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PUBLISHED: MAY 29, 2013

International Trade in Services Agreement Signals Major Changes in Services Trade

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The United States and 21 other countries are in the process of negotiating a treaty that will dramatically change the rules for companies engaged in international trade in services. The International Trade in Services Agreement, which the U.S. Chamber of Commerce called the "most exciting and consequential proposal in trade policy in years," will have a major effect on a number of service providers, including accounting firms, banks, insurance companies and transportation-related companies (freight-forwarders and customs brokers). It will also influence retail and distribution companies, information technology companies and energy service providers. Given the broad scope of the proposed agreement and its anticipated impact on trade, economic growth and job creation, the initiative has gained strong support in the international and business communities.

Who Is Involved?

The initial trading partners, representing two thirds of the global trade in services, are Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU (on behalf of 27 member states), Hong Kong, Iceland, Israel, Japan, Korea, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States. The diversity of the partner nations emphasizes the benefits that this agreement promises to confer on developed and developing nations alike. There also is a strong incentive for others to join, as benefits of membership will only be conferred on those members who agree to the commitments and disciplines of the agreement.

Why Is It Necessary?

An open and transparent trade environment promotes economic growth and job creation, especially in the United States, where every $1 billion in U.S. services exports support an estimated 4,000 jobs in this country. Although the United States is the world's largest exporter of services, the full potential of U.S. services exports remains unrealized because of various barriers to trade in services. These barriers include bans, quotas, burdensome licensing standards, competition from state-owned enterprises, discriminatory access to distribution networks, and foreign ownership caps, among others. An International Trade in Services Agreement will eliminate or reduce these barriers, allowing trade in services to increase significantly.

What Are The Benefits?

The International Trade in Services Agreement will enhance competition and investment in the service trade while eliminating trade barriers and ensuring greater regulatory transparency. Companies engaged in trade in services will benefit from improvements in four key areas:

Market access

National treatment

Regulatory coherence

Cross-border data flows

Specific reforms may include establishing the right of companies to provide cross-border services without a commercial presence, eliminating burdensome licensing and approval requirements, limiting state-owned enterprises, and facilitating e-commerce by ensuring that electronic data can be moved across borders securely and efficiently. An ideal agreement will also be flexible enough to accommodate future technological advances.

Timing

The United States Trade Representative (USTR) advises that this agreement is moving forward quickly, considering that the United States is working with like-minded trading partners and using the existing General Agreement on Trade in Services (GATS) as a model. The initial round of negotiations concluded in April. USTR anticipates a second round to be completed by late June, with further talks scheduled for September 2013.

Contact Information

For more information, please contact your Husch Blackwell attorney or Robert Stang at 202.378.2334.

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