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**“Picturing a Services Export Agenda”
Remark by Senator Max Baucus before the Coalition of Service Industries**

A Day in the Life

When we start our dinner tonight, on the other side of the world, Japan will just be waking up. In a small apartment in Tokyo, a young professional begins her day. Sitting at her computer over breakfast, she reads the news and sends a few e-mails. Out the door a few minutes later, she squeezes into the subway car with music playing on her iPod. Soon, she is in her downtown office, where she picks up the contracts delivered to her overnight and prepares for a day of meetings.

When we go to bed tonight, this young woman will break for lunch and settle some personal business at her desk. She will check her investments’ performance, renew her auto insurance, and finalize plans for her Montana ski vacation.

After work, our friend will return to her apartment. There she will watch television and read a chapter of her book before falling asleep, and starting all over again the next day.

A Picture of Our Economy

Why does this young woman matter to us? Why is this picture of her day in Tokyo important? It is important because it paints a picture of America’s international economy. And it is an insight into the services exports that fortify our growth.

Look again at our friend in Tokyo. She starts her day in her apartment on her computer. By surfing the Internet and sending emails, our friend in Japan consumes services from Microsoft in Washington and AOL in Virginia. By listening to music on her iPod in the Tokyo subway, she enjoys services supplied by Warner Brothers in New York and Apple in California. And by picking up the packages sent to her downtown office, she provides income and employment for Tennessee’s FedEx and Georgia’s UPS.

Later, when she checks on her investments and renews her auto insurance during her lunch break, she buys services from American companies like Citigroup and ACE insurance. Booking that winter vacation in Montana helps keep Minnesota’s Northwest Airlines and Montana’s hotels and restaurants in business. And when our friend in Tokyo ends her day with a sitcom and a book, she supports Fox television distribution and HarperCollins publishing.

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These and similar transactions are U.S. services exports. Millions of consumers repeat them every day, in Japan and around the world. These transactions cannot be boxed up and shipped from our ports. But they are a critical part of America's trade.

Individual services transactions add up. They total \$7 billion dollars in exports to Japan each year. And they amount to nearly \$500 billion in U.S. global exports each year.

Services trade is a bright spot in our economy. And it is getting brighter. Between June and July alone, services exports grew by \$800 million. Over the past year, services exports increased by nearly \$5 billion. And our services exports are growing twice as quickly as our services imports. That's a difference that expands our already healthy surplus in services trade.

Services exports also provide Americans with high-paying jobs. The services that we export create jobs with American creativity and ingenuity, including in the information technology, software, and entertainment industries. The services that we export generate jobs that require entrepreneurship and business smarts in the finance and insurance sectors.

And the services that we export produce jobs that facilitate international commerce, from managing the logistics of tourism and transportation services, to supplying express delivery and warehousing services.

Four Pillars of a Services Trade Agenda

Services trade pulses through our economy, our workforce, and the daily transactions of consumers around the world. But we can do more.

We can do more, because even though services account for nearly 80 percent of the U.S. economy, we export only five percent of our services output. We can do more, because even though our services exports grew over ten percent this year, they remain just one third of America's total exports. And we can do more, because we know that the global middle class that consumes our services exports could triple in size over the next 20 years.

Doing more for our services sector means creating new services industries, new services jobs, and new services opportunities. And for that, we need a new services trade agenda. We need a services trade agenda that plays to our economy's strengths and unlocks its international potential.

I propose a services agenda with four pillars. It is an agenda that embraces our workers. It is an agenda that rethinks our trade tools. It is an agenda that reaffirms our values. And it is an agenda that improves our understanding of our economy.

First, we begin with what matters most — our workers. American service workers understand that global trade is good in the long run. But in some cases trade can disrupt our economy and cost them jobs. When it does, American workers must know that their government stands ready to help them with job retraining, health care, and getting back on the payroll.

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That's why I have drafted legislation for a reformed Trade Adjustment Assistance program that covers all workers — including those in services industries. I thank the Coalition of Service Industries — and may of you in this room — for your support for my TAA bill. I intend to make it law.

Second, with a better TAA in place, we can pursue the services trade liberalization with the greatest commercial potential. This includes trade negotiations in the World Trade Organization. And it includes negotiations with dynamic bilateral trading partners like Korea and Malaysia.

But we must also be more innovative. We must think beyond what we already know. We must think outside our traditional WTO negotiations and our free-trade-agreement box.

This more innovative approach could begin with launching a free trade agreement in services with Japan and the European Union. Other economies could join when they're ready. We should negotiate agreements to break down services barriers regionally, as we currently are with the Pacific Four countries.

Where we cannot negotiate an agreement on all services, we can aim to open clusters of strategic services sectors. In the WTO, for example, we could negotiate agreements that liberalize a cluster of information technology or entertainment services with countries that are ready to do so.

We could also liberalize individual services sectors — like environmental services, insurance services, or professional services — to build momentum. The WTO Financial Services and Basic Telecommunications Agreements provide ready examples of successful individual sector agreements. That model worked. And we should pursue it vigorously.

As we pursue this more-innovative approach, we should not make the perfect the enemy of the good. We should recognize that taking small steps with partner countries can position us to reach our most ambitious standards in the future.

For instance, incremental steps to boost transparency, improve market access, or beef up key investor protections are often better than taking no steps at all. And we can use our projected bilateral investment agreements with Vietnam and China to eventually achieve greater ambitions for services liberalization with these and other dynamic economies.

Third, we must be true to our values. We must find a way to bring the benefits of services trade to the world's less-developed economies. Too often, services trade is viewed as an exclusive opportunity for wealthy nations. Too often, developing countries fear that opening their markets to foreign services industries will leave them with nothing to gain and everything to lose.

Yet shouldn't even those with small incomes have the means to store their wealth and make it grow? Shouldn't even those with few possessions have access to services to insure them? Rather than losing, developing countries have everything to win by accessing services that secure, compound, and insure wealth. And services can help buffer fragile economies from external economic shocks.

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We should work together to build developing countries' confidence in services opportunities. And we should work together to develop their capacity to participate in the global services economy.

Fourth, to build a stronger and more competitive services economy, we need a stronger grasp of the realities of that economy. And that begins with better data. America's services sector may be second to none, but our services export data are too general and too infrequent. We need better data to show which services exports are growing, where services companies are exporting, and what kinds of jobs they are creating.

Last year, to remedy this problem, I authored and Congress passed an amendment to the America COMPETES Act that required the Department of Commerce to report on improving services data collection. I was disappointed when the Commerce Department reported back that they were not up to the task. But I remain committed to finding a way forward that improves our understanding of our services exports, so that we can find the best path to the future.

Conclusion

I began this speech with a story of one woman in Japan. I began with her day, because I wanted to show that she was part of something bigger, something more important than just herself.

A new services agenda is also part of something bigger and more important than just itself. Our services agenda is part of our larger export economy and our workers' prosperity. It is part of our economic recovery and part of America's future.

The only way to achieve that future is to wake up every day and work at it. I promise that I will do just that. And I hope that you will too.

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