Statement of the U.S. Chamber of Commerce

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ON:	**Advancing Congress's Trade Agenda: The Role of Trade Negotiating Authority**
TO:	**United States Senate Committee on Finance**
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The U.S. Chamber of Commerce 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.

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. We believe that global interdependence provides opportunities, not threats. In addition to the 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.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

Chairman Baucus, Ranking Member Hatch, and distinguished members of the committee, my name is Elena M. Stegemann, and I am the Director of International Business at NuStep, Inc., of Ann Arbor, Michigan. I am pleased to testify today on behalf of my company as well as the U.S. Chamber of Commerce on the importance of renewing Trade Promotion Authority (TPA). 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.

My employer, NuStep, Inc., designs and manufactures recumbent cross trainers to make exercise possible for users who are unable to access regular exercise equipment due to injury, medical conditions, or other physical limitations. We supply our products to thousands of rehabilitation centers across the United States, but we also have sales in more than 25 countries. NuStep is a proud member of the Michigan Chamber of Commerce, and I am also honored to serve on the East Michigan District Export Council as well as the Industry Trade Advisory Committee on Consumer Goods (ITAC 4).

Why does trade matter to NuStep or to our country? As the U.S. Chamber points out, 21 million Americans are unemployed, underemployed, or have given up looking for work. As a nation, the biggest policy challenge we face is to create the millions of jobs needed in this decade to get these Americans back to work.

World trade must play a central role in reaching this job-creation goal. After all, outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. The resulting opportunities are immense, and many Americans are already seizing them: One in three manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

A Level Playing Field for Trade

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy tariffs on U.S. exports that in some cases are quite high, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. U.S. exporters face higher tariffs abroad than nearly all our trade competitors. The United States received a rank of 128th among 132 economies in terms of "tariffs faced" by its exports, according to the World Economic Forum's Global Enabling Trade Report. That means U.S. exporters are often at a marked disadvantage to our competitors based in other countries. In addition, a thicket of non-tariff barriers adds to the burden exporters face.

No one wants to go into a basketball game down by a dozen points from the tip-off — but that is exactly what American exporters do every day. I can tell you that these barriers are particularly burdensome for America's small- and medium-sized companies.

The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. Trade agreements should treat

American manufacturers, service providers, farmers and ranchers the same as their foreign competitors. Indeed, America's elected leaders have a duty to look out for the trading interests of American citizens at least as carefully as those of our friends and allies overseas.

NuStep's Experience in Trade

Let me tell you a bit about our company's experience. NuStep began to focus on exporting in 2009 when Dick Sarns, our owner and CEO, decided that international expansion would be a good way to combat the decline in domestic sales brought about by the downturn in the economy. He was not content simply to build a successful domestic brand; he also wanted his company to leave a global footprint!

Since then, our international sales have almost quadrupled, and exports today account for nearly 20% of our unit sales. Our success was recognized when we received the President's "E" Award for our contribution to U.S. exports at a White House ceremony in May 2012.

International sales are an important and growing part of our business, and they keep many people in our company busy. Our company employs nearly 100 people; in line with the fact that exports account for nearly 20% of our unit sales, about 20 of our employees are involved in our international business. We manufacture our products in our state of the art facility in Ann Arbor, Michigan, and our people are very proud of the fact that our products are shipped all over the world.

How did NuStep get started as an exporter? The first step was to create a job for someone like me. I was hired to develop an international business unit for the company. How do you take a small company from a small town in Michigan and "go global"? With a lot of enthusiasm, and a lot of help!

Five years ago, NuStep had about 50 employees, and we lacked the internal resources needed to grow internationally. My first order of business was to reach out to a number of organizations that have provided much needed support, guidance, and assistance with our exporting efforts. We have received help from the U.S. Department of Commerce, the Michigan Chamber of Commerce, the University of Michigan's Business School (whose MBA students have helped develop new market penetration strategies for us), as well as the Michigan Economic Development Corporation (MEDC).

The U.S. Department of Commerce has been an invaluable resource to us. One of the best decisions we made early on in our international expansion effort was to participate in the U.S. Commercial Service CEO program at Medica in 2009. This program allows small companies that are new to exporting to have a presence at the world's biggest medical tradeshow in Germany at a very reasonable cost. Exhibitors have the chance to interact with thousands of visitors from all over the world, and it is the perfect venue for new exporters to meet potential distributors. Our team was able to make the most of our time there due to the superb support we received from the U.S. Commercial Service. The conversations we had with companies at Medica that year led to eventual implementation of distributor agreements in several important European countries. We have had similarly positive experiences at other trade fairs, and we have benefitted immensely from the opportunity to work with the U.S. Commercial Service in many other countries.

During my travels, I have had the privilege of meeting with not only business owners and decision-makers around the world, but also with the people who use our products and whose lives are transformed through the exercise and movement our equipment enables. On one such visit to a care home in the United Kingdom, I had the privilege to witness the first time a wheelchair-bound man saw his legs move in a very long time because a piece of NuStep equipment had made the movement possible for him. The atmosphere in the room was thick with emotion, and I stood there with tears in my eyes, thinking how proud I was of the fact that a small company back home had made this product and this moment possible for him.

As an exporter, I have also had the honor of representing our country abroad: During my travels, many people refer to me simply as "the lady from America." I am very happy to see that being an American business person is a door opener — people love our culture and our products, and they are hungry for more!

Our international sales are continuing to grow in all parts of the world. Asia is currently our largest export market. We are very pleased to see containers full of our beautiful, U.S.-made products shipping to Japan, and a growing number are now going to China. Our other major export markets are Europe and Canada.

Benefits of U.S. Trade Agreements

The good news is that America's trade agreements do a great job creating a level playing field — and tremendous commercial gains are the proof in the pudding. According to data from the U.S. Department of Commerce, nearly half of U.S. exports go to countries with which the United States has free-trade agreements (FTAs) even though they represent about 10% of global GDP. By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.

The United States has entered into FTAs with 20 countries around the globe: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber recently released a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*. The study examined U.S. FTAs implemented with a total of 14 countries. It employed a widely used economic model known as the Global Trade Analysis Project (GTAP), which is also used by the numerous federal agencies, the U.S. International Trade Commission, and the World Trade Organization (WTO).

The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs. No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947.

For those worried about the U.S. trade deficit, trade agreements are clearly the solution — not the problem. Taken as a group, the United States has run a *trade surplus* in manufactured goods with its FTA partner countries for the past five years, according to the U.S. Department of Commerce (on top of the U.S. global trade surpluses in services and agricultural products). The U.S. trade surplus in manufactures with its FTA partners reached $60 billion in 2012, and preliminary data suggest it approached a similar level in 2013.

A Trade Report Card

On this front, there is good news to report. The last Congress approved long-pending free-trade agreements with Colombia, Panama, and South Korea. It also approved legislation to ensure American companies receive better access to the Russian market in the wake of Moscow's long-awaited accession to the World Trade Organization (WTO) 18 months ago. Last month at the WTO Ministerial Conference in Bali, Indonesia, the United States played a leading role in the successful effort to a landmark Agreement on Trade Facilitation, which will provide a boost to the global economy estimated at $1 trillion.

We are seeing some positive results. Since the 2008-2009 financial crisis, U.S. exports have grown rapidly. Exports of goods and services rose by nearly half over the past four years. Our boom in exports has accounted for roughly half of all U.S. economic growth during this period as the U.S. recovery has gradually taken hold.

However, the picture is not all rosy. U.S. trade is up, but we are still falling behind our competition. The U.S. share of global exports fell from 18% in 2000 to 12% in 2010. What can we do about this?

Trade Promotion Authority

First, Congress should approve the *Bipartisan Congressional Trade Priorities Act of 2014*, which will renew Trade Promotion Authority (TPA). The U.S. Chamber strongly supports this bill and urges Congress to approve it swiftly.

TPA is a vital tool to help Americans sell their goods and services to the 95% of the world's customers living outside our borders. Without TPA, we simply cannot enter into new trade agreements. We are excited to see that Congress is preparing to take up a TPA bill, which promises to spur economic growth and job creation at home.

The case for TPA is simple. In today's tough international markets, we need our trade negotiators to tear down the foreign tariffs and other barriers that too often shut out U.S products. That is what trade agreements do. However, to secure new growth-creating trade pacts such as the agreements now under negotiation, Congress must first approve TPA.

While the Constitution gives the president authority to negotiate with foreign governments, it gives Congress authority to regulate international trade. TPA allows the Congress to show leadership on trade policy by doing three important things: (1) It allows Congress to set negotiating objectives for new trade pacts; (2) it requires the executive branch to consult extensively with Congress during negotiations; and (3) it gives Congress the final say on any trade agreement in the form of an up-or-down vote. The result is a true partnership stretching the length of Pennsylvania Avenue.

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, 379 free trade agreements are in force around the globe, but, as noted, the United States is a party to just 14 such agreements covering 20 countries.

If we fail to renew TPA, U.S. workers and companies will be left at a sharp disadvantage. To oppose TPA is to guarantee that foreign markets remain closed to U.S. exports. To reject TPA is to accept a playing field skewed against American workers and companies.

Congress has granted every president from Franklin D. Roosevelt to George W. Bush the authority to negotiate market-opening trade agreements in consultation with Congress. However, TPA lapsed in 2007. That is unacceptable; every American president should have TPA.

From NuStep's perspective, the negotiating objectives laid out in the Bipartisan Congressional Trade Priorities Act make a world of sense. Some of these are simple: Lowering tariffs on our goods when they enter foreign markets will allow us to be more competitive with local suppliers.

The protection of intellectual property and trade secrets is critical for us, too, and I am pleased to see it is a priority in this bill. Even though we are not a "high tech" company, we have made huge investments in producing high quality, sophisticated products that are innovative in the healthcare field.

Our products are drawing a great deal of attention from our foreign competitors. It would be devastating for us to have our ideas and "know how" copied and stolen because we either did not have a trade agreement with a key market in place or because that agreement lacked the strong protections we need.

Anything our government can do to help remove export barriers for U.S. manufacturers would be of great benefit for a small company like NuStep.

The Trans-Pacific Partnership

And how should TPA be used? The first priority is the Trans-Pacific Partnership (TPP).

As U.S. companies scour the globe for consumers, the booming Asia-Pacific region stands out. Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. According to the International Monetary Fund, the world economy will grow by $21.6 trillion over the next five years, and nearly half of that growth will be in Asia.

U.S. businesses and workers need better access to those lucrative markets if they are going to share in this dramatic growth. But U.S. companies are falling behind in the Asia-Pacific. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's share of the region's imports declined by about 43%, according to the think tank Third Way. In fact, the growth in U.S. exports to Asia lagged overall U.S. export growth in that period.

One reason U.S. companies have lost market share in the Asia-Pacific region is that many countries maintain steep barriers against U.S. exports. A typical Southeast Asian country imposes tariffs that are five times higher than the U.S. average while its duties on agricultural products soar into the triple digits. In addition, a web of nontariff and regulatory barriers block market access in many countries.

Trade agreements are crafted to overcome these barriers. But what happens if other countries make trade deals among themselves and leave the United States on the outside, looking in? The number of trade accords between Asian countries surged from three in 2000 to more than 50 in 2011. Some 80 more are in the pipeline. Meanwhile, the United States has just three trade agreements in Asia.

This challenge is growing: 16 countries are launching expedited negotiations for a trade deal called the Regional Comprehensive Economic Partnership (RCEP). It includes Australia, China, India, Japan, Korea, and New Zealand as well as the 10 ASEAN countries—but not the United States.

The Trans-Pacific Partnership (TPP) is America's best chance to ensure the United States is not stuck on the outside—looking in—as Asia-Pacific nations pursue new trade accords among themselves. Its objective is to achieve a comprehensive, high-standard, and commercially meaningful trade and investment agreement with 11 other Asia-Pacific nations, including Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam. It also includes Canada, Mexico, Peru, and Chile, thus offering a chance to integrate existing U.S. trade agreements in the Americas.

The TPP must be a comprehensive agreement. In trade talks, whenever one party excludes a given commodity or sector from an agreement, others follow suit, limiting its reach. For the United States to achieve the goal of a true 21st century agreement—with state-of-the-art rules on digital trade, state-owned enterprises, investment, and other key areas—its negotiators must hold fast to the goal of a comprehensive accord.

One U.S. priority is to ensure the TPP protects intellectual property (IP), which plays a vital role in driving economic growth, jobs, and competitiveness. IP-intensive companies account for more than $5.8 trillion of U.S. GDP, drive 74% of U.S. exports, and support 55.7 million American jobs. To build on these strengths, the TPP must include robust IP protection and enforcement provisions that build on the U.S-Korea Free Trade Agreement and provide 12 years of data protection for biologics consistent with U.S. law.

The TPP also needs to reflect how goods are produced in the 21st century using global value chains. Today, the goods we buy are usually labeled "Imported" or "Made in the USA" — with no middle ground. However, companies often rely on global value chains that span the Pacific to hone their competitiveness.

The United States is a principal beneficiary of these supply chains. One recent study found that 70% of the final retail price of apparel assembled in Asia is created by American innovators, designers, and retailers. Making customs and border procedures more efficient and enacting other trade facilitation reforms will remove sand from the gears of global value chains and enhance U.S. competitiveness.

Completing the TPP would pay huge dividends for the United States. The agreement would significantly improve U.S. companies' access to the Asia-Pacific region, which is projected to import nearly $10 trillion worth of goods in 2020. A study by the Peterson Institute for International Economics estimates the trade agreement could boost U.S. exports by $124 billion by 2025, generating hundreds of thousands of American jobs.

Working closely with the Office of the U.S. Trade Representative (USTR), the Chamber has led the business community's advocacy for the inclusion of strong disciplines in the TPP trade agreement on intellectual property, due process in antitrust enforcement, state-owned enterprises, and regulatory coherence,.

For NuStep, we are excited that the TPP could eventually make it easier for us to comply with regulatory requirements in important markets as Australia, Canada, Japan, and Singapore. The TPP could help us greatly by encouraging countries to avoid radically different approaches to regulation whenever possible. Whenever we have to spend time and money to comply with divergent regulatory standards — even when those standards differ in form but not in substance — we are obliged to expend our limited resources to comply with these requirements.

Overcoming the tyranny of small differences between regulations here and in key markets would reduce costs for NuStep. Companies would see an easier, less costly path to complying with standards and regulations in a meaningful way. It would enhance our competitiveness, help us to grow our business, and create more jobs here at home. In the end, that is why the TPP is exciting.

The Transatlantic Trade and Investment Partnership

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 commercial partner.

Together, the United States and the European Union account for nearly half of global economic output, with each producing more than $16 trillion in GDP. Total U.S.-EU commerce—including trade in goods and services and sales by foreign affiliates—tops $6.5 trillion annually and employs 15 million Americans and Europeans.

The U.S.-EU investment relationship is also without peer. Companies headquartered in EU Member States have invested $1.6 trillion in the United States and directly employ more than 3.5 million Americans. Similarly, U.S. firms have invested $2.1 trillion in the EU—a sum representing more than half of all U.S. investment abroad. It is also nearly 40 times as much as U.S. companies have invested in China.

The United States and the Member States of the EU share common values as strong democracies with an enduring commitment to civil liberties and the rule of law. We uphold similar social, labor, and environmental standards in our laws and regulations.

For these reasons and more, the United States and the EU have launched negotiations for a comprehensive and ambitious Trans-Atlantic Trade and Investment Partnership (TTIP). The goal is to eliminate tariffs; open up services, investment, and procurement; and promote regulatory cooperation to ensure high levels of health, safety, and environmental protection while cutting unnecessary costs.

The benefits could be immense. The sheer volume of transatlantic commerce is so large that eliminating today's relatively modest trade barriers could bring big benefits. According to the London-based Centre for Economic Policy Research (CEPR), the TTIP would boost U.S. exports to the EU by $300 billion annually, add $125 billion to U.S. GDP each year, and increase the purchasing power of the typical American family by nearly $900—with similar benefits for Europeans.

One key goal in the negotiations is to tackle regulatory barriers to trade. Companies selling their products on both sides of the Atlantic incur high costs complying with both U.S. and European regulations, even when they are very similar.

For example, U.S. automakers run crash tests to comply with U.S. safety regulations but must do so a second time to comply with EU standards—and vice versa. Mutual recognition of these regulations would save consumers up to 7% on each car or truck and enhance the global competitiveness of U.S. and European companies.

TTIP is also an opportunity to raise global standards. With a combined GDP of more than $32 trillion, the sheer size of the transatlantic economy will incentivize other countries to look to standards set in the TTIP. Accordingly, the United States and the EU should establish a high bar in such areas as protecting intellectual property, cultivating the digital economy, and combating trade and investment protectionism.

Refusing to pursue this agreement would exact a price as other countries enter into new trade pacts with the EU. Already, the EU has 28 free trade agreements in force with such countries as Mexico, South Africa, and South Korea. It has concluded negotiations for an additional 9 agreements with Central America, Colombia, Singapore, Ukraine, and others.

The EU is currently in negotiations with Canada, India, Japan, Malaysia, Thailand, Vietnam, and the Mercosur bloc. Without a trade agreement in place with the EU, U.S. workers and companies could be put at a disadvantage in the giant European marketplace.

Finally, the TTIP would not benefit the United States and the EU at the expense of other nations. In fact, liberalizing transatlantic trade would increase GDP in the rest of the world by as much as $130 billion, according to a CEPR study.

The EU is a major market for NuStep. We are also very proud of the fact that our products are gaining popularity in such markets as Germany and Belgium, where consumers have very high standards for quality, design, and functionality, and where we face intense competition from many local manufacturers.

Succeeding in these countries is particularly rewarding because entering the European Union was not easy for a small company like NuStep. In addition to allocating funds for business development activities, we have also had to invest in getting our products to meet the CE mark requirement. Being a small company that believes in building quality products that meet regulatory requirements, selling our products abroad has been a major regulatory compliance undertaking for us given our limited budget.

Anything our government can do in its negotiations with the European Union to help streamline regulatory compliance for U.S. exporters would be of great benefit for a small company like NuStep. We are excited that the TTIP offers just such an opportunity for our company and tens of thousands of other small businesses across the United States.

The Trade in Services Agreement

While it has not made national headlines, the United States has joined with more than 50 other countries to launch negotiations for a high-standard trade agreement in services dubbed the Trade in Services Agreement (TISA). This exciting new accord has the potential to ignite economic growth and job creation in the United States and abroad.

Services employ about 96 million of America’s 114 million private sector workers. The United States is home to thousands of highly competitive services companies in such sectors as audiovisual; finance; insurance; energy services; transportation, logistics, and express delivery services; information technology services; and telecommunications.

Contrary to popular misconception, many jobs in services pay well. Approximately 18 million Americans are employed in business services such as software, architectural services, engineering and project management services, and insurance—all of which generate billions of dollars in exports. Wages in these sectors are 20% higher on average than those in manufacturing, which employs about 12 million Americans.

Services are a clear strength for the United States, which is by far the world’s largest exporter of services. U.S. services exports reached $632 billion in 2012, and the U.S. services trade surplus reached $195 billion. In addition, services sales by foreign affiliates of U.S. multinational corporations topped $1 trillion. Combined, total sales of U.S. services abroad reached approximately $1.7 trillion in 2012.

Even so, 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.

As its chief goals, the TISA should expand access to foreign markets for U.S. service industries and ensure they receive national and most-favored nation treatment. It should also lift foreign governments’ sectoral limits on investment in services.

The payoff from the TISA could be huge. Eliminating barriers to trade in services could boost U.S. services exports by as much as $860 billion—up from 2012’s record $632 billion—to as much as $1.4 trillion, according to the Peterson Institute. Such a dramatic increase could create as many as three million American jobs.

The TISA may not be making headlines anytime soon, but its potential to drive economic growth and job creation in the United States and beyond is significant. The Chamber is committed to working closely with U.S. negotiators, foreign governments, and the Congress to press for a strong agreement that translates this potential to reality.

Conclusion

To conclude, the United States cannot afford to sit on the sidelines while others set the rules of world trade. To create the jobs, growth, and prosperity our children need, we need to set the agenda. Otherwise, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer.

We need a laser-like focus on access to foreign markets. We need to renew the president's Trade Promotion Authority by approving the *Bipartisan Congressional Trade Priorities Act of 2014*. Then, Congress and the Administration should use the tools provided by this bill to pursue new trade agreements to ensure that international commerce is fair.

The trans-Pacific and trans-Atlantic trade agreements now being negotiated represent a once in a lifetime opportunity to tear down the walls that have shut American goods and services out of foreign markets for so long. We need to seize this opportunity with both hands.

And with all our trade agreements — old and new — we need to ensure they are fully enforced. The trade agreements we enter into are not worth the paper they are written on if they are not fully enforced.

The United States is home to many of the best workers and companies in the world. We create many of the world's most innovative products. We have also got tougher competition facing us than ever before. But our productivity is high, and our energy costs are going down. The facts show we can compete and win.

The bottom line is simple: Without a pro-active and determined trade agenda, American workers and businesses will miss out on huge opportunities. U.S. companies and the workers they employ will be shut out of foreign markets by unfair foreign trade barriers. Our standard of living and our standing in the world will suffer.

We look forward to working with all of you to advance a bold trade agenda to generate growth, opportunity, and jobs.

Thank you very much, and I look forward to your questions.