EXECUTIVE SUMMARY

On the basis of ongoing conversations with member companies, chambers of commerce, and associations, the U.S. Chamber of Commerce urges the administration to focus on the following international trade and investment priorities during President Obama’s second term in office:

1. Secure renewal of Trade Promotion Authority to ensure the president has the authority to strike new trade agreements in close consultation with Congress;

2. Conclude a comprehensive, high-standard, and commercially meaningful Trans-Pacific Partnership trade agreement in 2013;

3. Launch negotiations as soon as possible for a comprehensive Trans-Atlantic Trade and Investment Agreement that will eliminate tariffs and non-tariff barriers to trade, ensure compatible regulatory regimes, and liberalize investment, services, and procurement;

4. Strengthen the global rules-based trading system by negotiating an International Services Agreement to further liberalize trade in services, expanding product coverage under the Information Technology Agreement, reaching a trade facilitation agreement under the World Trade Organization (WTO), and ensuring robust enforcement of trade agreements.

5. Negotiate bilateral investment treaties (BITs) with India and China and consider launching BIT negotiations with other key markets around the globe such as Indonesia, Russia, and the East African Community;

6. Explore the feasibility of negotiations for bilateral trade agreements with significant U.S. trading partners;

7. Modernize export controls to enhance U.S. national security and competitiveness; and

8. Implement the administration’s recent executive order on international regulatory cooperation to support U.S. international economic interests.
INTRODUCTION

No priority facing our nation is more important than putting Americans back to work. Nearly 8% of the U.S. workforce is unemployed — a figure that soars to 15% when those who have stopped looking for jobs and the millions of part-time workers who want to work full time are included. As a nation, the biggest policy challenge we face is to create the 20 million jobs needed in this decade to replace the jobs lost in the recent recession and to meet the needs of America’s growing workforce.

World trade is playing a vital role in reaching this job-creation goal. After all, outside our borders are markets that represent 95% of the world’s consumers. Many Americans are already seizing these benefits: One in three manufacturing jobs depends on exports, one in three acres on American farms is planted for hungry consumers overseas, and U.S. service industries’ exports reached a record $600 billion last year.

However, the international playing field is often unfairly tilted against American workers and companies. While the U.S. market is largely open to imports, many other countries continue to levy steep tariffs on U.S. exports, and foreign governments have erected other barriers against U.S. goods and services. In recent years, new forms of protectionism have emerged, including discriminatory industrial policies and more aggressive use of subsidies; an enhanced role for state-owned enterprises and other “national champions;” restrictions on exports of critical raw materials; and “forced localization” measures including local content rules, performance requirements, and other measures that discriminate against U.S. and other foreign products, services, and companies.

The bottom line is simple: The United States needs a forward-leaning trade policy that recognizes both the immense opportunities presented by international commerce as well as the challenges U.S. companies face abroad. Otherwise, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer. With so many Americans out of work, leveling the playing field and opening markets abroad to the products of American workers, farmers, and companies is a higher priority than ever before.

Outside our borders are markets that represent

80% of the WORLD’S PURCHASING POWER

92% of the ECONOMIC GROWTH

95% of its CONSUMERS

THE POSSIBILITIES ARE ENDLESS.
First, the president needs the authority to negotiate trade agreements — Trade Promotion Authority (TPA). Congress has granted every president from Franklin D. Roosevelt to George W. Bush the authority to negotiate market-opening trade agreements in consultation with the Congress. The U.S. Constitution gives the Congress authority to regulate international commerce, but it gives the president authority to negotiate with foreign governments. TPA rests upon this constitutional partnership: It permits the executive branch to negotiate agreements in consultation with the Congress; when an agreement is reached, Congress may approve or reject it, but not amend it.

TPA lapsed in 2007. That’s unacceptable; every American president needs TPA, and every president should have it. Potential partners won’t negotiate seriously if they know agreements could be picked apart by Congress.

Without TPA, the United States is relegated to the sidelines as other nations negotiate trade agreements without us — putting American workers, farmers, and companies at a competitive disadvantage. Already, more than 300 free trade agreements are in force around the globe, but the United States is a party to just 14 such agreements covering 20 countries.

In the past, TPA has been renewed as part of an omnibus trade act. On this occasion, it would make sense to do so alongside a customs reauthorization bill (which exists in an advanced draft) and renewal of the Generalized System of Preferences (which will lapse on July 31, 2013).

The last time Congress passed TPA, in 2002, it took more than a year for a bill to reach the president’s desk. The Obama Administration and Congress should begin discussions on new negotiating authority in early 2013. The Chamber stands ready to work with both to ensure TPA is renewed as soon as possible.
Asia and the Pacific

Once TPA is renewed, how should the President and Congress use it? Clearly, the United States needs to engage in the Asia-Pacific region as never before. The region accounts for half of the world’s population and boasts many of its fastest growing economies. Two billion Asians joined the middle class in the last 20 years. The IMF estimates the world economy will grow by $22 trillion over the next five years, and nearly half of that growth will be in Asia.

The U.S. may be falling behind in the world’s most dynamic region. Over the past decade, the growth in U.S. exports to Asia has lagged our overall export growth. As the think tank Third Way has pointed out, the U.S. share of the import market of 12 key Asia-Pacific economies actually fell by 43% between 2000 and 2010.

Part of this decline can be attributed to the proliferation of bilateral and regional trade accords, which is particularly intense in the Asia-Pacific region. Many U.S. manufacturers and farmers are being displaced by local competitors or firms based in the EU or Australia, which are forging their own preferential trade deals across the region. As Asian production chains have expanded to meet booming regional demand, U.S. suppliers of intermediate goods are being left behind.

In short, Asian nations are designing a new architecture for trade in the global economy’s most dynamic region — threatening to draw “a line down the middle of the Pacific.”

This is the case for the Trans-Pacific Partnership (TPP), which is the one trade agreement under negotiation today in which the United States actually has a seat at the table. The TPP is our chance to ensure the United States is in the game in Asia. With Canada and Mexico joining the negotiations in 2012, the TPP today embraces 11 countries.

Working closely with the Office of the U.S. Trade Representative, the Chamber is leading the business community’s efforts to create new disciplines relating to regulatory coherence, competition policy, and state-owned enterprises. In some of these cases, new rules are being framed with a view toward possibly extending them one day to other nations.
The Chamber’s goal is a comprehensive, high-standard, and commercially meaningful TPP agreement. To reach agreement on the strong rules on intellectual property, investment, and other trade disciplines we seek, the United States and the 10 other countries will need to make comprehensive market access commitments. Negotiators must reject carve-outs for individual sectors and commodities and put everything on the table if the TPP is to achieve its true growth-boosting, job-creating potential. The final agreement should establish a single substantive standard of obligations for all members and avoid differentiating between countries.

In addition to the TPP, China’s place in U.S. international economic policy will require the close attention of the second Obama administration. In the view of Chamber members, China presents both an opportunity and a challenge. U.S. exports to China are growing significantly faster than those to any other major market, and U.S. companies and workers need this source of growth today more than ever.

However, China has embraced expanded forms of protectionism against foreign goods, services, and enterprises, while continuing to foster an export-led strategy that leads to unfair competition in global markets. In particular, Chinese industrial policies often serve to strengthen its state-owned and state-influenced enterprises, favor the development and expansion of national champions, close key sectors to foreign investment, and put foreign companies at a disadvantage. The widespread theft or forced transfer of U.S. intellectual property also deprives U.S. companies of a prime source of their competitiveness and innovation.

The Chamber urges the Obama administration to work closely with industry to devise new approaches as well as to increase the effectiveness of existing channels for engagement and enforcement to address these concerns. We must make the case that the greater openness of the Chinese market is good for the United States, China, and the world.

**U.S. SERVICES EXPORTS**

Top $600 billion dollars annually, with a trade surplus that approaches $200 billion.

The United States is home to large numbers of world beating services firms in such sectors as audiovisual, banking, energy services, express delivery, information technology, insurance, and telecom.
Finally, Japan is the fifth largest market for U.S. goods and services in the world (after the EU, Canada, Mexico, and China). However, U.S. companies could do substantially more business if trade, operating, and economic conditions were improved. Accordingly, the Chamber has urged the Obama administration to work closely with industry to outline a positive agenda that will boost bilateral trade and investment, enhance collaboration on regional issues, and support private sector-led growth in Japan.

Specifically, the Chamber supports the Economic Harmonization Initiative, which was devised to tackle impediments to U.S.-Japan commerce. In addition, the U.S. and Japanese governments are continuing consultations on whether Japan could join the TPP negotiations, starting with a commitment to meet the same high standards, comprehensive scope, and ambitious timetable as the current participants. This is a challenging prospect due to the need to address issues in several key industries, but many Chamber members believe including Japan in the TPP on the right terms would provide the best opportunity to enhance the bilateral economic relationship.

One in three acres on American farms is planted for export. U.S. farmers and ranchers are the world’s most productive and top the global export rankings for a host of commodities.
What Kind of Trade Agreements?

The U.S. Chamber supports the negotiation of comprehensive, high-standard, and commercially meaningful trade accords and consistently urges U.S. negotiators to pursue agreements that:

- Ensure comprehensive market access for goods by eliminating tariffs and non-tariff barriers and rejecting carve-outs for individual products.

- Provide market access and national treatment for service providers in such sectors as audiovisual, banking, energy services, express delivery, information technology, insurance, and telecommunications.

- Establish a high standard of protection for intellectual property (IP) and ensure effective enforcement on the basis of the U.S.-Korea FTA's IP provisions.

- Expand investment opportunities by providing better market access, strong investor protections, and international arbitration for the settlement of investment disputes.

- Set clear rules on the international digital economy appropriate for different sectors while prohibiting measures that restrict legitimate cross-border data flows or link commercial benefit to local investment.

- Ensure a science- and risk-based approach to health and safety regulations relating to trade in agricultural products and other goods.

- Make available procurement opportunities on a reciprocal basis while combating corruption through enhanced transparency.

- Combat trade in counterfeit and pirated goods as well as other illicit commerce and trafficking that supports organized crime and terrorism.

- Establish transparent and expedited customs clearance and other measures to facilitate cross-border trade, e.g., by establishing high customs de minimis levels.

- Provide a level playing field between all commercial actors, including state-owned, state-supported, and private sector enterprises.

- Ensure due process in antitrust enforcement.

Finally, trade agreements hold little value for American business if they aren’t enforced. This includes the wide-ranging body of rules of the World Trade Organization (WTO) as well as bilateral and regional trade agreements. In this vein, Chamber members support the work of the Interagency Trade Enforcement Center (ITEC) and the additional resources and focus it provides. The United States should also set an example of full compliance with its trade agreement obligations.
Europe

As we consider new trade accords with our biggest commercial partners, Europe calls out for attention. Indeed, the European Union is by far America’s largest international economic partner.

Together, the United States and the European Union generate half of global GDP. More than $1.5 trillion in goods, services, and income receipts flow between the United States and the EU annually. U.S. firms have direct investments of nearly $2 trillion in the EU — 20 times what they have invested in China. These European investments generate some $3 trillion in annual revenues for American companies that have invested in the European Union to sell their wares to its more than 500 million citizens. The numbers are similar for European firms’ investments in the United States. Our economies are so closely integrated that about 40% of U.S.-EU trade is intra-firm.

Further, while polls suggest many Americans have an ambivalent attitude toward trade agreements, a recent Pew poll found that Americans support increased trade with Europe by a wide 58% to 28% margin.

With this in mind, the Chamber has been pressing proposals to harness the transatlantic economic relationship to generate jobs and growth. In 2010, the Chamber supported a study to gauge the potential benefits of eliminating tariffs between the United States and the European Union. While European and U.S. tariffs are often low, the sheer volume of transatlantic commerce is so large that one-third of all tariffs on U.S. exports to the world are paid to the EU.

The study found that eliminating transatlantic tariffs would boost U.S.-EU trade by more than $120 billion within five years. It would also generate GDP gains of $180 billion — a budget-neutral boost to the U.S. and EU economies.

The United States has a TRADE SURPLUS with its 17 FTA partners—in manufactures, services, and agricultural products. If you’re worried about the trade deficit, FTAs are the solution — not the problem.
However, a tariffs-only approach is not enough. The Chamber supports “a comprehensive transatlantic trade and investment agreement,” which the U.S.-EU High Level Working Group on Jobs and Growth has described as “the option that has the greatest potential for supporting jobs and promoting growth and competitiveness across the Atlantic.” Such an agreement will not only eliminate tariffs and non-tariff barriers but also improve the compatibility of the U.S. and EU regulatory regimes and liberalize investment, services, and procurement. It should cover manufactured goods, services, and agricultural products.

In contrast with some developing countries, the United States and the EU are committed to similar social, labor, and environmental standards. Concerns in these areas have made some recent trade agreements controversial but should not stand in the way of a transatlantic trade accord.

The global context is important as well. The EU has a free-trade agreement with Mexico and is negotiating one with Canada. Does it make sense for tariffs and other trade barriers to remain in force on the third and largest leg of European-North American trade?

For too long, the United States has ignored the untapped potential of its ties to the world’s other economic colossus. For the sake of jobs and growth, it’s time to turn that around.

**The Americas**

The ties that bind the United States to its hemispheric neighbors through trade and investment are already strong. In 2011, the United States exported nearly as much to its neighbors in the Americas as it did to Asia and Europe combined.

This is the result not just of close proximity but of good policy. The United States has FTAs with 12 countries in the Americas stretching in an unbroken chain from the Canadian arctic to Chilean Patagonia. These agreements have turbocharged the growth in hemispheric commerce over the past two decades. Today, 87% of our hemispheric exports are shipped to these FTA partners.
As a result, the United States sells more goods to Canada than to the European Union, which has 15 times as many consumers. The growth in U.S. exports to Mexico in 2011 was greater than the growth in U.S. exports to China, India, and Russia combined. U.S. exports to South America grew nearly twice as fast over the past decade as our exports to Asia.

The United States can continue to build on this solid foundation. As a first step, the United States and Brazil should consider negotiating an economic partnership agreement. While two-way commerce between the United States and Brazil has grown impressively in recent years, it could expand even more vigorously if such an agreement served to eliminate the significant barriers to bilateral trade and investment.

During her visit to the U.S. Chamber in early 2012, Brazilian President Dilma Rousseff expressed a clear interest in strengthening bilateral commercial ties. Progress on such business priorities as a possible tax treaty, energy cooperation, and enhanced commercial aviation links is proceeding apace and building confidence in both Brasilia and Washington. The next administration should leverage this progress to start a serious conversation about a possible trade and investment agreement.

Second, the United States should consider how to stitch together its existing hemispheric trade agreements. Doing so would enhance their benefits on a regional basis, allowing companies to operate their supply chains more efficiently. Goods could move across borders more quickly. Making product design, production, packaging, marketing, and retailing more efficient across markets could stimulate growth and productivity. Eventual participation in the TPP by more Western Hemisphere nations — in addition to Canada, Chile, Mexico, and Peru — may be one approach.

Finally, the United States should continue the good work underway to address persistent “behind the border” barriers to trade in North America. The U.S. Chamber has strongly supported the Regulatory Cooperation Councils launched recently with Mexico and Canada and is working to provide officials in all three countries with practical input on how best to overcome the “tyranny of small differences” in regulation. Similarly, the United States is working with Canada and Mexico to better manage our shared borders based on a risk-based approach to security that also maximizes the efficiency of cross-border supply chains.

Imports mean lower prices and more choices for American families as they try to stretch their budgets and for companies seeking raw materials and other inputs. Access to imports boosts the purchasing power of the average American household by about $10,000 annually.
THE MIDDLE EAST AND AFRICA

The U.S. commercial relationship with the Middle East and Africa is characterized by vast, often untapped possibilities and a powerful confluence of U.S. geostrategic and economic interests. Across these regions, economic policies for too long have served as a drag on regional trade and investment, and exports to the United States and other extra-regional economies consisted largely of hydrocarbons and minerals.

The recent sweeping changes in the Arab world are also bringing change to its international commercial relations. When the Arab Spring began in Tunisia, it was popular discontent with grim economic prospects that provided much of the impetus for change. Today, as societies seek more accountable forms of government, new leaders are also gauging whether economic reform, openness to trade and investment, and free enterprise can meet the demands for a better life heard from all quarters.

The U.S. Chamber has urged the administration to make closer trade and investment ties a central part of U.S. support for reform in the Middle East and North Africa. Continued foreign assistance is vital, and in the case of Egypt, debt forgiveness will be a necessary part of economic reform. However, increased international trade and investment, with the private sector helping lead the way, must play a major role going forward.

At the fore in the Chamber’s regional priorities is Egypt, the keystone of the Arab world and its most populous nation. The newly elected government has conveyed its keen desire for closer economic ties to the United States and has expressed support for market-friendly policies. Circumstances and necessity suggest the United States and Egypt should consider a trade agreement.

Last year, the Chamber-affiliated U.S.-Egypt Business Council supported a study by the Center for Strategic and International Studies assessing the potential benefits of a U.S.-Egypt FTA and presenting recommendations for steps to take that could pave the way for the launch of negotiations. Chamber members have expressed significant interest in such an agreement as well as support for closer economic ties to the region generally.
In addition, Chamber members have called attention to the strong growth prospects of many countries in sub-Saharan Africa, where the United States lacks a developed network of trade agreements comparable to those in, for instance, the Americas. To prepare the ground, officials should continue their focus on trade facilitation and explore whether countries or blocs, such as the East African Community, are prepared to negotiate a bilateral investment treaty. The Chamber urges the second Obama administration to dedicate greater resources and attention to ensure U.S. firms can get in on the ground floor of Africa’s economic development.

THE MULTILATERAL AGENDA

The U.S. business community remains committed to the World Trade Organization (WTO) and the global rules-based trading system. However, the WTO’s Doha Round has stalled, and it’s unclear any “early harvest” or limited agreement can be reached.

Negotiators can’t let this impasse linger forever. The WTO is too important to leave it tied up in knots. Even if it can’t resolve the 20th century issues on display in the Doha Round, it needs to play a role in the 21st century challenges to the global rules-based trading system.

A new agenda for the WTO is emerging. Interest is growing in the idea of an agreement among a “coalition of the willing” that would liberalize trade in services under the WTO. This proposed International Services Agreement would go beyond what was achieved in the 1995 General Agreement on Trade in Services (GATS).

A focus on services is a natural for the United States. America is by far the world’s largest exporter of services, which surpassed $600 billion last year. The United States is home to large numbers of world-beating services firms in such sectors as audiovisual, banking, energy services, express delivery, information technology, insurance, and telecommunications.

More than **97% of the 275,000 U.S. companies** that export their products are small and medium-sized companies. While large companies account for a majority of exports, small and medium-sized companies account for nearly a third of all U.S. merchandise exports.
U.S. services companies have seen regulatory barriers multiply in ways that could not be foreseen when the GATS was negotiated nearly two decades ago. New challenges are particularly prevalent in the digital economy — including cross-border data flows, privacy issues, and cyber security — and supply chain issues that go beyond familiar customs clearance matters.

Negotiating an International Services Agreement would present opportunities to address the opportunities and challenges of the digital economy and the spread of global supply chains. A successful agreement would strengthen the global rules-based trading system, which some believe has been weakened by the long impasse in the Doha Round.

This approach would also present powerful incentives for countries to join in. Benefits would be extended only to those countries that sign up, and there is ample precedent for “plurilateral” agreements among a set of path-breaking countries expanding over time to cover all or a vast majority of world trade in the sectors addressed.

The United States should also press forward with other WTO member countries to conclude an agreement on trade facilitation, negotiations for which began as part of the Doha Round and have recently advanced in hopeful ways. Such an agreement would create enforceable rules for customs clearance as well as support for developing countries seeking to modernize their trade infrastructure. Many observers believe the remaining differences at the negotiating table can be bridged. There is widespread agreement about the benefits of such an agreement, particularly for developing countries. (Bilateral trade facilitation agreements, such as those recently concluded with the Philippines and Uruguay and proposed for ASEAN and the East African Community, also enjoy strong support from the business community.)

In addition, negotiations are under way to expand the product coverage of the highly successful Information Technology Agreement (ITA). Since it was signed in 1996, the ITA has grown to include more than 70 countries representing 95% of world trade in information and communication technology products. Adding products invented over the past 15 years to the agreement has the potential to multiply its benefits.

Finally, the United States must ensure that WTO accession agreements are monitored, and new participants, such as Russia, meet their obligations in law and spirit. The United States should also press for additional WTO members such as China to accede to the Agreement on Government Procurement.

**INTERNATIONAL INVESTMENT**

Finally, it’s clear that the United States must dedicate more attention to seizing the benefits of international investment. Foreign direct investment (FDI) in the United States supports more than 21 million American jobs directly and indirectly, and foreign affiliates of U.S. companies last year earned nearly $5 trillion in revenue, underwriting R&D and other important corporate activities back home.

In other words, international investment is a two-way street. The United States must attract foreign investment while actively supporting U.S. investment abroad.
The United States has work to do on international investment. While the need to attract foreign direct investment to the United States has never been greater, America’s competitive advantages as a destination for FDI have been reduced by growing regulatory burdens at home and an improving investment climate in some other countries. The United States remains a highly attractive investment destination, but rapid growth in emerging markets is creating new competition for investment dollars.

At the same time, many foreigners no longer view the United States as fully open to their investments. While the Foreign Investment & National Security Act of 2007 appropriately limited the scope of investment reviews to national security, some foreigners have erroneously concluded from rhetoric surrounding that legislation and a small number of high-profile cases that the United States is no longer as hospitable to FDI as it once was.

In addition, the United States needs to update its approach to protecting U.S. investments abroad to reflect the changing global economy. U.S. firms doing business abroad face a proliferation of restrictive performance requirements, local content rules, and other “forced localization” measures that seek to impose controls over investments. It is imperative that U.S. officials secure better market access and treatment for U.S. investors abroad and level the playing field for U.S. investors competing with state-owned commercial actors.

To that end, the United States needs to negotiate more investment protecting agreements. America ranks 44th in the world in the number of bilateral investment treaties (BITs) it has in place; by contrast, Germany and China have 133 and 121 such treaties, respectively. The place to start is by reinvigorating BIT negotiations with key countries such as China and India and considering launching talks with other potential BIT partners such as Indonesia, Russia, and the East African Community.

Given America’s need to create jobs, rebuild our infrastructure, and remain the world’s pre-eminent innovation hub, we have no choice but to actively court in-bound investment with a welcoming policy environment. American companies seeking to be global players must have the unwavering support of the U.S. government behind them in promoting and protecting their investments abroad. Going forward, the needs of international investment, outbound and inbound, demand greater policy attention from the Administration and the Congress.
export controls

The U.S. Chamber has applauded the work of the Obama Administration to modernize the U.S. export control regime with the goal of protecting both national security and competitiveness. As former Defense Secretary Robert Gates has explained, the United States needs an export control system “where higher walls are placed around fewer, more critical items.” Those few sensitive technologies with significant military applications must be protected, but when technologies are already widely available from America’s trade competitors, controls can be eased with no harm to U.S. national security.

The economic stakes are also significant. A study issued by the Milken Institute found that modernizing U.S. export controls “could enhance real GDP by $64.2 billion (0.4 percent), create 160,000 manufacturing jobs, and heighten total employment by 340,000.” For context, approximately 3.5 million Americans are employed in the U.S. high-tech and defense sectors, and they account for roughly one-third of U.S. merchandise exports.

The potential harm caused by our Cold War-era system of export controls to U.S. national and economic security is broad, but America’s high-tech and defense industries are particularly at risk. In a vicious cycle, the U.S. export control regime puts these industries at a competitive disadvantage in the global marketplace. In turn, a weaker U.S. defense industrial base poses a long-term risk to U.S. national security.

The detailed technical work the Obama Administration has undertaken in recent years to restructure the nation’s export control lists is a significant step forward. It is essential that this work continue. Implementing the regulatory and process reforms that have been proposed will help create a predictable, efficient, and transparent export control system that promises concrete benefits.

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The history of U.S. trade and investment policy has shown that big ideas have a long gestation. We hope these ideas—stretching from the multilateral arena to regional proposals and possible new bilateral agreements—stimulate the debate and ultimately generate economic growth, spur job creation, and enhance the global competitiveness of the United States.