Further, it is the agreements themselves that provide these essential enforcement mechanisms (state-to-state and investor-to-state dispute settlement in bilateral and plurilateral trade agreements and the dispute settlement system of the WTO for multilateral agreements). Entering into additional, strong, enforceable trade agreements is obviously essential to efforts to ensure the rule of law across the global rules-based trading system.

U.S. Bilateral and Plurilateral Free-Trade Agreements

The United States has bilateral free-trade agreements (FTAs) with 12 countries: Australia, Bahrain, Chile, Colombia, Israel, Jordan, Morocco, Oman, Panama, Peru, Singapore, and South Korea. It has two plurilateral FTAs: the North American Free Trade Agreement (NAFTA) with Canada and Mexico and the U.S.-Central America-Dominican Republic Free

Trade Agreement (CAFTA-DR) with Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

The rationale for these agreements is simple. While the United States receives substantial benefits from trade, the international playing field is sometimes tilted unfairly against American companies and the workers they employ. The U.S. market is largely open to imports from around the world, but many other countries continue to raise steep tariffs and other barriers against U.S. exports.

U.S. goods arriving in foreign markets face an average tariff of 5.9%, according to a report from the World Economic Forum (WEF). This figure is more than four times the U.S. level, but tariffs slapped on key U.S. manufactured and agricultural exports often average in the double digits in key emerging markets.

One of the WEF's rankings gauges the level of tariffs that a country's exporters face. Leading the pack as the country whose exporters face the lowest tariffs globally is Chile, with its extensive global network of FTAs. By contrast, while the United States scored well in a number of areas, it ranked a disastrous 130th out of 138 economies in terms of the "tariffs faced" by our exports overseas. In other words, American exporters face higher tariffs abroad than nearly all our trade competitors. Nontariff barriers add substantially to these challenges.

Compounding the problem is the reality that so many other countries have negotiated FTAs with one another. According to the WTO, nearly 300 bilateral or plurilateral FTAs are in force around the globe today, and another 100 are in the works. This means U.S. exporters are often among a minority paying tariffs to sell their wares in key markets. No one wants to go into a basketball game down by a dozen points from the tip-off, but this is precisely what American exporters do every day.

None of this diminishes the benefits of imports. Access to imports boosts the purchasing power of the average American household dramatically and enhances competition in the marketplace to the great benefit of U.S. consumers. The Peterson Institute for International Economics recently estimated "the payoff to the United States from trade expansion from 1950 to 2016" at more than $18,000 in GDP per household. Companies' imports of intermediate goods, raw materials, and capital goods account for more than 60% of all U.S. goods imports—lowering costs for businesses and helping them hone their competitive edge.

The U.S. Chamber believes that trade policy must take into account the needs of Americans as both consumers and producers. Fairness should be our watchword: American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. This is the principal rationale for FTAs—to generate economic growth, new exports, and good jobs through the mutual elimination of trade barriers, and do so in a way that is fundamentally fair.

As the following sections show, U.S. FTAs are in general highly successful in achieving these objectives. Over time, these agreements have grown more sophisticated and are increasingly successful in addressing "behind the border" barriers that deny U.S. exporters real

market access and undermine competitive markets. To offer some examples, recent U.S. FTAs have included disciplines in the following areas that have directly benefitted U.S. workers, farmers, ranchers, and companies:

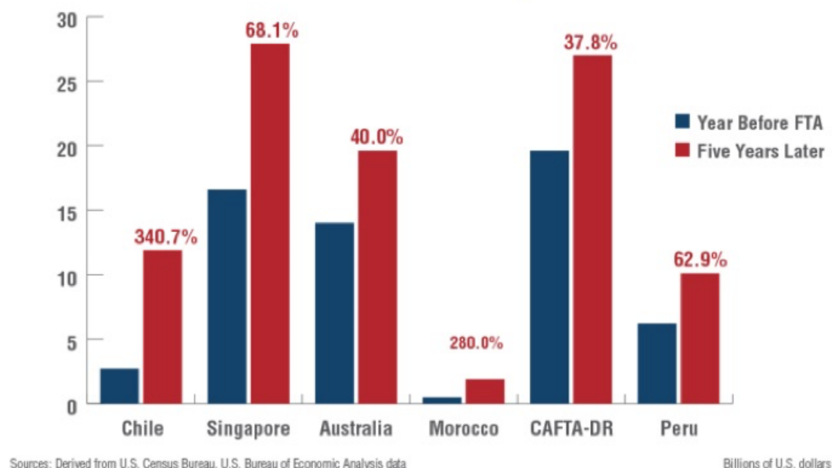
- Elimination of tariffs on more than 99% of U.S. industrial and consumer goods as well as the vast majority of agricultural products;
- Transparent, non-discriminatory rules to ensure that regulations and standards do not create unnecessary or unscientific barriers to trade through chapters focusing on technical barriers to trade (TBT) and sanitary and phytosanitary standards (SPS);
- Measures to open markets to cross-border trade in services and investments in service sectors, upholding national and most-favored nation treatment and eliminating requirements—to give one example—that suppliers from one party establish an office or affiliate with a specific legal character in another party's territory in order to supply a service;
- Investment protections such: rules guaranteeing national treatment, most-favored-nation treatment, and minimum standard of treatment for investments; prohibition of expropriation that is not for public purpose, without due process, or without compensation; prohibition of performance requirements such as local content or technology localization requirements; and access to Investor-State Dispute Settlement;
- Protection of intellectual property, addressing patents, trademarks, copyrights, industrial designs, geographical indications, trade secrets, and enforcement of intellectual property rights;
- Measures to promote e-commerce, safeguard cross-border data transfers, and proscribe the "forced localization" of data in local computing facilities;
- Obligations to implement modern risk management practices, automation of customs processes and trade facilitation, publication of related regulations and laws, data standardization, and a single entry point for import and export procedures; and
- New disciplines to ensure governments and their state-owned enterprises do not distort competition or circumvent trade agreement obligations, ensure due process and procedural fairness in antitrust proceedings, bar discrimination against "remanufactured" goods, and promote widely-accepted good regulatory practices.

Trade Growth and Global Value Chains

In reviewing the record of America's bilateral and plurilateral FTAs, it quickly becomes apparent that these 20 countries in recent years have purchased nearly half of all U.S. exports even though they represent just 10% of the world's economy outside the United States, according to data from the U.S. Department of Commerce. It should come as no surprise that eliminating tariffs and other trade barriers enables U.S. exports to expand—often turning small economies into major export markets. U.S. trade agreements have eliminated foreign duties on made-in-America products for more than 99% of all tariff lines (or even 100% in some cases, as with Mexico) as well as a host of non-tariff barriers.

U.S. exports to new trade agreement partner countries have grown roughly three times as rapidly on average in the five-year period following the agreement's entry-into-force as the global rate of growth for U.S. exports. In some instances, the results are truly remarkable: U.S.

exports to Chile and Morocco quadrupled in the five years after U.S. trade agreements with those countries entered into force. Additional factors certainly come into play: For example, an increase in the price of copper, Chile's top export commodity, boosted purchasing power in that country and led to an import boom.



However, seven decades of trade liberalization has made it less and less relevant to look at international commerce through a mercantilist lens focused solely on exports. North America offers a useful case study. After more than two decades of free trade, business leaders across the continent point out with growing frequency that workers and firms across North America increasingly "make things together," employing "global value chains" that cross national borders.

This approach leads to efficiencies that have proven vital to the global competitiveness of North American industry. In the highly integrated auto sector, for example, it is common for cars to cross the U.S.-Canada or U.S.-Mexico borders half a dozen times as they are assembled. One study found that "one-quarter of U.S. imports from Canada consist of value added from the United States itself, and a huge 40% of U.S. final good imports from Mexico consist of its own [U.S.] value added."

In turn, American exports of motor vehicles nearly doubled over the past five years, topping 2 million cars and trucks for the first time in 2014. This increasingly competitive North American industry is sending a growing share of its production to Asia, the Middle East, and elsewhere: U.S.-made cars shipped to China have risen sevenfold since 2009.

Today, the U.S. auto sector supports more than 7 million American jobs, and its recent growth owes much to its growing global competitiveness—which depends to a strong degree on NAFTA. As Eduardo Porter of *The New York Times* recently wrote ("Nafta May Have Saved Many Autoworkers' Jobs"), "there is a good case to be made that without Nafta, there might not be much left of Detroit at all."

Trade and Jobs

With regard to job creation, economists generally agree that trade's principal effect on jobs—particularly in a period of low unemployment—is to alter gradually the mix of jobs available by creating more high-skill, high-wage jobs and fewer low-skill, low-wage jobs. The reason for this is intuitive: The United States has a strong comparative advantage in activities involving high-skilled workers, which is clearly a positive for U.S. economic prospects.

Indeed, there is abundant evidence that jobs tied to trade tend to pay better than those that are not. According to Commerce Department research, manufacturing jobs tied to exports pay wages that average 18% higher than those that are not. The same is true for business services (i.e., architecture, engineering, project management, software, and insurance), a sector that employs more than 20 million Americans and offers wages averaging 18% higher than those in manufacturing.

With regard to trade with U.S. trade agreement partners and American jobs, the Chamber commissioned a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*. The study examined U.S. trade agreements implemented with a total of 14 countries (the other 6 having been in force for a relatively limited period of time). It found the increased trade brought about by these trade agreements boosted U.S. output on net by more than $300 billion and in turn supported 5.4 million U.S. jobs.

The substantial increase in foreign investment in the United States that has followed FTAs has also fostered the creation of high-skill, high-wage jobs. According to research by the Organization for International Investment, U.S. affiliates of foreign-headquartered companies pay wages that average one-third higher than the U.S. average.

Trade and U.S. Small Businesses

FTAs are especially important to small business exporters. More than 98% of the approximately 300,000 American companies that export are small and medium-sized enterprises (SMEs). They account for one-third of U.S. merchandise exports.

It comes as no surprise that FTA markets are top export destinations for small business exporters. By value, approximately 40% of all merchandise exports by American SMEs go to FTA markets. According to data from the U.S. Department of Commerce, more SMEs export to Canada than to any other market; however, by value, U.S. SMEs export more to Mexico than to any other country.

While some critics argue that FTAs only benefit large multinationals, the truth could hardly be more different. Many countries where the United States does not have an FTA in place have already implemented FTAs with other countries. In this context, a multinational corporation may be able to serve a market that levies steep tariffs on goods from the United States by sourcing from an affiliate in a third country.

America's small businesses have no such luxury. Nontariff barriers are especially harmful to smaller companies because they add disproportionally to their fixed costs of doing business. A $10,000 permit may be a nuisance for large firms, but they can usually absorb the added expense with relative ease; it can be a showstopper for small businesses.

Trade and American Manufacturing

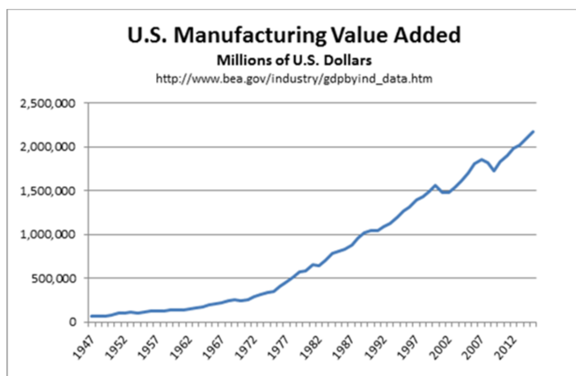
U.S. manufacturers have been among the principal beneficiaries of FTAs. Again, context is important.

The frequently heard lament that "Americans don't make anything anymore" is plainly false. According to economic data from the Federal Reserve Bank of St. Louis, U.S. real manufacturing output has risen by approximately 75% over the past 25 years. This represents the continuation of a long trend: U.S. manufacturing value-added has grown eightfold since 1947 in real terms. Contrary to popular misconception, the U.S. share of world manufacturing output has remained fairly steady at approximately 20% for about four decades.

Moreover, trade has proven essential in this expansion: Exports of U.S. manufactured goods more than tripled from $411 billion in 1993 (immediately before the entry into force of NAFTA and the creation of the WTO) to $1.27 trillion in 2016. The U.S. Department of Commerce estimates that exports of manufactured goods directly supported 6 million factory jobs in 2015, a sum representing about half of the 12.4 million Americans employed in manufacturing.

American manufacturers were hammered by the painful 2007–2009 recession and a steep fall in demand. But throughout the preceding two decades, U.S. manufacturers set new records for output, revenues, profits, profit rates, and return on investment, and after a slow recovery they have recovered the ground they lost in the recession.

The same can't be said for factory jobs. The United States has lost approximately 5 million manufacturing jobs over the past 25 years. The number of Americans employed in manufacturing reached a new low of 11.4 million in early 2010. A recovery driven to a significant degree by exports has since boosted manufacturing employment to about 12.4 million today.



Where have the lost manufacturing jobs gone? Not to Mexico—or China. While it discontinued compilation of these data in 2004, the Bureau of Labor Statistics previously reported the movement of work to overseas locations was a minor contributor to job losses, representing between 0.5% and 1.3% of all U.S. jobs lost in "mass layoffs" in the 1997-2003 period, according to a report by the American Action Forum.

Nor is the decline in manufacturing jobs limited to the United States. Research by the RAND Corporation found that China shed 25 million manufacturing jobs between 1994 and 2004, 10 times more than the United States lost in the same period.

Rather, the combination of rising output (up 75% in the past quarter century) and declining employment (down by 5 million in the same period) reveals that most of these jobs have been lost to automation and productivity growth. According to research by economists with Ball State University, "almost 88 percent of job losses in manufacturing in recent years can be attributable to productivity growth." Technological change, robotics, automation, and widespread use of information technologies have enabled firms to boost output even as some have cut payrolls. Research suggests that technological advances are making sophisticated capital goods substitutes for low-skilled workers.

In recent years, U.S. manufacturers have enjoyed steady growth, aided by the expansion in U.S. exports to FTA partner markets. Consumers and businesses in those 20 countries purchased $603 billion of U.S. manufactured goods in 2016—a sum representing 48% of all the exports produced by the 12.4 million Americans employed in manufacturing.

Do the math, and you'll find that FTA markets generate export revenue of $48,600 for each American factory worker. Compare this with the average annual earnings—including pay and benefits—of an American manufacturing worker: $77,500. How could manufacturers make their payrolls without the revenues they earn by exporting to FTA markets? The short answer is, they couldn't.

Trade and U.S. Agriculture

For American farmers and ranchers, America's FTAs have been a bonanza. To give a couple of examples, under U.S. FTAs, U.S. agricultural exports to Chile have grown by 525%, and farm sales to Australia and Peru have grown by more than 230%. These outsized export growth rates in part reflect the reality that tariffs and non-trade barriers are on average far higher internationally for agricultural products than for other goods, so FTAs—by eliminating these barriers—bring proportionally larger benefits to American farmers and ranchers.

NAFTA in particular is worth close examination as a case study. U.S. agricultural exports to Canada expanded at a compound annual rate of 7.9% between 1988 (the last year prior to implementation of the Canada-U.S. Free Trade Agreement) and 2012. Canada was the largest agricultural export market of the United States prior to 2013, when it was overtaken by China, but Canada resumed the top spot in 2015. This is remarkable given that China's population is nearly 40 times that of Canada.

U.S. farms and ranches supply 59% of Canadian agricultural imports. Grains, fruit, vegetables, meat, and related products make up about 60% of U.S. agricultural exports to Canada, according to research by USDA. As in manufacturing, however, Canadian and U.S. farmers and ranchers work in an integrated and interdependent marketplace. According to the U.S. Department of Agriculture (USDA), "U.S.-Canada agricultural trade is marked by a substantial amount of intra-industry trade, particularly in value-added products." This includes co-production of processed foods such as pet foods, bakery products, breakfast cereal, and pastas. There is significant intra-industry trade in wheat products and beef, for example.

NAFTA did even more to open the Mexican market for U.S. farmers and ranchers. As a USDA report emphasized, "Mexico does not produce enough grains and oilseeds to meet internal demand, so the country's food and livestock producers import sizable volumes of these commodities to make value-added products, primarily for the domestic market. In turn, U.S. fruit and vegetable imports from Mexico are closely tied to Mexico's expertise in producing a wide range of produce, along with its favorable climate and a growing season that largely complements the U.S. growing season." U.S. agricultural exports to Mexico expanded at a compound annual rate of 9.1% between 1993 and 2012.

Prior to NAFTA, Mexico's tariffs were highest for agricultural products. NAFTA allowed American farmers and ranchers to get past those barriers. As a result, U.S. agricultural exports to Mexico have quintupled since NAFTA entered into force, and the United States today supplies three-quarters of Mexico's agri-food imports. According to the USDA, grains, oilseeds, meat, and related products make up about three-quarters of U.S. agricultural exports to Mexico.

Trade and Services

America's FTAs have brought significant benefits to U.S. services industries, which dominate the U.S. economy. Broadly speaking, services provide about 80% of all American jobs (approximately 120 million of 150 million American jobs, according to data from the Bureau of Labor Statistics).

Professional and business services employ 20.7 million Americans, making this sector a larger employer than manufacturing (66% larger, in fact). These are good jobs: Wages in these fields are 18% higher on average than those in manufacturing (average hourly earnings of $31 versus $26).

Many of these services can be exported, particularly those in fields such as audiovisual, software, architecture, accounting, engineering and project management, banking, insurance, waste management, and advertising. The Internet is making more of these services tradeable every day.

As a result, the United States has become the world's largest exporter of services. U.S. services exports reached $750 billion in 2016, and the United States has a trade surplus in services of $248 billion. Further, services sales by foreign affiliates of U.S. multinational corporations top $1.4 trillion.

Despite these big numbers, the potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics.

In this context, America's FTAs have provided significant gains for U.S. service providers. These agreements have expanded access to foreign markets for cross-border sales of services and barred discrimination against services providers on the basis of their nationality. They have also opened services sectors that had previously been closed to foreign investment and ushered in greater transparency in the regulations that set the rules of the road for services markets.

The Trade Balance

The executive order cited above partly focuses on the U.S. trade balance as a metric for gauging whether a trade agreement has proven successful. From the Chamber's perspective, a trade agreement is successful if it affords U.S. companies greater freedom to sell their goods and services in foreign markets; ensures access to needed inputs, materials, and other products for American companies and consumers; and encourages the expansion of trade flows reflecting the simple principle that manufacturers, farmers, and service providers should do more of what each does well. This observation and the analysis above explain why this linkage of trade deficit magnitudes and trade agreement success is broadly problematic.

Indeed, a trade agreement that seeks to impose a rigid reciprocity would be inimical to an economic system based on free enterprise and free markets. A bilateral trade pact cannot require that each party sell the other an equal number of widgets. Rather, U.S. elected officials and the trade negotiators they oversee have sought a balance of benefits in U.S. trade agreements. Beginning with the General Agreement on Tariffs and Trade in 1947, the United States has pursued trade agreements on this basis. Eight successful multilateral negotiating rounds and the 14 FTAs under discussion in this paper have lowered trade barriers and helped increase world trade dramatically. As one of the principal architects of this global, rules-based trading system, the United States has received substantial benefits from it: One recent study estimates that U.S. GDP per capita and GDP per household increased by $7,000 and $18,000, respectively, due to the substantial trade expansion of the past 70 years.

Even so, it is worth examining the statistics relating to U.S. trade agreements themselves. A review of the aggregate U.S. trade balance under America's FTAs with 20 countries reveals a modest trade surplus of $7.8 billion in 2015 (latest available; bilateral trade data for services for 2016 will not be released until late 2017).

U.S. Trade with Its Trade Agreement Partners

		Merchandise		Services		Total		
	2015	Exports	Imports	Exports	Imports	Exports	Imports	Balance
1	NAFTA	516,354	592,564	87,945	50,922	604,299	643,486	-39,187
2	CAFTA-DR	28,722	23,750	7,242	9,976	35,964	33,726	2,238
3	Chile	15,445	8,772	4,006	1,568	19,451	10,340	9,111
4	Colombia	16,287	14,075	6,470	3,216	22,757	17,291	5,466
5	Panama	7,664	408	1,640	1,283	9,304	1,691	7,613
6	Peru	8,726	5,053	3,879	2,888	12,605	7,941	4,664
7	Bahrain	1,271	902	321	1,080	1,592	1,982	-390
8	Israel	13,539	24,477	4,772	6,060	18,311	30,537	-12,226
9	Jordan	1,359	1,492	710	574	2,069	2,066	3
10	Morocco	1,625	1,012	657	585	2,282	1,597	685
11	Oman	2,355	907	434	328	2,789	1,235	1,554
12	Australia	25,036	10,894	22,264	7,008	47,300	17,902	29,398
13	Korea, Republic of	43,446	71,759	20,512	11,127	63,958	82,886	-18,928
14	Singapore	28,472	18,267	14,359	6,770	42,831	25,037	17,794
	TOTAL	710,301	774,332	175,211	103,385	885,512	877,717	7,795

Merchandise data: U.S. Department of Commerce, Trade Stats Express - http://tse.export.gov/tse/TSEHome.aspx
Services data: U.S. Department of Commerce, Bureau of Economic Analysis - https://www.bea.gov/iTable/index_ita.cfm
Millions of U.S. dollars

Indeed, the United States had a modest trade surplus with its 20 trade agreement partners as a group throughout the 2012-2015 period.

U.S. Trade Balance with its 20 Trade Agreement Partners (Billions of U.S. Dollars)

	2011	2012	2013	2014	2015	2016
Merchandise	-79.9	-70.8	-67.6	-66.9	-64.0	-72.2
Services	66.2	72.0	78.0	75.9	71.8	
TOTAL	-14	1.2	10.4	9.0	7.8	

Much of today's trade debate focuses on trade in manufactured goods (which represent about 90% of goods trade), but here too the story is often misrepresented. Over the 2009-2015 period, the United States accumulated a manufactured goods trade surplus with its 20 trade agreement partners of $271 billion, according to U.S. Department of Commerce data.

With regard to the NAFTA, the public record also demands correction. In fact, the United States recorded a cumulative manufactured goods trade surplus with its NAFTA partners of $79 billion in 2009-2015. The United States recorded a cumulative services trade surplus with its NAFTA partners of $272 billion in 2009-2015. Preliminary services trade data from 2016 indicate the United States last year recorded a trade surplus with its NAFTA partners of $11.9 billion when manufactured goods and services are combined. This figure includes the entire trade balance except for trade in non-manufactured goods such as petroleum and other raw materials, which is generally little affected by trade agreements.

The World Trade Organization

Despite a number of challenges, the U.S. business community continues to regard the WTO as indispensable. The global rules-based trading system it embodies has benefited the United States and the entire world. Eight successful multilateral negotiating rounds have helped increase world trade from $58 billion in 1948 to well above $20 trillion today. This is a 40-fold increase in real terms.

While this rising tide of commerce has brought gains for developed countries, its most dramatic benefits have accrued to developing nations. As recently as 1993, 1.9 billion people—nearly half the world's men, women, and children—lived in absolute poverty. Since then poverty totals have been falling fast. The most recent estimates issued by the World Bank find the number of people in absolute poverty last year fell to 700 million people or 9.6% of the world's population. While no single factor explains these income gains, the rise in international commerce has by all accounts played a major role.

The Information Technology Agreement

The 1996 Information Technology Agreement (ITA) is an outstanding example of a trade agreement that lowers tariffs, benefits U.S. exporters and American workers, and promotes innovation in the United States. It has played a valuable role in delivering a cornucopia of innovative technology products to the world. Today, more than 80 countries are Members of the ITA, and they account for 97% of world trade in IT products, which has reached about $4 trillion annually — nearly one-fifth of global merchandise trade.

Even better, the deal reached among 53 WTO Members in December 2015 to eliminate tariffs on hundreds of new tech products invented since the ITA was first negotiated will multiply its benefits. The new products added range from high-tech healthcare devices to advanced semiconductors to software media. Implementation of the expansion began last year, and it will be largely in place by 2019.

All told, approximately $1.3 trillion worth of tech goods will be traded duty-free under the ITA expansion, a sum greater than global trade in automobiles and three times greater than trade in clothing, according to the WTO. By one estimate, this expansion of the ITA could add an estimated $190 billion to global GDP annually.

Fundamentally, the ITA provides a basis for the enforcement of rules to eliminate market access barriers. For example, the United States and other ITA Members in 2008 brought a WTO dispute against the EU for its failure to provide duty-free treatment of ICT products covered by the ITA. The case involved EU imports of flat panel computer monitors, multifunction printers, and set-top boxes—and the critical principle that changes in technology are not a basis for imposing duties on products covered by the ITA. The U.S. victory in the case affirmed this important point, and it confirmed the key role that the ITA plays in promoting innovation and technological development.

The United States should endeavor to expand the agreement to cover additional WTO Members. Mexico is a prime example of a major U.S. trading partner that should be strongly encouraged to join the ITA. India, which was an original ITA member, should be strongly encouraged to accede to the broader terms of the ITA's recent expansion.

The Government Procurement Agreement

The WTO Agreement on Government Procurement (GPA) is another agreement that has created significant opportunities for American firms to increase their exports of goods and services to foreign markets. The GPA is a plurilateral agreement that includes 47 members (including the EU and its Member States) and covers approximately $1 trillion in annual trade. A 2014 amendment to the agreement (the revised GPA) expanded these opportunities for U.S. companies by an additional $80-$100 billion annually.

According to the WTO, government procurement typically accounts for 10%-15% of a country's GDP. The primary purpose of the GPA is to provide access to this important segment of the global market, and also to improve good governance, transparency and integrity in procurement markets. The United States has historically encouraged all WTO Members to participate in the GPA, and the expansion of the agreement's membership is a principal negotiating objective under the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, known as Trade Promotion Authority (TPA).

The principal benefit of the GPA for U.S. companies is the access it provides to foreign government procurement contracts and the national treatment and non-discrimination that it guarantees with respect to the goods, services and construction services that the agreement covers. It also guarantees transparency in government procurement processes, and it explicitly addresses corruption by requiring parties to conduct their procurement activities in a way that avoids conflicts of interest and prevents corrupt practices.

The Trade Facilitation Agreement

Another substantial recent win for the WTO and the world economy came in the form of the Trade Facilitation Agreement (TFA). With its entry into force earlier this year, it is a cost-cutting, competition-enhancing, anti-corruption agreement of the first order. It will streamline the passage of goods across borders by cutting red tape and bureaucracy and establishing common approaches to the mundane but important task of clearing goods through customs. In this agreement, all WTO Members have accepted binding obligations for customs authorities to:

- Publish all customs forms, rules, and procedures on the Internet;
- Afford opportunities to comment on new or amended customs laws and regulations and maintain regular stakeholder consultation;
- Issue advance rulings (prior to importation) on a good's tariff classification and provide for administrative or judicial appeal;
- Establish pre-arrival processing of required information by electronic means to permit clearance through customs before goods arrive in the country;

- Allow the release of goods from customs prior to the final determination of customs duties and taxes;
- Adopt authorized operator programs to speed clearance for firms that have established a good record of compliance with customs regulations, as in "trusted trader" programs such as CT-PAT;
- Provide expedited customs clearance for air cargo and release such goods as soon as possible after arrival; and
- Require each country to set a de minimis value below which duties are not required in order to expedite the release of low-value shipments (though no specific value was set).

Implementation of the TFA has the potential to increase global merchandise exports by up to $1 trillion annually, according to the WTO's World Trade Report 2015 released in October.

The Basic Telecommunications Agreement

As another example of a successful WTO pact, the WTO Agreement on Basic Telecommunications, which entered into force in 1998, is an agreement originally negotiated by 69 WTO Members to provide market access and national treatment in the basic telecommunications sector. The agreement also includes a set of pro-competitive regulatory principles, known as the Reference Paper, which the parties to the agreement undertook as "additional commitments" in their respective schedules. The principles include safeguards for competition and interconnection, requirements that regulators be independent of the entities they regulate, and rules to promote transparent and fair mechanisms for licensing, universal service and allocation of scarce resources (such as spectrum).

The services covered by the agreement include voice telephony, data transmission, telex, telegraph, facsimile, private leased circuit services (*i.e.*, the sale or lease of transmission capacity), fixed and mobile satellite systems and services, cellular services, personal communications services, paging, and mobile data services. As a result of the agreement, U.S. companies gained cross-border market access for local, long-distance and international services through any means of network technology, as well as the ability to invest in telecom companies around the world.

The agreement is fully enforceable in WTO dispute settlement, as the United States demonstrated when it successfully challenged violations by Mexico that had cost U.S. consumers over $1 billion in excessive fees.

Trade Barriers and "Trade Agreement Violations"

Persistent trade barriers and violations of trade agreements can suppress U.S. export sales and artificially elevate import sales. The impact of foreign non-tariff barriers are more difficult to assess than tariffs, but their negative impact is similar. Foreign subsidies that boost exports to the United States may actually benefit U.S. consumers, but they do so at the expense of U.S. companies and the workers they employ. In particular, certain foreign countries that support and protect domestic industries through state intervention over prolonged periods, with little regard

for budget constraints and market forces, can have a particularly damaging impact on U.S. companies and their workers by fueling overcapacity globally and other market distortions.

The repercussions of inadequate protection and enforcement of intellectual property (IP) rights are also a grave concern for the U.S. business community. Not only are U.S. innovators, workers, companies, and shareholders deprived of the fruits of their labors, stolen IP can provide a cost-free competitive advantage to foreign firms (for instance, when a U.S. firm pays for business software but its overseas rivals do not).

Existing resources examining foreign trade barriers are extensive. At the fore is the National Trade Estimate on Foreign Trade Barriers (known as the NTE), a report prepared by the Office of the U.S. Trade Representative cataloging the trade barriers of other countries. Preparation of this annual report is required by statute. U.S. Chamber member companies and associations have long contributed extensively to the preparation of this report, which is and should be the default resource for the administration as it considers the next steps in its trade policy actions.

Also required by statute is the annual "Special 301" Report, which reviews global developments relating to intellectual property. The Office of the U.S. Trade Representative also prepares this report identifying trading partners with harmful records on protection, enforcement, or market access for U.S. innovators and creators. The Chamber made an extensive submission this year.

Since 2012, the U.S. Chamber's Global Intellectual Property Center has published its International IP Index, which in the 2017 edition analyzes and rates 45 world economies on how they protect IP—patents, trademarks, copyright, trade secrets, enforcement, and international treaties—and how they enforce those protections. The economies benchmarked in the 2017 Index account for 90 percent of global gross domestic product. The Index has become an internationally recognized reference for governments, businesses, and international organizations.

The Chamber also has extensive programs relating to U.S. commercial ties to top commercial partners and has commented extensively on foreign trade barriers and related concerns in many of them. For instance, the U.S. Chamber of Commerce has issued a series of reports over the past years assessing Chinese barriers to U.S. exports and investments as well as industrial policies that are relevant as the administration examines foreign trade barriers:

- *Made in China 2025: Global Ambitions Built on Local Protections* (March 2017) examines China's plan to become an advanced manufacturing leader in industries critical to economic growth and competitiveness. The report catalogues China's policy efforts to use a number of tools, including subsidies, standards, procurement, financial policy, and government-backed investment funds, to reach ambitious domestic and international targets. By leveraging the power of the state to alter competitive dynamics in global markets, MIC 2025 risks sparking economic inefficiencies affecting China and overcapacity affecting the global economy.

- *Cultivating Opportunity: The Benefits of Increased U.S.-China Agricultural Trade* (November 2016) reveals that reducing or eliminating relevant tariffs and other behind-the-border barriers between the United States and China could result in $28.1 billion in additional cumulative gains in two-way agricultural sector trade over 2016-2025. The United States would realize gains of $17.6 billion—a nearly 40% increase over baseline projections.

- *Preventing Deglobalization: An Economic and Security Argument for Free Trade and Investment in ICT* (September 2016) examines threats to the global economy from emerging policies restricting open trade and investment in the information and communications technology (ICT) sector and attempts to quantify their impact. While the report is global in scope, Chinese industrial policies feature prominently.

- *Competing Interests in China's Competition Law Enforcement: China's Anti-Monopoly Law Application and the Role of Industrial Policy* (2014) examined China's use of its Anti-Monopoly Law to advance industrial policy and boost national champions.

- *China's Approval Process for Inbound Foreign Direct Investment: Impact on Market Access, National Treatment and Transparency* (2012) detailed China's inbound investment approval process and identified challenges for potential foreign investors.

- *China's Drive for 'Indigenous Innovation': A Web of Industrial Policies* (2010) highlighted China's efforts to use its powerful regulatory regime to decrease reliance on foreign technology and develop indigenous technologies.

The Trump Administration should make the removal of foreign trade barriers a high priority. Unfortunately, this goal has at times received only lackluster support in recent years. To illustrate, GAO's 2016 Trade Enforcement report found that about "80 percent of project funding was related to helping partner countries comply with labor or environmental commitments," with all other trade enforcement concerns—from sanitary and phytosanitary barriers and intellectual property concerns to technical barriers to trade—accounting for just 20% of total expenditures. The Chamber urges the Administration to redouble these efforts with a more equitable set of priorities.

Conclusion

While they are no panacea, America's FTAs and the multilateral agreements reached under the WTO have—on balance—brought substantial benefits for the United States. These agreements have generated new opportunities for commerce, boosted economic growth, raised productivity, and improved conditions for the creation of good jobs.

However, enforcement is essential, and the business community welcomes the Administration's commitment to ensure that our trading partners comply with the letter and the spirit of these agreements.

On behalf of our member companies—businesses of every size, sector, and state—we welcome the opportunity to continue to provide input and counsel on these issues as the Administration crafts its trade policies.

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