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House Ways & Means Committee
Hearing on President Obama's Trade Policy Agenda
February 23, 2011

GE is the world's largest diversified infrastructure company. Marrying technological innovation with world-class talent, we seek to tackle this generation's biggest challenges – supplying the world with sustainable energy, affordable healthcare, efficient transportation and accessible finance. In so doing, we directly employ more than 133,000 people throughout the United States, and support thousands of additional jobs through our suppliers.

International markets are vital to our company and its U.S. operations. GE today operates in more than 100 countries. Last year, more than 55% of the company's revenues derived from overseas sales. Just as examples: more than 70% of the commercial aircraft engines shipped from our Evendale, Ohio facility were destined for international markets, as were more than 80% of the gas turbines manufactured in our Greenville, South Carolina plant. Simply stated: international markets make U.S. a stronger American company and support hundreds of thousands of U.S. jobs.

The importance of international markets to our company will only increase over time. With 95% of the world's consumers outside the U.S. and the dramatic growth of markets in Asia, Latin America, the Middle East and Africa, we believe that an increasing percentage of GE's U.S. operations will be tied in some form or another to international markets.

GE's success in these markets will be based on a number of factors. One important factor is how effectively our company organizes and engages in these markets. To that end, we have recently announced a broad reorganization of our international operations to make us a more effective company globally. A second factor is U.S. government policies that underlie and enable U.S. competitiveness broadly – including in areas like education, infrastructure, and tax policy. A third factor – the focus of today's hearing – is U.S. trade policy.

U.S. trade policy is critically important to companies like GE. We believe that effective trade policy has at least three elements: (1) an active and sustained international campaign to open markets and remedy trade distortions; (2) a competitive program to promote and support American exports; and (3) development policy that prioritizes building and sustaining open and transparent international markets.

Open Markets

GE sees market-liberalizing agreements, whether bilateral, multilateral or regional, as important tools to create economic opportunities that benefit U.S. companies and American workers. [1] The U.S. succeeds when markets are open to our products, and we need to seize opportunities for increased trade liberalization. We applaud the Administration's decision to submit the Korea-U.S. (KORUS) Free Trade Agreement to Congress for its approval. This one FTA alone will help create an estimated 72,000 jobs, while failure to enact it could result in the loss of 345,000 U.S. jobs. [2] We similarly would urge that the Colombia and Panama FTAs be promptly submitted and approved as well. Both are markets that are growing in importance in Latin America and it is important that we move those agreements forward.

We also applaud the Administration's decision to continue the Trans-Pacific Partnership negotiations. This agreement, together with KORUS, will help demonstrate America's commitment to and leadership in Asia, a region where multiple preferential trade agreements have been concluded without the United States.

Nor can the United States' efforts to open markets abroad rest with the TPP. We strongly urge prompt pursuit of additional free trade agreements, including, importantly, a zero tariff arrangement with the EU. We also urge plurilateral sectoral agreements, starting with environmental goods and services and healthcare products and services.

Additionally, we urge the Administration to look hard at what specific commitments are encompassed in the TPP and other trade initiatives going forward. In particular, we believe that any 21st Century trade agreement <u>must</u> discipline (i) the market-distorting challenges posed by state-owned and state-influenced entities, which play an increasingly important role in global commerce, (ii) initiatives to condition market access on forced transfer of technology, (iii) the growth of requirements conditioning market access (including access to government procurement markets) on localization of production; (iv) the use of product and service standards to undermine

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[1] <u>See</u>, <u>e.g</u>., "The Benefits of Trade Liberalization," (Business Roundtable) ("The benefits of liberalized trade are apparent from our past trade agreements. The North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) agreements increased U.S. gross domestic product (GDP) by $40 billion to $60 billion a year. When that is combined with lower prices on imported products, the average American family gained $1,000 to $1,300 a year from these two agreements.")

[2] Laura M. Baughman & Joseph F. Francois, <u>Failure to Implement the U.S.-Korea Free Trade Agreement: The Cost for American Workers and Companies</u>, (Nov. 2009).

market access, and (v) doing-business challenges posed by weak transparency and rule-of-law.

While we continue to pursue bilateral and regional liberalization, we must also work to continue to strengthen the multilateral trading system. Most immediately, we need to bring Russia into the WTO. As the largest economy outside the WTO, Russia's accession will be an important affirmation of the importance of the multilateral trading system, and will also help to enhance market access, increase regulatory transparency, and strengthen rule of law in this growing economy.

There still remains time — and sufficient prospects — to move the Doha Round forward this year. As strong believers in the importance of a robust multilateral trading system, GE is concerned about the failure to bring the Doha Round to conclusion after more than 10 years of negotiations. That said, we believe strongly that any multilateral trade deal – particularly one that has taken this long to conclude – must offer real trade-enhancing benefits.

While we press forward to negotiate new market-opening agreements bilaterally, regionally and multilaterally, we need to continue to resist protectionism at home and abroad. Domestically, we need to resist the temptation to resort to initiatives, like "Buy America" government procurement restrictions, which invite similar measures around the world, diminish our status and credibility as an advocate for free trade, and erode our competitiveness. Internationally, we must ensure that our current trade agreements are being implemented by our trading partners and act to enforce them when we see violations occurring. We need to insure a level playing field where trade laws and intellectual property rights are respected globally.

Trade Promotion and Finance

The President's goal of doubling exports over the next five years is commendable. We have done that at GE over the past five years, doubling exports from $8 billion in 2004 to $18 billion in 2009. The President's goal is an important call to arms to the American public and private sectors to focus on the importance of engagement in international markets. While doubling U.S. exports will require a change in mindsets – *thinking* of ourselves as an internationally-focused economy – it also requires reform of the government programs that support and govern U.S. exports. In 2009, U.S. exports supported 8.5 million U.S. jobs.[3]

As a start, we need to greatly expand and modernize U.S. export finance. Financing is increasingly the determinant of international competition, particularly with respect to major infrastructure projects. Many of our international competitors –

[3] Report to the President on the National Export Initiative, September 2010

whether state-owned enterprises or private sector – bring sovereign-backed financing from their governments to the table. Canada's export credit agency has a budget four times that of our Export Import Bank, with a population that is one-tenth our size. Japan's export financing is almost seven times the size of Ex-Im with a population that is one-third. It is also important to refocus the mandate of the Overseas Private Investment Corporation (OPIC) and expand the U.S. Trade and Development Agency (USTDA), two small agencies that provide vital support to our companies as we compete globally.

U.S. export finance institutions not only need to be better resourced, they need to be free of restrictions that unnecessarily restrict the effectiveness of export finance, especially versus global competitors. High U.S. content requirements, outdated cargo preference requirements, and other regulatory restrictions bog down U.S. export support agencies and render them far less nimble and competitive than their global counterparts. The result, of course, is fewer U.S. exports and fewer U.S. jobs. While large companies like GE have resources to navigate the complex maze of U.S. export finance – and other alternatives where ExIm financing is not available – small and medium-sized enterprises are particularly adversely affected by these weaknesses. ExIm Bank financing alone helped support 200,000 jobs in 2009.[4]

The U.S. also needs to dramatically scale-up its export promotion. We need to put American exporters at the forefront of our diplomacy. Chancellor Merkel has led four trade missions to China in the past five years, bringing German business leaders for face-to-face meetings with China's rulers and helping to secure billions in contracts for German companies and their workers. We should enhance commercial advocacy through the Commerce and State Departments, and at senior levels of government and in our embassies. Relative to the size of our economies, Germany's government invests twice as much as the United States on export promotion. We should particularly focus on enhancing USG export promotion resources in the fastest growing, emerging markets. Support for our exporters also includes simple things like leadership on technical standards. The international arms of U.S. technical agencies, like the Departments of Transportation and Energy, need to be better resourced and more involved in the export advocacy game, working with developing countries and international institutions to develop standards and regulations that work for U.S. companies.

Finally, support for exports includes removing self-imposed obstacles. We support the Administration's effort to modernize our export control regime and focus on key, truly sensitive technologies, decontrolling technology that is widely available or no longer sensitive. We need to revise our customs laws to enhance efficiency and revamp our visa programs to keep pace with the way businesses need to move around

[4] Ibid.

employees, partners and customers. We should also create a fast-track program to allow timely issuance of visas to commercial visitors

Development Policy

For too long, development policy has been divorced from trade policy. Integrating our international development efforts with our trade policies will make both stronger. A more trade-focused development policy will help countries in the bottom quarter of the world economy climb up the ladder, by bringing them into the global trading system. Raising these countries out of poverty will not only go a long way towards promoting our national security, but as those countries develop, they will become bigger consumers of U.S. products, ranging from consumer products to infrastructure.

As a start, we need to renew, reform and expand programs like the Generalized System of Preferences, the Andean Trade Preferences Act and the African Growth and Opportunity Act, which provide limited duty free access to the U.S. market for less developed countries. We should supplement these trade preference programs with targeted aid that builds their institutional capacity. For the most part, these countries are selling products that do not compete with products produced in America.

Second, we need to update our aid agencies to work effectively with American business so that we will get greater development impact from our limited aid dollars. We need our companies to bring their resources, expertise and know-how to the developing world. When American companies invest overseas we bring with us our world class training programs, ethical business practices, technical expertise, and management, labor and environmental practices. Most importantly we bring economic opportunity. Aid agencies need to provide capacity building that facilitates and promotes investment by U.S. companies. It is only by working together and integrating economic development and trade that we will be successful in creating jobs, both in the United States and overseas and promoting global growth.

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In closing, we appreciate the opportunity to offer this written testimony before the House Ways & Means Committee and commend it for convening this hearing on this important topic. GE stands ready to work with the Committee and with the Executive Branch to design and implement a trade policy that works for the 21st Century.