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## **SERVICES MUST BE A MAJOR COMPONENT OF TTIP**

The US Coalition of Service Industries (CSI)<sup>1</sup> and the European Services Forum (ESF)<sup>2</sup> represent businesses across all services sectors that export and invest in the global market, with a strong emphasis in the transatlantic market. Trade and investment in services is crucial for both the US and EU economies. In 2012 the volume of US-EU bilateral trade in services was \$312 billion, the highest in the world by far. The US accounted for 24.9 percent of all EU services exports to the rest of the world, and the EU accounted for 30.8 percent of all U.S. services exports. And 36 percent of total EU export trade (goods & services) to the U.S. are services, while services account for 41 percent of total U.S. exports to the EU. These figures by themselves indicate the importance of services in the ongoing negotiations for the Transatlantic Trade and Investment Partnership (TTIP) between the two biggest world trading partners.

However, the large potential for further growth in services trade is hampered by remaining market access barriers, regulatory inconsistencies, and burdensome processes at various levels on both sides of the Atlantic. Removing these could boost services trade significantly and hence have a major impact on jobs and competitiveness, both in services and in other sectors dependent on service suppliers.

The CSI and ESF therefore call upon the EU and US policy makers to ensure that the importance of trade and investment in services is duly reflected across the negotiations, particularly in the market access commitments, rules chapters and annexes, and a regulatory cooperation framework of the TTIP. In addition, TTIP should establish appropriate globally-relevant disciplines on state trading enterprises, state-owned

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<sup>1</sup> The Coalition of Services Industries (CSI) represents the interests of the dynamic American service economy, which employs 80% of the workforce and generates 3/4 of national economic output. The broad range and diversity of the U.S. service economy is reflected in CSI's membership: see CSI website is [www.uscsi.org](http://www.uscsi.org).

<sup>2</sup> The European Services Forum (ESF) is a private sector trade association that represents the interests of the European services industry in International Trade Negotiations in Services. It comprises major European service companies and European service sector federations: see full list of members on the web-site: [www.esf.be](http://www.esf.be).

enterprises, and designated monopolies that are engaged in commercial activities. An open services environment will be key to further integrating our economies and facilitating growth.

### **Open Markets**

The transatlantic services market is already highly integrated, but there is a need to go further. The ESF and CSI strongly support services negotiations based on a negative list approach. Final market access commitments should cover all relevant services sectors. Any limitations with respect to core obligations, such as non-discriminatory treatment, should be crafted as narrowly as possible and subject to a “ratchet” to lock in subsequent liberalization of those limitations. We welcome the negotiators’ decision to exchange market access offers in the coming weeks, but are concerned by the apparent differences in approach to market access that are emerging. We encourage the negotiators to work toward a more transparent, comprehensive, and efficient outcome in the interests of the transatlantic economy.

### **Cross Border Data Flows**

Cross-border commercial data flows are the real backbone of the digital economy that is crucial to boosting growth in all sectors of the economy, including small and medium-size enterprises. The ESF and CSI call upon negotiators to ensure that TTIP will allow cross border data flows and data-processing to occur free from discriminatory terms and trade distorting conditions such as requirements to use local network infrastructure or local servers. These commitments should be applied across all services sectors, including financial services. Any exceptions to these provisions should be limited to legitimate public policy objectives and only in full compliance with the provisions of GATS covering data privacy (GATS Article XIV). With the objective of enhancing trust of users and certainty of companies, and thus trade in goods and services, it is essential that security and appropriate and effective protection of data is assured through compliance with all applicable privacy and security regulations. The US and EU are global leaders in emerging technologies that rely on cross border data processing and must set a high global standard.

### **Mobility of Personnel**

Mobility of high skilled business personnel is a key component of our businesses' daily activities. Commitments to facilitate mobility and expedite business visas and work permits are a matter of high importance to services providers across the Atlantic.

### **Government Procurement**

The TTIP agreement should also provide comprehensive market access to public procurement for services, with low thresholds and substantive coverage of all public institutions and entities, committing the partners to remove any discrimination in bidding by any transatlantic businesses.

### **Investment Protection**

The U.S. and the EU have the world's largest investment relationship. It is vital that this relationship include high level investment protection with a neutral, binding, and efficient investor-state dispute settlement mechanism.

### **Regulatory Cooperation and Coordination**

The US and EU have identified regulatory cooperation as the primary benefit of entering the TTIP by establishing processes and mechanisms to reduce costs associated with regulatory differences and by promoting greater compatibility through equivalence, mutual recognition, or other agreed means. Ongoing regulatory dialogues that are currently taking place in many sectors, for example insurance, are creating greater mutual confidence in the regulatory outcomes of each other's regulatory systems. The TTIP should leverage these where possible to increase commonality and cooperation, and to promote competitive fairness, equal application for all market participants, and rule of law. We call on negotiators and the various services regulators on both sides to work toward establishing meaningful, outcome-driven regulatory coherence where appropriate.

This is especially important in the area of financial services. CSI and ESF call for the inclusion of a financial services regulatory mechanism

in TTIP to strengthen coordination and cooperation between financial regulators to ensure that financial sector reforms in the United States and the European Union are implemented in compatible ways, thus enhancing efficiency and effectiveness for market regulators and market participants. Such provisions are not intended to take decisions about appropriate prudential regulation out of the hands of regulators, but to invite them to work together to ensure that regulatory environments across the Atlantic work in a coherent manner that is supportive of transatlantic business development. We believe that financial services regulatory cooperation efforts between the U.S. and the EU must have strong political support on both sides, regular reporting requirements, clear goals and objectives, and must include robust consultation with business stakeholders. For these reasons, we call for the establishment of a framework for regulatory cooperation and outcome-based equivalence.

### **Transparency and Due Process in Regulations**

In those sectors subject to regulation, we recommend that the regulators be subject to any horizontal disciplines and regulatory principles and best practices that are established by transatlantic agreement. Principles such as regulatory transparency, prior consultation with stakeholders before adoption of new or revised rules, impartiality and due process with regard to licensing and qualification requirements and procedures, right of appeal, etc. are already normal practice in our jurisdictions and in our respective bilateral trade agreements. These regulatory principles and practices should be applied systematically at all levels of the transatlantic market regulation, to help in limiting future degrees of regulatory divergence.

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