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Chairman Brady, Ranking Member McDermott, Members of the Committee, I very much appreciate the invitation to speak before the Committee today. My focus will be on our efforts to develop a new International Services Agreement, but I want to take a moment to frame these efforts with a brief assessment of the state-of-play in the World Trade Organization.

Quite frankly, the WTO is an institution at a crossroads. After more than a decade of unsuccessful negotiations in the Doha Round, the collective membership finally acknowledged last December that the Doha Round is at impasse. This situation has resulted in a fair amount of hand-wringing and doomsday predictions in Geneva. But our view is that the WTO can't fix its problems without first acknowledging them.

What's more, our successful effort to "turn the page" on Doha is creating important new opportunities. It has provided a useful reminder of non-Doha aspects of the institution. It has also challenged us to learn from our collective mistakes in the Doha negotiation and craft more constructive and productive pathways forward.

Already, only eight months after the 8th Ministerial Conference where members emphasized the need for new approaches, there's a marked new energy in Geneva. Technical negotiations on a multilateral trade facilitation agreement are advancing. Preparations are underway to expand the product coverage of the Information Technology Agreement, or ITA, and are picking up steam. We also are working to address development concerns. Just before the summer break, the US contributed to work in completing a new set of guidelines streamlining the WTO accession process for least developed countries. Beyond this work, Members are continuing quiet discussions on how to deal with the more intractable issues.

The United States is committed to the WTO and wants to make it work more effectively in the interests of all Members. This includes using the WTO General Council and Committee system to raise issues that we consider to be important, such as trade protectionist measures. We want to encourage healthy debate and, where possible, explore the potential for the negotiation of new trade opportunities.

At the end of the day, all of these efforts are part of the President's goal of doubling US exports and creating new jobs for America's farmers, ranchers, workers, companies, and entrepreneurs.

As we look to new pathways in Geneva, our new work this year on services is particularly promising.

Over the past several months we have been working with a group of like-minded WTO members to explore ways forward. This group, with the admittedly bad name of the "Really Good Friends of Services" or RGF, first got together in the early years of the Doha Round as a means for those Members with a strong interest in services trade to coordinate efforts. Since then, the RGF membership has increased and the group has been instrumental in providing leadership on DDA Services as well as WTO services generally.

A hallmark to the RGF is its diversity. The group includes a mix of developed and developing countries that substantially reflects a cross-section of the interests of the WTO as a whole. Above all, the RGF discussion has been motivated by the conviction that opening up services markets is a critical factor in supporting economic development, not just for each Member, but globally. Services provide both the infrastructure and the lubricant that makes the global economic system work. Many services are key infrastructure industries: Information and communications, financial services, distribution and logistics, energy and environmental services – networks that are essential for all economic activity. Similarly, professional services like legal and accounting services play an important role in enabling markets to function.

With the continued stalemate of the WTO negotiations, the RGF was a natural place to turn to develop new pathways to global services trade.

The genesis of the ISA – International Services Agreement - lies in our hard-nosed assessment that we simply will not be able to make real progress on services trade liberalization any time soon under existing WTO frameworks. The positions of the major players are too firmly entrenched, and too closely tied to a web of other issues.

Meanwhile, we hear the frustration from stakeholders who are understandably fed up with the lack of progress. The world has changed and our rules need to catch up. To take but one example, Internet usage is 500-times greater now than when the Doha Round was launched in 2001, bringing with it a multitude of new issues related to cross-border trade, such as policies that affect data flows and storage. Our stakeholders want us to get to work in addressing these and a host of other issues.

Faced with a choice between doing nothing or trying something different, we have begun to explore the feasibility of using a new multiparty services trade agreement to lay the pathway to further global services liberalization.

The most logical place for us to start was to look at the more than 100 services agreements that have been notified to the WTO in the 18 years since the General Agreement on Trade in Services (GATS) entered into effect, an exercise that we have conducted over the past eight months. Indeed, many of these agreements achieve a much higher standard for market access and incorporate new or improved rules to address real-world problems.

We believe it is time for forward-thinking WTO members to consolidate these improvements and lay the foundation for extending them to the multilateral system. The first step in achieving our vision is to bring the achievements of these varied agreements under a single umbrella, the ISA. Like existing U.S. FTAs, the agreement would encompass all service sectors and modes of supply and impose a high standard for liberalization. The agreement also would provide a new platform where we could work to build a stronger international consensus on new and improved rules to address new issues.

The potential benefits are compelling. By moving to a multiparty agreement that reaches across geographic regions, we would create a stepping stone from the web of bilateral and regional deals back toward the multilateral trading system. By establishing high standards for market access, we can influence the norms of international practice. By developing new provisions, we can provide leadership to the global trading system.

In addition to these systemic benefits, the ISA also offers the potential to strengthen our economic relationships with the other participants. In just six months, the RGF group has grown from 16 members to 20 with the addition of Peru, Costa Rica, Israel, Turkey, and just this week Panama.[1] The United States currently has FTAs with only 10 of the 20 members.[2] The ISA therefore offers a venue to work on deeper services integration with partners as diverse as Japan, Taiwan, Israel, Pakistan, and Turkey.

Progress to date has been encouraging. We have reached agreement on a core set of objectives, and agreed to intensify our efforts this fall. Our next step is for the group to develop more specific negotiating parameters so that each participant can conduct the domestic consultations necessary in order to decide how to proceed.

While we are pleased by early signs of progress, it is important to keep in mind that with a group of 20 participants with varied interests, there are likely to be differences of opinion. As we intensify our discussions, these differences may become more pronounced and some members may even choose to reduce their engagement. This would be a natural and healthy part of any negotiating process that should be embraced rather than feared.

As for timing, we do not have a hard deadline, but would like to see things move forward as quickly as possible. We are planning to have monthly meetings from September through December. Throughout this process, the Administration will continue to consult closely with Congress and stakeholders to develop and refine U.S. objectives. We appreciate this hearing as a part of that process, and look forward to the conversation today.

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[1] The 20 participants are: Australia, Canada, Chile, Colombia, Costa Rica, European Union, Hong Kong, Israel, Japan, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Korea, Switzerland, Taiwan, Turkey, and United States of America.

[2] The 10 with which the United States does <u>not</u> have an FTA are: European Union, Hong Kong, Israel, Japan, New Zealand, Norway, Pakistan, Switzerland, Taiwan, and Turkey.