



Where Is the Common Ground on Trade Policy?

Linda Schmid,¹ January 15, 2014

The US is working with trade partners to shape global trade rules with high quality trade agreements.¹ The challenge for the US is to design agreements that create a framework for prosperity. There is common ground across the political spectrum on certain priorities in US trade policy coupled with domestic reform to create a 21st century economy that returns growth to real wages and expands employment. Rigorous enforcement of trade rules, investment in physical infrastructure, boosting US trade in services exemplify shared priorities. Those who engage in the development of intellectual property in industrial processes, software, and entertainment span the political spectrum and support strong intellectual property rights protection. Increased transparency and greater availability of detailed trade data would also build confidence in the US trade regime. High quality trade agreements enable the US to work constructively with trading partners to design and implement a rules based trade relationship supported by a combination of technical cooperation, dispute settlement, and enforcement.

Across the political spectrum, enforcement of trade law and existing trade agreements is a priority. The US is active on multiple fronts monitoring and enforcing trade law and bilateral, regional, and multilateral arrangements. The Office of the US Trade Representative, reports annually on enforcement actions.² For example, the US has filed 103 complaints in the World Trade Organization (WTO) on manufacturing, intellectual property, agriculture, and services since 1994. The US also uses Section 301 of the Trade Act of 1974 to investigate foreign practices that hinder the US in the global economy. For example, in 2013, the US had a total of 294 antidumping and countervailing duty orders in place: 123 for China, 23 for the EU, and 23 for India.³ The US is active on enforcement of labor provisions in Bahrain, Bangladesh, Colombia, Guatemala, Haiti, and Peru. On enforcement of environmental provisions, the US is active in Central America, Chile, Colombia, Panama, and Peru. The US has a track record of consistent enforcement.

Table 1: Sample of US Enforcement Actions

World Trade Organization:	103 complaints filed since 1994	29 disputes settled favorably	41 litigated with the US prevailing
294 antidumping & countervailing duty orders in place in 2013:	123 for China	23 for the EU	23 for India
Enforcement of labor provisions:	Bahrain, Bangladesh, Colombia, Guatemala, Haiti, & Peru		
Enforcement of env. provisions:	Central America, Chile, Colombia, Panama, & Peru		

Sources: 2014 Trade Policy Agenda and 2013 Annual Report & 2014 WTO, Trade Policy Review, Report by the Secretariat, United States, WT/TPR/S/307.

¹ Negotiations are underway for the [Transatlantic Trade and Investment Partnership \(TTIP\)](#), the [Trade in Services Agreement \(TiSA\)](#), and the [Trans-Pacific Partnership \(TPP\)](#).

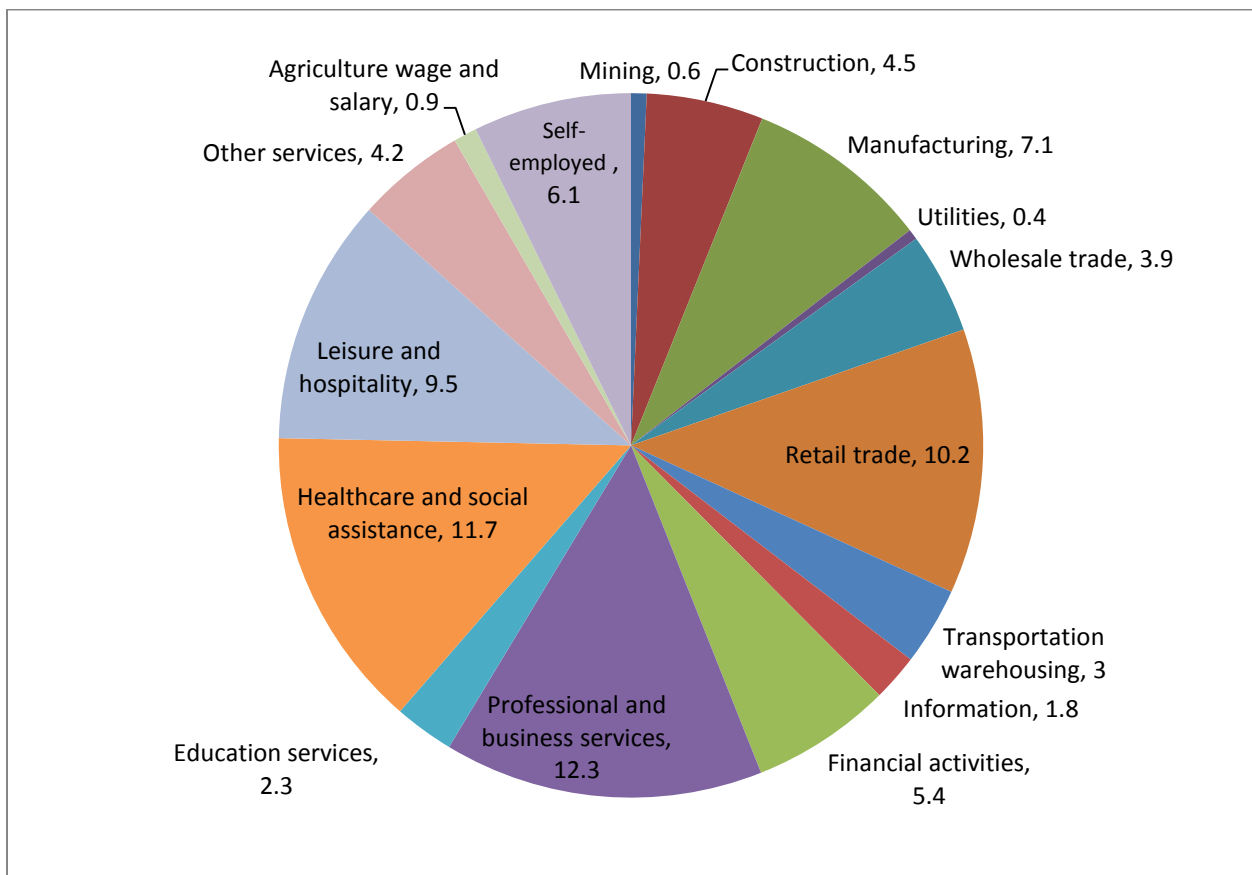
² [2014 Trade Policy Agenda and 2013 Annual Report of the President of the United States on the Trade Agreements Program](#)

³ 2014 WTO, Trade Policy Review, Report by the Secretariat, United States, [WT/TPR/S/307](#).

Political parties recognize the US must invest in physical infrastructure for prosperity in the 21st century. A trade agenda that creates prosperity depends on high quality domestic infrastructure. The 2007 collapse of the I-35W bridge in Minnesota, drew attention to shortcomings in physical infrastructure investment across the US. [The American Society of Civil Engineers 2013 Report Card for America’s Infrastructure](#) evaluates the condition of airports, bridges, dams, drinking water, energy, hazardous waste, inland waterways, levies, ports, rail roads, solid waste, transit, and wastewater systems. Most if not all infrastructure systems earn a C or D. Whether through direct federal financing, public-private partnerships, or an infrastructure development bank, the US must create grade A infrastructure to compete in the global economy. Infrastructure investment will create gains in growth, productivity, and employment.

Eliminating foreign barriers to trade in services is a high priority. Today over 70% of US workers are employed in service industries (figure 1). Almost every service sector experiences international trade, either by the provision of services abroad, or the consumption of services in the United States by a foreign traveler, business person, or company. For instance, tourists, foreign medical patients, and foreign students consume a variety of services while in the US. Service industries will grow with the reduction of trade barriers.

Figure 1: 2012 US Employment % by Major Industry Sector



Source: US Bureau of Labor Statistics, [Employment by Major Industry Sector, 2013.](#)

For over a decade, the US has experienced a positive trade balance in services, which on average account for 30% of total exports and 15% of imports. In 2013, US service exports were robust in travel, transportation, information technology, and financial services (table 2). Professional and business services represent a fast-growing sector that faces substantial barriers in foreign markets. In 2013 exports amounted to 55 billion in this sector. US R&D services are also in high demand with exports totaling 30 billion in 2013. The US insurance industry is a formidable global competitor with 16 billion in exports in the same year. US architects and engineers are competitive internationally with exports of 12 billion in 2013. Breaking down barriers to trade in services will expand service industry exports.

Table 2: 2013 Service Industry Exports in USD Billion

Service Sector	Exports USD Billion
Travel services	173
Charges for the use of intellectual property rights	129
Transportation services, such as, sea, air, and postal or courier services	87
Legal, accounting, business management, public relations, & advertising	55
Telecommunications, computer and information services	33
Research and development services	30
Insurance services	16
Architectural and engineering services	12

Source: The Bureau of Economic Analysis, [US Trade in Services, by Type of Service, 2013](#).

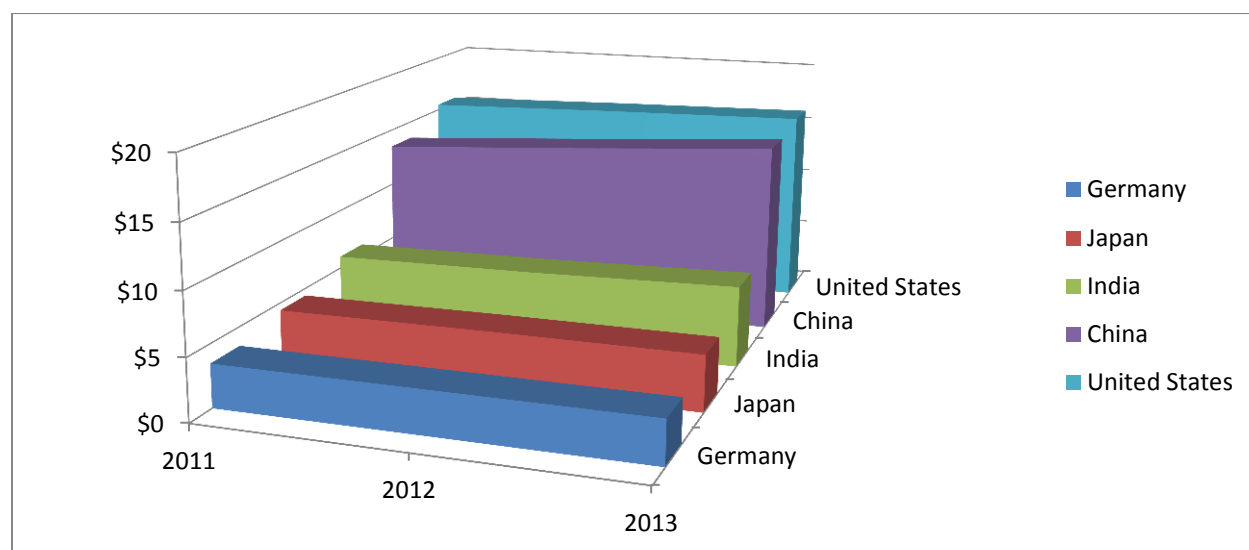
The United States has a relatively open services economy; however, US firms face substantial barriers abroad. The [OECD service trade restrictiveness index](#) compares the openness of countries in, for example, architecture, broadcasting, transport, courier, construction, and computer services. Many trading partners have significant trade restrictions in services. For example, Poland, Turkey, and India maintain significant restrictions in accounting. The US maintains restrictions on foreign investment in telecom; however, they are limited compared to restrictions maintained in Indonesia, China, and India. Similarly, the insurance sector is highly restricted in India, Indonesia, China, and Brazil compared to the US. Reduction of foreign trade barriers will enable US service firms to grow.

Protection of intellectual property rights is a high priority. Creators of intellectual property, such as, industrial processes, computer software, movies, and broadcasting, benefit from trade in intellectual property rights. In 2013, charges for the use of intellectual property rights exceeded USD 129 billion (table 2). This trade benefits large and small firms. For instance, the audiovisual industry is fragmented with a large number of micro, medium, and large production companies. Large firms rely on a network of medium and smaller firms to produce creative content. Thus returns on intellectual property rights flow to even the smallest firms. In 2010, “IP intensive industries supported 40.0 million jobs (or 27.7% of all jobs) directly and indirectly through a supply chain that stretches across the economy.”⁴ Protection of intellectual property helps the US benefit from intellectual property originating from creativity, knowledge, and innovation.

⁴ Economics and Statistics Administration and United States Patent and Trademark Office, [Intellectual Property and the US Economy: Industries in Focus](#), 2012.

Transparency and trade data are fundamental to assessing trade policy. Trade agreements are complex and in some instances counterintuitive. The US must do more to share principles and priorities of trade negotiations online through dynamic websites that are up-to-date, searchable, and provide access to relevant trade data. A critical element of appreciating the US position in the global economy is economic and trade data. The online presence of US statistical agencies should be bolstered to ensure that US trade data is readily available, searchable, provides illustrative graphics, and is sufficiently detailed at the state level. This is particularly true for trade in services data. US statistical agencies require state-of-the-art technology platforms to share data real time. This will help citizens grasp the scope of the US economy, the breadth of US trade, and the important role the US plays in shaping rules that govern trade.

Figure 2: Comparison of economies in GDP, PPP (constant 2011 international \$ trillion)⁵



Source: The World Bank, World Development Indicators (created on 01/14/2015)

The US has a responsibility to shape global trade rules as one of the largest economies in the world. The challenge for the US and its trading partners is to design agreements that create a trade framework for prosperity. The US remains active in the World Trade Organization and is at the forefront in designing trade arrangements for the 21st century. Together with Europe, the US has the opportunity to set the global standard for rules and regulations governing EU US trade under the Transatlantic Investment Partnership. In services, the US is working with trading partners to shape a new services agreement fit for a 21st-century economy. The Trans-Pacific Partnership (TPP) will deepen trade in the fast growing Asia-Pacific. High quality trade agreements are a primary element of building a US economy for the 21st century.

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⁵ PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates.