



February 28, 2022

The Honorable Katherine Tai  
United States Trade Representative  
600 17th St. NW  
Washington, DC 20508

The Honorable Gina Raimondo  
Secretary of Commerce  
U.S. Department of Commerce  
1401 Constitution Ave. NW  
Washington, DC 20520

Dear Ambassador Tai and Secretary Raimondo:

The Coalition of Services Industries (CSI) welcomes the Biden Administration's decision to deepen economic engagement with key U.S. partners and allies through the Indo-Pacific Economic Framework (IPEF) within its broader Indo-Pacific Strategy. This initiative is a top priority for CSI members, which represent the broad spectrum of U.S. companies that provide services both domestically and internationally, including information and communications technology services, financial services, media and entertainment, distribution, retail and professional services.

CSI believes that all aspects of the IPEF are important in deepening political and economic engagement in the Indo-Pacific, including digital trade, trade facilitation, supply chain resiliency, clean energy, infrastructure, and worker standards. We strongly support the focus on facilitating digital trade, as increased digital connectivity and access to digital tools benefits all sectors of the U.S. economy as a key driver of job creation, competitiveness, and innovation. In addition, we support customs and trade facilitation measures that support U.S. express delivery and logistics firms, and the small businesses—both at home and throughout the Indo-Pacific region—that rely on them to ship their products globally. The IPEF can champion sustainability efforts and enable access to clean energy networks that will support companies around the world seeking to reduce their carbon footprints, including by facilitating access to the digitally enabled services that support green energy transitions. Finally, greater supply chain resiliency can strengthen the ability of U.S. firms and especially small businesses to reach global customers.

Deepening commercial ties with the Indo-Pacific region is critically important to U.S. services, which are increasingly digitally delivered and a key enabler of Indo-Pacific trade in all sectors. In 2020 alone, the value of U.S. services exports to the Asia-Pacific region was \$182 billion, of which \$124 billion were

digitally enabled services.<sup>1</sup> Demand for services and digital trade is rapidly growing. The benefits of deepening trade ties in the region are far reaching for U.S. domestic companies and workers in the services and digital industries, which rely on expanding trade and investment opportunities to create jobs and continued growth. Expanding services and digital trade is critical in supporting the nearly 52 million workers in the services industry—with high school degrees only as well as college degrees—that earn middle class wages.<sup>2</sup> An increase in services exports and digital trade expands these middle-class job opportunities. Additionally, export-intensive services firms pay higher wages than non-exporting firms, with the premium most felt in blue-collar jobs, which pay on average eighteen percent more than non-export intensive firms.<sup>3</sup>

Greater services and digital trade in the region will also support small businesses. By reducing trade barriers and streamlining access to digital tools, a high-standard agreement will aid small and micro-sized U.S. businesses that typically have more trouble navigating overseas markets.

The benefits of a digital trade agreement are not accrued only by services workers, but also American manufacturing workers and micro-sized, small, and medium businesses. U.S. manufacturers rely on services like finance, marketing, payments, insurance, and logistics to ship their products to international markets, all of which are digitally enabled in important ways. In fact, nearly fifty percent of U.S. jobs classified as part of the manufacturing sector are actually in services occupations.<sup>4</sup>

The development of an Indo-Pacific Economic Framework with binding digital economy rules is critical to combat the rising tide of protectionism - including by some U.S. allies. As more countries develop regulatory regimes focused on the digital environment, an increasing number of them are using the opportunity to impose discriminatory measures based on protectionist motives under the guise of data privacy and security. These policies include foreign investment restrictions, data transfer restrictions, targeted curtailment of U.S. market access, data localization requirements, cloud services barriers, nationality of ownership restrictions, quotas, and discriminatory standards, among others. A high-standard digital trade agreement in the Indo-Pacific with binding rules is needed to counter the promulgation of such discriminatory measures, which disadvantage U.S. companies and workers not just in the services sectors, but across the economic spectrum.

Finally, the IPEF is a crucial opportunity for the U.S. to advance its vision of a free and prosperous Indo-Pacific anchored in American democratic market values. Other governments, including China, are actively working to shape the rules of the road for digital trade, often at odds with democratic values and the principles of openness and transparency. The U.S. must act swiftly to assert leadership and promote shared economic growth that benefits workers and companies across the region. A high-

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<sup>1</sup> Calculated by the Trade Partnership Worldwide.

<sup>2</sup> Bureau of Labor Statistics, Employment Projections program, Table 1.1, “Employment by major occupational group, 2019 and projected 2029,” and Pew Research Center, “Are you in the American Middle Class? Find out with our income Calculator,” Factank, July 23, 2020.

<sup>3</sup> Coalition of Services Industries (2021). *Addressing Foreign Services Trade and Investment Barriers Benefits American Workers and Must Remain a Priority*. [www.uscsi.org/advocacy-and-events/](http://www.uscsi.org/advocacy-and-events/).

<sup>4</sup> Calculated by the Trade Partnership Worldwide.

standard, binding agreement with U.S. allies and partners in the region is a crucial element to achieving this.

The time to act is now. The U.S. is at serious risk of being left behind as other countries craft global rules and norms in the region. Countries like Japan, the UK, Australia, Singapore, and New Zealand are exercising leadership in rapidly expanding their networks of digital trade agreements. CPTPP is also expanding its membership with pending applications from China, the UK, Korea, and Taiwan. In the words of Singapore's Deputy Prime Minister Heng See Keat, "the U.S. cannot afford to be absent from the region's evolving economic architecture" – "if not through the CPTPP, then it must have an equally substantial alternative." We recognize the Administration's stated preference to pursue a broad, flexible framework, but urge the Administration to ensure that it contains binding, enforceable and commercially meaningful digital trade disciplines, as well as market access commitments which will help U.S. companies operating in the Indo-Pacific region.

## **Architecture**

### ***Indo-Pacific Economic Framework***

Longstanding trade principles of non-discrimination, transparency, openness and interoperability should take center place in the trade module of the IPEF. It should also include a consultation mechanism and other means to raise member concerns and to hold members accountable. We believe that any agreement within the trade module should include a political commitment to a standstill and rollback with regards to digital trade barriers. Moreover, to be an effective agreement, the U.S. must ensure that the commitments are legally binding.

### ***IPEF Modules***

While the Administration's Indo-Pacific Strategy outlines several pillars for engagement in the region, CSI is focusing our comments on the digital aspect of the trade module, which has received the greatest level of discussion. As more details emerge on the trade and other modules, we will have further comments on those aspects.

The digital portion of the trade module should establish high standard digital disciplines based not only on the USMCA Digital Trade and Financial Services Chapters and the U.S.-Japan Digital Trade Agreement, but also on the innovative provisions developed in the Digital Economy Partnership Agreement, the Singapore-Australia Digital Economy Agreement, and other recent agreements. It should also align with and enhance efforts to realize Data Free Flows with Trust (DFFT) and expand the APEC Cross-Border Privacy Framework system. We urge the Biden Administration to work with Indo-Pacific nations that are willing to agree to high-standard digital trade principles and binding commitments, and we applaud the Administration for prioritizing its initial outreach to longstanding U.S. allies in the region such as Japan, Australia, Singapore, New Zealand, and South Korea—as well as its ongoing engagement with Malaysia, Vietnam, Indonesia, and India.

Importantly, the digital provisions in the trade module should include both core binding disciplines as well as broader soft commitments for key areas of cooperation and information sharing. Its provisions should apply to all services and financial services sectors with no exclusions, including for audiovisual

services or digital content. It is also important that the trade module, including the digital provisions, be negotiated on a regional rather than bilateral basis to avoid a patchwork of differing disciplines and commitments.

A robust trade module that promotes the growth of services, which are increasingly digitally delivered and a key enabler of Indo-Pacific trade in all sectors, will reinforce the other aspects of the IPEF in areas such as supply chain resiliency, infrastructure, decarbonization and clean energy, and critical and emerging technologies. We note that a digital trade agreement has received bipartisan congressional support. Key partners in the region have also registered their interest in entering a digital trade agreement with the U.S. With that in mind we offer the following recommendations.

### **Substantive Provisions**

CSI has enclosed specific provisions for the Administration's consideration in developing the trade module of the IPEF. It includes recommendations with respect to binding disciplines as well as areas of soft, political commitments. We hope that the elements listed in the Annex encourage further discussion and movement toward a robust digital trade agenda for the IPEF. Such an approach could help the United States avoid being left behind on digital trade in the Indo-Pacific and enable it to move forward on digital trade in a manner that complements the Administration's domestic agenda.

We appreciate your leadership of this very important initiative and look forward to working with you and your staff.

Best Regards,

A handwritten signature in black ink that reads "Christine Bliss". The signature is written in a cursive, flowing style.

Christine Bliss  
President  
Coalition of Services Industries

cc: Jake Sullivan, National Security Advisor  
Kurt Campbell, Indo-Pacific Affairs Coordinator at the National Security Council  
Brian Deese, Director of the National Economic Council  
The Honorable Antony Blinken, Secretary of State

## **ANNEX**

### **Digital Principles and Disciplines for Promoting Inclusiveness and Growth**

#### **A. Promoting Growth of Digital Trade**

1. PROHIBITING DIGITAL CUSTOMS DUTIES
2. ENSURING NON-DISCRIMINATORY TREATMENT OF DIGITAL CONTENT
3. SECURING ROBUST MARKET ACCESS COMMITMENTS ON INVESTMENT & CROSS-BORDER SERVICES, INCLUDING THOSE DELIVERED DIGITALLY
4. ENABLING CROSS-BORDER DATA FLOWS
5. PREVENTING DATA LOCALIZATION BARRIERS AND DISCRIMINATORY CYBERSECURITY REQUIREMENTS
6. BANNING FORCED TECH TRANSFERS & PROTECTING CRITICAL SOURCE CODE AND ALGORITHMS
7. FOSTERING INNOVATIVE ENCRYPTION PRODUCTS
8. ENSURING TECHNOLOGY CHOICE
9. PROMOTING A FREE & OPEN INTERNET
10. SUPPORTING DATA INNOVATION, especially through creation of digital regulatory sandboxes and promotion of greater cooperation on development of policies regarding emerging digital services and technologies.
11. ADVANCING STRONG & BALANCED PROTECTION OF IP RIGHTS
12. PROMOTING NON-DISCRIMINATION, TRANSPARENCY & STAKEHOLDER PARTICIPATION IN THE DEVELOPMENT OF REGULATIONS and STANDARDS on digitally enabled services and technologies, including electronic payments services.
13. PROMOTING SUPPLY CHAIN RESILIENCY

#### **B. Digital Trade Facilitation**

14. ENCOURAGING EXPORTS OF GOODS SOLD ONLINE WITH HIGHER TAX-FREE & TARIFF-FREE THRESHOLDS
15. ADVANCING INNOVATIVE AUTHENTICATION METHODS
16. ENABLING PAPERLESS TRADE
17. REQUIRING CROSS-BORDER INTEROPERABILITY OF E-INVOICING SYSTEMS
18. ENHANCING SECURE & INTEROPERABLE E-PAYMENT SYSTEMS

#### **C. Building Trust in the Digital Economy**

19. DELIVERING ENFORCEABLE CONSUMER PROTECTION
20. PROMOTE THE PROTECTION OF PERSONAL DATA ensuring personal information is transferred across borders consistent with strong privacy principles.
21. Promote interoperability of privacy protection rules and enforcement regimes.
22. PROMOTING COOPERATION ON CYBERSECURITY\*
23. CREATING A SAFE ONLINE ENVIRONMENT
24. DEVELOPING ETHICAL & GOVERNANCE FRAMEWORKS FOR THE USE OF AI TECHNOLOGIES\*
25. PROMOTION OF COOPERATION ON USE OF DIGITAL TOOLS TO PROMOTE SUSTAINABILITY\*

**D. Ensuring Inclusiveness of the Digital Economy**

26. RECOGNIZING DIGITAL INCLUSION AS DRIVER OF ECONOMIC AND SOCIAL DEVELOPMENT AND COMMITTING TO PROMOTE TRADE AND INVESTMENT OPPORTUNITIES FOR SMES, WOMEN AND MINORITIES AND CREATE NEW JOBS FOR WHITE AND BLUE COLLAR WORKERS
27. ENSURING LABOR RIGHTS ARE A KEY CONDITION FOR LIBERALIZATION OF TRADE (INCLUDING DIGITAL TRADE)\*
28. MUTUAL RECOGNITION OF DIGITAL IDENTITIES
29. PROMOTING EQUALITY OF OPPORTUNITY IN DIGITAL ECONOMY including promoting greater financial inclusion through digital tools, enable greater access to public government data, especially for SMEs, and establish SME dialogue to share information on best practices on increasing access to digital tools.
30. INCREASING ACCESS TO RETRAINING & DIGITAL SKILLS\*
31. COOPERATION ON DIGITAL CAPACITY BUILDING\*
32. PROMOTING SUPPLY CHAIN RESILIENCY

*Asterisk indicates element may be most appropriately included as soft commitment or principle.*