

**TESTIMONY OF THE GENERAL ELECTRIC COMPANY
BEFORE THE UNITED STATES INTERNATIONAL TRADE COMMISSION
REGARDING THE TRANS-PACIFIC PARTNERSHIP (INVESTIGATION NO. TPA-105-001)**

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Madam Chairman, Members of the Commission:

On behalf of the General Electric Company ("GE"), I am pleased to testify today in support of the Trans-Pacific Partnership ("TPP") and share GE's perspective on why approval of this agreement is important to GE, our employees and our investors.

Free Trade Matters

From our founding 140 years ago by Thomas Edison, GE has been at the forefront of innovation. From the first incandescent lightbulb to the first voice radio broadcast, from jet engines to x-ray machines, and now to the Industrial Internet, GE has sought to innovate solutions to the world's most pressing problems—including the need for reliable energy, clean water, affordable healthcare, and safe transportation.

While founded in the United States and always proud of our American roots, it will come as no surprise that, as a company seeking to address the world's most pressing problems, GE has worked globally almost since our inception. Or that we have been among the most consistent advocates of free trade and open markets for more than 100 years.

However, never has engagement abroad been more important to our company than it is today.

Global markets are increasingly important to GE. GE is currently active in more than 130 countries. More than half of our \$148.6 billion in 2014 revenues came from foreign sales and we exported \$20.6 billion from the U.S. in 2015. Free trade agreements ("FTAs") have been important contributors to GE's success globally. Like many other American companies, our revenues in FTA partner countries exceed their share of global GDP and help support thousands of American jobs, such as those in our jet-engine facility in Ohio, our gas-turbine facility in South Carolina, our healthcare facility in Wisconsin, as well as the hundreds of small- and medium-sized enterprises ("SMEs") that supply us from every state of the union.

But access to markets is only part of the story. For GE, competing globally also means being able to service our products, source inputs globally, finance our customers, innovate across borders, and help our customers improve their efficiency by analyzing the data derived from their installed base. To this end, the ability to move people, capital, technology, and data are also critical elements of global competitiveness.

Innovative TPP Provisions

GE applauds that TPP will deepen economic ties among its diverse members by lowering tariff and nontariff barriers to the trade of goods and services, enabling investment flows, enhancing transparency, and promoting harmonization across a range of policy and regulatory issues.

The elimination of tariffs will ensure a level playing field between the United States and the other TPP parties. With our portfolio of energy-efficient products, GE is particularly pleased that duties for the Asia-Pacific Economic Cooperation's list of environmental products will go to zero upon the implementation of TPP. In addition to lowering the cost of end-products, the elimination of import duties will enable the company to save \$33 million annually on sourcing imports into the United States, further enhancing GE's export competitiveness.

The reduction of tariffs, however, represents only one benefit. A number of innovative provisions in TPP address substantial new challenges in global commerce.

First, the **free flow of data** enshrined in TPP is meaningful for GE, the world's premier "digital industrial" company sitting at the juncture of "big machines" and "big data." Most of GE's equipment now rely on the ability to transfer, process or store information across borders — enabling efficiency-enhancing services such as on-wing monitoring of aircraft engines or remote monitoring of power plants — and we anticipate a significant rise in digital trade in the near future as the Industrial Internet becomes increasingly mainstream. The commitments in the Electronic Commerce chapter on the free transfer of information by electronic means across TPP territory, a legal framework to protect personal information of users of electronic commerce, and the prohibition of forced localization of data all represent an important step forward in the liberalization of digital trade.

Second, the agreement establishes pioneering rules for commercial activity involving **state-owned enterprises** ("SOEs"). Such measures include mandates for TPP countries to provide their courts with jurisdiction over commercial activities of foreign SOEs and to refrain from providing non-commercial assistance to SOEs that have "adverse effects" on another TPP party's domestic industry. This helps address the risk that unfair foreign-government backed financing or favorable procurement can tilt the playing field against privately owned companies.

Third, the Government Procurement chapter establishes valuable rules for **procurement**. Unfair government procurement processes can significantly undermine market access for infrastructure companies like GE, whose clients are often governments or government-controlled companies, such as airlines and utilities. For instance, in certain TPP countries, ambiguous procurement guidelines can effectively prevent US companies from bidding. The TPP's requirement of transparent and timely publication of tenders, assurance that technical specifications focus on performance and functional requirements rather than descriptive characteristics like a particular design, and requirement that tenders be treated fairly, impartially and confidentially, will help level the playing field.

Fourth, TPP enhances American businesses' ability to compete in foreign markets by creating ground rules that protect **trade secrets**. Trade secrets are the most valuable assets for many manufacturing companies today, and can be compromised by government efforts to force trade-secret disclosure as a condition of market access. The Intellectual Property chapter adopts new language requiring TPP parties to provide for the legal means to prevent misappropriation of trade secrets, including by SOEs. It also requires TPP parties to establish criminal procedures and penalties for trade-secret theft, including by means of cyber-theft, and contains stronger enforcement provisions to both physical and digital products.

Fifth, **harmonized regulations** are important to facilitating exports of manufactured goods. This is particularly important in novel product areas where countries are developing new standards, such as

electricity smart grids. TPP's Regulatory Coherence chapter promotes mechanisms for interagency consultation and coordination, as well as a core set of good regulatory practices that other parties are encouraged to implement.

Long-Lasting TPP Benefits

The TPP area is already an important growth region for GE. GE turbines are fueling the Phu My power plant in Vietnam; GE jet engines are powering aircraft operated by Malaysia's AirAsia and Chile's LAN Airlines; and GE water equipment and chemicals are helping clean the water in Peru, Chile, Singapore, and Australia. Our company's revenues from the TPP countries in 2013 were \$21.5 billion and we estimate that TPP can lead to potential revenue gains of 4.4% annually in those markets, ultimately benefitting our industrial businesses in excess of \$500 million on a yearly basis.

Although the U.S. already has FTAs with many parties in TPP including Australia, Canada, Chile, and Mexico, TPP crucially opens up Japan — the world's third-biggest economy and the U.S.'s fourth-largest export and import market in 2013 — and provides new disciplines and protections, as detailed above.

But it's not just large companies that will benefit from TPP. GE's success in the international market supports SMEs as well. Almost half the costs of all goods that GE sells come from buying materials from suppliers, thereby connecting SMEs with new customers around the world. For example, 24 states contribute to one GE 9FA gas turbine and GE purchases \$1.4 million in parts from SMEs for every 9FA produced. Put simply, GE's international sales support smaller companies throughout our supply chain.

TPP will also provide the opportunity to reinvigorate global commerce by setting new standards and rules—and then implementing them in the highly dynamic Pacific Rim region. Trade agreements that reduce tariffs inspire freer-market policies, and for many countries they are instruments for much-needed and positive structural economic changes. With an increasing number of regional trade agreements in Asian countries being implemented, such as the Regional Comprehensive Economic Partnership, TPP is an opportunity for the United States to demonstrate leadership in this critical region.

Thank you for your time and attention and I look forward to your questions.