



CSI 2023 Trade Agenda:

Establish High-Standard Trade Disciplines, Promote Democratic Values, and Pursue Global Competitive Opportunities in Services and Digital Trade that Benefit U.S. Workers

The U.S. must work with allies to shape a trade agenda that meets 21st challenges and recognizes the essential role of services and digital trade. It should acknowledge the importance of trade in these critical industries not only in their own right, but also in the value they add to trade in manufacturing, agriculture and other sectors of the economy.

In 2021, U.S. exports of services directly supported 3.4 million jobs¹ and generated a nearly \$800 billion trade surplus.² And they have a multiplier effect on American goods exports, which typically incorporate U.S. services in traditional and digital form including through distribution, logistics, insurance, payments, financing, marketing, research and development, AI and cloud computing.

While other governments around the globe focus on concluding trade agreements that set their own rules for services and digital trade, the U.S. risks getting left behind. Action is all the more important in an era of growing protectionism and rising global trade barriers. China continues to present major risks, both in maintaining significant discriminatory barriers to services and digital trade and through ongoing efforts to spread its model of data sovereignty, including in the Indo-Pacific region and APEC, through regional and bilateral agreements, and at the WTO. While the U.S. has made progress in improving collaboration with the EU on some aspects of digital trade, EU digital policy overall remains a significant challenge. We urge the administration to pursue a proactive negotiating strategy to achieve binding, high-ambition commitments on services and digital trade that meet the challenges presented by China, the EU and the growing global trend in digital protectionism. The goal should be to ensure that U.S. services and digital trade continues to grow, supporting existing American jobs and creating new ones.

From a security standpoint, too, there is a strong argument for the U.S. to lead in promoting high-standard trade commitments. In a period of escalating geopolitical competition, the U.S. can claim global leadership in services-dependent advanced technologies such as cloud, AI, semiconductors and digital apps. To help maintain and build on that strength, it will be important for the Administration and key democratic trading partners to craft rules to ensure a level playing field and forge norms to promote the ethical use of emerging technologies.

¹ U.S. Jobs Supported by Exports, 2021 (by product type), Department of Commerce, <https://www.trade.gov/data-visualization/jobs-supported-us-exports>

² In 2020, U.S. cross-border services exports yielded a trade surplus of \$248.0 billion, while American-owned foreign affiliates posted a trade surplus of \$533.7 billion in 2019, the most recent year for which data were available. [Recent Trends in U.S. Services Trade: 2022 Annual Report](#), U.S. International Trade Commission, May 2022, p.9.

Congress has an essential role to play in shaping U.S. trade policy. We therefore strongly support congressional consultation and input into trade initiatives and urge bipartisan support for renewal of Trade Promotion Authority.

Key areas of focus for services and digital trade include:

- The U.S. should redouble its efforts to remove costly barriers to services and digital trade, including financial services, in initiatives such as the Indo-Pacific Economic Framework, U.S.-EU Trade and Technology Council (TTC), APEC, and with Taiwan, Kenya, Latin American trading partners, and the U.K.
- Digital disciplines in these initiatives should build on strong existing rules – e.g., the U.S.-Japan Digital Trade Agreement and the U.S.-Mexico-Canada Agreement – and include text promoting cross-border data flows and banning data localization for all sectors. It should feature innovative provisions in areas such as digital services standards, best practices in artificial intelligence, worker digital upskilling, and trade. Disciplines should address longstanding services and digital trade barriers including performance requirements, local presence, digital services taxes, and foreign equity caps, and leverage international standards where appropriate (e.g., to demonstrate compliance with domestic data security requirements).
- The U.S. should push for a robust Joint Statement Initiative agreement on e-commerce in the WTO that includes a permanent moratorium on duties on electronic transmissions, as well as extension of the WTO e-commerce moratorium at MC13.

The digital economy is a vital sector of the economy. In 2020, the digital economy generated \$3.3 trillion in gross output, accounted for over 10% of total GDP and more than 7.8 million jobs in the U.S.

We need high-standard digital trade rules because trade barriers have proliferated. Unfortunately, the global regulatory environment for services is becoming more restrictive. For example, the number of countries that have enacted data localization requirements nearly doubled from 35 in 2017 to 62 in 2021.³ These barriers impact not only services and digital sectors, but also manufacturing, farming and other economic sectors that depend on services and digital activities to function.

Traditional services and financial services trade barriers must also be addressed. U.S. services and financial services firms still face substantial barriers in foreign markets that hurt U.S. workers and the U.S. economy. In many respects, the business of the General Agreement on Trade in Services (GATS) remains unfinished for the wide range of services industries. Significant barriers include regulations in foreign markets that discriminate against U.S. firms, caps on the number of U.S. firms permitted in a foreign market, restrictions on cross-border services trade, local personnel and content mandates, the forced localization of data that U.S. firms generate and utilize in foreign markets, and bans on the use of cloud services in the financial services sector, among others. It is imperative that the U.S. government continue to advocate for U.S. services sectors and workers by pushing foreign governments to embrace fair trade rules and remove discriminatory barriers limiting services trade.

Trade disciplines are compatible with domestic regulations. It is important to note that services and digital commitments in U.S. trade initiatives do not undermine U.S. domestic regulation, including in important new areas of policymaking such as privacy and ethical AI. Multilateral and U.S. trade

³ Nigel Cory and Luke Dascoli, [How Barriers to Cross-Border Data Flows Are Spreading Globally, What They Cost, and How to Address Them](#), p.3.

agreements expressly recognize the core right of regulators to pursue public policy objectives through regulation.

Expanded services trade would benefit the American middle class and workers. Export-intensive services firms pay higher wages than their domestic counterparts, with blue-collar workers at export-intensive services firms earning 18% more than their peers.⁴ An expansion of services trade flowing from reductions in trade barriers would boost job opportunities for these workers.

Expanded services trade also helps promote economic opportunity for women. Trade can help create better paying jobs for women, increasing economic equality. More women are engaged in services sector jobs — 66% in developed countries and 38% in developing countries, and exporters in particular employ more women.⁵

High-standard digital trade rules benefit small business. Digital tools make it easier for small businesses to export, including through marketing, financing, and logistics tools, but SMEs are less equipped to navigate opaque requirements and assess business risks abroad. Trade rules that enhance transparency and uncertainty would help. One study estimated that improving market access would boost small business sales abroad by over 14% over the ensuing three years.⁶ That would in turn increase U.S. economic output by \$81 billion and add 900,000 American jobs.

CSI is the leading U.S. industry association devoted to promoting the trade policy priorities of the U.S. services sector on services and digital issues. Our members include companies that provide financial services, information and communication technology services, telecom services, express delivery and logistics, media and entertainment, distribution, and professional services to all sectors of the economy including manufacturing and agriculture. CSI members include manufacturers of consumer electronics, telecommunications equipment and health and nutritional products. Our members operate in all 50 states and in over 200 countries, representing both large and small firms. CSI also works with counterpart organizations around the globe as co-chair of the Global Services Coalition and the Asia Pacific Services Coalition.

⁴ David Riker, "[Export-Intensive Industries Pay More on Average: An Update](#)," U.S. International Trade Commission, Office of Economic Research Note, No. 2015-04A, April 2015.

⁵ World Bank and World Trade Organization, *Women and Trade: The Role of Trade in Promoting Women's Equality*, 2020

⁶ U.S. Chamber of Commerce and Google, [Growing Small Business Exports: How Technology Strengthens American Trade](#), 2019, p. 8.

CSI 2023 Services and Digital Priorities

- 1) **Combat Digital Protectionism.** Prioritize efforts to combat digital protectionism, advance American values and check the spread of authoritarian digital policies in all U.S. bilateral, regional and multilateral negotiations, including through measures to protect against forced data localization and restrictions on cross-border data flows. It is imperative that the U.S. secure an agreement for the permanent extension of the e-commerce moratorium in U.S. trade initiatives; one Southeast Asian government is already working to implement a customs regime to impose customs duties on intangible goods and software. The U.S. should also pursue new disciplines to address the fragmentation of digitally enabled services standards, including by promoting the use of international standards in areas such as privacy, cybersecurity and AI.
- 2) **Pursue Competitive Opportunities for U.S. Services and Digital Firms.** As part of combating discriminatory and protectionist measures, the U.S. should seek binding commitments to secure competitive opportunities for services and digital firms.
- 3) **Indo-Pacific Economic Framework.** IPEF should include robust digital disciplines, including removal of services and digital trade barriers, as well as strong provisions on trade facilitation, sustainability, supply chains, and other barriers to services trade and investment. IPEF should promote greater inclusion in the digital economy, digital capacity building for SMEs, promotion of worker digital upskilling, and best practices in use of artificial intelligence. The digital provisions should also incorporate a ban on performance requirements, prohibit local presence requirements and remove investment restrictions.
- 4) **APEC.** As 2023 APEC Chair, the U.S. should produce concrete deliverables including on harmonizing standards for digitally-enabled services, cloud computing best practices, cross -border data flows, digital good regulatory practices, cloud adoption-especially for financial services, digital inclusion, expansion of the e-commerce moratorium pathfinder and promotion of progress in IPEF.
- 5) **European Union.** Promote a close and strategic alliance between the U.S. and EU reflecting a commitment to digital solidarity in the face of pressing global challenges. Secure meaningful bilateral engagement on EU digital trade barriers, including discriminatory elements in proposed cloud cyber certification. Address potential obstacles to cross-border transfers of non-personal data and discriminatory gatekeeper classifications in the draft Data Act, as well as undue restrictions on AI-related trade under the draft AI Act. Ensure non-discriminatory implementation of the DMA and DSA while mitigating security and IP risks. Oppose EU proposals that consider implementing measures/policies requiring direct subsidies by U.S. companies to domestic broadband providers. Ensure the EU acts in a timely manner to finalize its adequacy decision for the Trans-Atlantic Data Privacy Framework, restoring certainty and stability to cross-border data transfers. In the TTC, pursue meaningful deliverables in the areas of coordination on AI, coordination on digitally enabled services standards, and collaboration on responses to Chinese and other third country digital barriers.
- 6) **China.** Seek greater transparency overall in the development of the administration's China policy, in particular ensuring the opportunity for stakeholder input. The administration should spotlight the status of China's compliance with services commitments under the Phase One Agreement, and pursue enforcement in areas where Beijing has failed to abide by those commitments. Guided by the need to enhance longer-term security and supply chain sustainability, support U.S. government efforts to work closely with other like-minded trading partners in addressing unfair trade practices in China, particularly in services and digital trade. On national security concerns relating to cross-border data flows and outbound investment, CSI urges greater transparency, opportunity for stakeholder input, and use of narrowly tailored approaches that directly address national security

issues. To be effective, any actions the U.S. takes in these areas should be coordinated and have the support of U.S. allies. We will also continue to encourage USTR to reinstate a comprehensive exclusions process for products subject to Section 301 tariffs, and to consider the efficacy of duties amid evidence they have failed to effect the desired changes in Chinese trade practices.

- 7) **USMCA.** Work towards addressing new issues and resolving outstanding issues, such as maintaining the independence of Mexican regulators, including in the telecom sector, promoting competition, and addressing ongoing barriers to U.S. EPS providers and digital restrictions recently identified by USTR, among others.
- 8) **WTO.** Assert leadership in the WTO in pressing for substantial progress toward a high-standard WTO e-commerce framework agreement, including a permanent moratorium on duties on electronic transmissions, and seek extension of the WTO e-commerce moratorium and meaningful WTO reform by MC13.
- 9) **U.S.-Taiwan, U.S.-Kenya, U.S.-UK.** Secure strong digital, services, and financial services disciplines.
- 10) **India.** Continue to press the Administration to produce meaningful outcomes on services and digital trade issues, including digital protectionism and continued investment restrictions on services sectors, both on a bilateral basis and under India's 2023 chairmanship of the G20.
- 11) **Financial Services.** Continue to press U.S. and foreign policymakers to produce meaningful outcomes on financial services issues as part of broader trade initiatives. Measures to protect against digital protectionism such as forced data localization and data flow restrictions should extend to financial services. Sustainable finance and digital assets measures should prioritize the free flow of financial services data.
- 12) **Digital Services Taxes.** Support the timely ratification by the U.S. Congress of Pillar 1 and 2 of the OECD's Inclusive Framework, and continue to oppose discriminatory DSTs.
- 13) **Monitoring and Enforcement.** Implement and enforce existing services and digital trade disciplines and market access commitments in USMCA, WTO and other bilateral, regional and multilateral trade agreements.
- 14) **Congressional Engagement.**
 - Socialize freshman members and committees of jurisdiction on CSI priorities including IPEF, APEC, continuation of the WTO e-commerce moratorium, digital protectionism, and bilateral initiatives such as U.S.-Taiwan, U.S.-Kenya, and U.S.-U.K.
 - Renew TPA and TAA. TPA is important to ensure that Congress is properly consulted with respect to trade policy development and negotiations. Negotiating objectives should be updated to address emerging technologies and services and digital trade barriers. An expanded TAA program should cover displaced services workers.
 - Monitor China-related developments, including policies proposed for consideration by the new House Select Committee on China.
 - Advocate for maintenance of the current *de minimis* level on imports, which has helped hold down prices for consumers in a period of significant inflation.
 - Encourage Congressional consultation and guidance, which should play an essential role in shaping U.S. trade policy.
- 15) **Americas Partnership for Economic Prosperity (APEP).** New and existing bilateral dialogues and partnerships should include services and digital trade issues. APEP should include robust digital disciplines, including removal of services and digital trade barriers, strong non-discrimination standards, as well as strong provisions on trade facilitation, sustainability and supply chain. It should also foster greater inclusion in the digital economy, digital capacity building for SMEs, promotion of worker digital upskilling, and best practices in use of AI.