

President's Export Council – Draft Final Report

not yet approved by the entire Council

Executive Summary

The growth of US trade since 2001 has been remarkable: imports grew 72 percent to more than \$2.3 trillion while exports grew 63 percent to top \$1.6 trillion. At current rates, 2008 will likely see exports hit \$1.8 trillion and imports \$2.5 trillion. This means that almost one-third of the \$14-trillion US economy is directly dependent on trade.

The ability of the United States and its 300 million citizens to prosper cannot be separated from this country's capacity to engage – and engage successfully – in international commerce. The recognition of the inextricable link between trade and economic prosperity has been the guiding force of the President's Export Council over the past eight years.

As it worked to carry out its chartered duties to “advise the President on matters relating to U.S. export trade and report to the President on its activities, and on its recommendations for expanding U.S. exports,” the PEC remains acutely aware that the US trade deficit has grown by nearly 50 percent since 2001. This stubborn and unsustainable deficit is the result of many factors, both foreign and domestic. In seeking strategies to overcoming this challenge, we believe strongly that the United States must remain committed to a leadership role in an open, rules-based global trading system. There is no putting the genie of global economic integration back in the bottle.

Global economic integration does not come without challenges, but America's story is one of overcoming challenges of all sorts, including economic ones. A great nation does not fear global competition, and we can surely rise to these new challenges. The PEC believes that, with leadership and commitment, no one else in the world is better positioned than the United States to benefit from globalization.

Priorities. The PEC's priorities are rooted in a long-term view of the central role trade and exports play in our economic well-being. But the PEC was also cognizant of the ebb and flow of policy and many of its letters of recommendation were intended to influence current issues at critical junctures. Whether offering recommendations for APEC summits, Doha Round ministerials or key bilateral trade negotiations with Korea, India and Russia, the PEC sought to strengthen the hands of US negotiators through strong expressions of US commitment. Many of the PEC's recommendations were also aimed at broader, less time-sensitive matters such as corporate stewardship, the health of US capital markets, immigration, worldwide sourcing, sanctions and others.

Achievements. The PEC produced 40 letters of recommendation that were sent to the president's desk. While substantial, the real importance of this output is not the quantity but its quality. The administration recognized the importance of the PEC's work in its

letter expressing its appreciation for PEC members' guidance. Twice PEC members accompanied the Secretary of Commerce on overseas fact-finding missions, to China in June 2004 and Ukraine and Russia in June 2008. These ground-breaking trips helped inform the PEC's deliberations as well as signal US business' interest in those emerging markets.

Making possible the overall successes of the PEC were the efforts of the PEC's constituent subcommittees. The subcommittees identified the issues, crafted the letters of recommendation to obtain consensus, and shepherded them through the approval process. The work of these subcommittees and their chairs was substantial –

- **The Services Subcommittee** focused its efforts on advocacy of a structural and policy framework that recognizes the important place services occupy in today's globally integrated economy. Services comprise more than 80 percent of US private-sector GDP and cross-border trade in services accounts for more than 22 percent of world trade—more than one trillion dollars annually. Services, the subcommittee noted, “are the fuel of the international economic engine.”
- **The Technology and Competitiveness Subcommittee** approached its activities from a broad, systemic perspective. Technology and competitiveness begins with the spark of human genius that must be nurtured and the output of that genius requires a fertile environment to thrive. Immigration, education, intellectual property, standards and more technology-specific concerns (e.g., RFID technology) were the major focal points of this Subcommittee's work.
- **The Trade Promotion and Negotiations Subcommittee** addressed the range of trade promotion and liberalization efforts under way, including actions within the United States and bilaterally, plurilaterally and multilaterally. Despite a political environment in which trade frequently became a polarizing political issue, the subcommittee nevertheless worked diligently to advance the rules-based international trading system that enables American business to compete and succeed in markets around the world.
- **The Corporate Stewardship Subcommittee** worked to document the important role that US corporate stewardship plays around the world in spreading American values as well as boosting our trade. The subcommittee's report, *The Power to Help: US Businesses Creating a Better Tomorrow*, chronicled how US companies practice corporate stewardship by making sustained commitments to economic, community and social progress wherever they operate.
- **The PEC Subcommittee on Export Administration (PECSEA)**, which is separately chartered and administered by the Bureau of Industry and Security at the Department of Commerce, also played a substantial role in shaping US export controls policy in a post-Cold War/post-9/11 environment.

Recommendations. The range of PEC recommendations can be found in the individual subcommittee reports. One issue, however, stands out as a focus of this PEC's efforts: immigration and visa policy. All the PEC subcommittees addressed the visa/immigration issue in one way or another during this PEC's tenure. The Trade Promotion and Negotiations Subcommittee cited the importance of immigration reform in maintaining an educated and highly skilled workforce necessary for 21st Century US Competitiveness. The Services Subcommittee pointed out the importance of the trade and travel sectors, which rely heavily on travel to the United States by foreign visitors whether for business or for tourism. The Technology and Competitiveness Subcommittee noted that American business "knows that it can't sell what people can't see or touch" and urged a more balanced approach to visa facilitation and management. The PECSEA observed that traditional oversight and compliance programs regarding non-US technical personnel were often incompatible with the realities of global technology development and business flows.

Although many of the PEC's recommendations on this topic have been adopted or taken under advisement, PEC members believe there is much more to be done in this area. This PEC believes that immigration and visa policy will be an issue for the next president's PEC.

Another piece of unfinished business for the next PEC's consideration is trade promotion authority, or TPA. TPA lapsed in July 2007, and with it went the best chance for US trade negotiators to break down trade barriers to US goods and services. Several bilateral trade deals under way were left in limbo and the WTO Doha negotiations were certainly not helped by the US action. Going forward, it is clear that the Congress must be a ready, willing and fully engaged partner in crafting US trade policy. But the ability of the executive branch to negotiate in good faith with our trading partners requires TPA. Balance is essential. We recommend the next administration and next PEC to consider TPA a priority item on their agenda.

Lastly, the PEC recommends to the next administration that it repeat, and ideally institutionalize, the compilation of American business's corporate stewardship programs. Members of this PEC feel strongly that our report, *The Power to Help: U.S. Businesses Creating a Better Tomorrow*, captured an important aspect of the U.S. business community that is often overlooked and under-appreciated. As Commerce Secretary Don Evans noted, "a company's real value is the contribution it makes to the lives of all its stakeholders – including its community and its nation." This compilation represented only a small sampling of the myriad contributions made by the U.S. business community, ranging from daily practices, to specialized programs, to the generosity of spirit exhibited most recently in response to the devastating earthquake in China in May 2008 and other disasters.

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Subcommittee on Services

I. Introduction

The services industry is a key component of the overall U.S. economy, and is comprised of financial services, entertainment, e-commerce, travel and tourism, express delivery, and a host of other seemingly disparate businesses. They enable commerce to be funded, delivered, shared, stored, packaged, promoted, and protected. More than 80 percent of the nation's private sector GDP is comprised of services, where the U.S. enjoys a significant comparative advantage. Cross-border trade in services accounts for more than 22 percent of world trade—more than one trillion dollars annually. During the 1990s, U.S. exports of services more than doubled. Moreover, services are the fuel of the international economic engine; they provide the critical infrastructure for trade in goods.

II. Goals

The Subcommittee was established to review issues that generally affect the U.S. services industry. The objective of this Subcommittee was to respond to the immediate and specific policy issues that influence the services industry and after careful review, provide recommendations to the Administration. The Subcommittee seeks to build strong public-private partnerships in addressing problems and implementing solutions.

III. Accomplishments

Through this Administration, the Subcommittee presented a total of 11 letters to the President, each focused on a specific policy issue facing the services industry. The following is a summary of those letters:

Services Liberalization (October 1, 2003). The creation of the General Agreement on Trade in Services (GATS) in the Uruguay Round of trade negotiations was an essential first step in the effort to foster competitive opportunities for services in the global marketplace. Unfortunately, the commitments to liberalize services trade made by most countries in the Uruguay Round were extremely modest. Accordingly, we must seek significantly expanded commitments throughout all service sectors from our trading partners in bilateral FTAs, the FTAA and the Doha Round. As the most competitive services exporter, the United States has the most to gain from true liberalization of services trade. Achieving significant expansion of world markets in services will not only directly benefit U.S. export performance, but it will also act as a much-needed engine to propel world economic growth.

Worldwide Sourcing (May 3, 2004). The tendency to attribute slow recovery in the U.S. job market to employers who engage in worldwide sourcing of products and services has led to a proliferation of legislative proposals that would restrict how employers make everyday business decisions. The Council believes that such efforts to restrict worldwide sourcing would be seriously damaging to the U.S. These proposals reflect a fundamental misunderstanding of the benefits of worldwide sourcing and distract our nation's leaders from pursuing policies that will, in fact, create jobs and strengthen the U.S. economy's global competitiveness.

The PEC advised that the Administration redouble its efforts to seek meaningful and substantial gains in market access for U.S. goods and services as part of its multilateral and bilateral trade agenda. The Council also recommended additional efforts in encouraging U.S. job growth through worker education and training. In addition, the Council stressed the importance of ensuring that government is not creating any disincentives for generating jobs at home, including tax and other policies that encourage firms to locate jobs overseas.

Security in Trade and Travel (September 29, 2004). The post-9/11 security paradigm touches virtually every corner of the U.S. economy. Most directly impacted are those industries that depend heavily on the flow of people and goods in to and out of the United States—the trade and travel sectors. Accounting for at least half of the 36 sectors tracked by Wall Street analysts, trade and travel together employ 97 million Americans in all 50 states, generate \$128 billion in taxes, fuel 66 percent of the nation's GDP growth, and move almost \$1 trillion worth of U.S. exports around the world each year. The Council emphasized the need for balance when making security decisions so that the impact on the free flow of goods and people, and consequently the U.S. economy, is fully understood before security procedures are implemented.

Statistical Data on Services (May 25, 2005). The U.S. Bureau of Economic Analysis (BEA), the Census Bureau, and the Bureau of Labor Statistics (BLS) have dramatically improved their data collection in recent years. However, as the global engagement of U.S. services companies continue to expand, more resources are required to improve these agencies' collection and analysis of services data. Improved data collection will be helpful to analyze the effects of U.S. trade policy and policies of our trade partners. Better statistical data on services will ensure that U.S. trade negotiators are better equipped to achieve meaningful results.

Monopoly Suppliers of Services (December 6, 2005). Many practices by monopolies authorized or established by foreign governments distort competition abroad, limit full and free market access, and create trade barriers by using monopoly status and other advantages to compete unfairly in areas open to private competition. These monopolies are usually found in major services sectors that underpin the economy as a whole, such as telecommunications, health services, energy, postal, financial services and transportation.

By using their monopoly position and financial resources, these suppliers can extend their market power beyond the major services sectors that they may properly control and disable fair competition with and access to private suppliers. U.S. services industries face potential monopoly abuse when they seek to operate in foreign countries. This abuse greatly undercuts the value of the market access commitments that the Administration strives to achieve in trade agreements.

Visa Acquisition (December 6, 2005). The U.S. visa-acquisition process was, and continues to be, a major concern for the American business community. The easy and reliable movement of goods and people—always with due regard for national security and public safety—is essential to our ability to compete, grow and deliver gains for the U.S. economy and its citizens.

American visa policy should not deter the continued flow of innovative brain power that has historically been the core of our economic engine, as well as tourists who visit with disproportionately higher spend rates. The economy's future greatly depends on the relative reservoir of intellectual capital. This is a critical issue because other nations are vying for these very same individuals, some of whom will eventually become key innovators driving the economy's continued growth.

Review of the National Strategy for Pandemic Influenza Implementation (July 19, 2006). The PEC believes that the Administration's National Strategy for Pandemic Influenza is just the beginning of a comprehensive and clear set of criteria that must be constructed, completed, and communicated prior to a potential crisis. The additional time and effort we expend now will not only enhance the safety of the American people but will also ensure that critical commerce continues, despite potential interruptions to the global manufacturing, services, and supply chain systems. Central direction from top federal leadership may help reduce the fear caused by a potential crisis.

The PEC suggested specific recommendations to address four potentially major issues during a pandemic. These issues included: import/export movement, critical business infrastructure for pandemic response, the role of critical infrastructure, and securing the safety of Americans overseas.

Western Hemisphere Travel Initiative (January 18, 2007). The PEC expressed concern for a lack of both resources and a sense of urgency that could lead to a weakening of our nation's economy as an unintended consequence of efforts to improve screening at our borders in implementing the Western Hemisphere Travel Initiative (WHTI). Without effective implementation and communication, the WHTI could have a serious negative impact on legitimate commerce and tourism as well as on our diplomatic relationships with our two largest trading partners: Canada and Mexico.

The WHTI will impact cross-border trade by affecting the free flow of people and goods. Many of the border infrastructures between Canada, Mexico, and the United

States already are approaching maximum capacity and represent a potentially significant bottleneck to the movement of goods. Without a thorough plan for execution, the WHTI also raises concerns about the objectives of the trilateral Security and Prosperity Partnership (SPP). WHTI, in its current form, will not effectively reduce border congestion and may actually hinder the progress that has already been made.

Competitiveness of U.S. Capital Markets (June 7, 2007). The public debate concerning the competitiveness of U.S. capital markets has gained increasing attention. The PEC shares the concern that U.S. capital markets may be losing their competitive advantage relative to markets in other parts of the world. The reasons for this are varied and complex, not the least of which is the natural and inevitable maturing of foreign financial centers. Financial centers all over the world are all actively studying ways to promote their own development and competitiveness.

The PEC welcomes the recommendations of the Committee on Capital Markets Regulation, the Commission on the Regulation of U.S. Capital Markets in the 21st Century, and the report on Sustaining New York's and the United States' Global Financial Services Leadership, among others. The PEC believes these recommendations as a whole deserve serious consideration by the Administration and the regulatory agencies that are charged with ensuring the integrity of our capital markets.

Bi-lateral Investment Treaties (BITs) with Brazil, Russia, India, and China (BRICs) (December 4, 2007). Foreign direct investment is a tremendous source of growth for the U.S. economy, helping to spur U.S. exports and create new economic opportunities in foreign markets, and it is particularly vital to the U.S. service sector. The PEC believes that substantial and measurable progress and growth can be achieved through the negotiation of comprehensive and binding bilateral investment treaties (BITs) with each of the "BRIC" nations (Brazil, Russia, India, and China).

Brazil, Russia, India and China are critical to our long-term strategy of expanding access to international markets. Not only does each country have substantial, largely untapped domestic markets, but they are also markets where U.S. service suppliers have a significant comparative advantage. U.S. companies cannot, however, make the most of these opportunities unless, first, they are given the right to invest in these countries on an equal footing with their domestic and foreign competitors, and, second, they can operate in a stable, fair and transparent regulatory environment. A high standard BIT that follows the U.S. model would help address many of these problems by providing for market entry, permitting the free transfer of capital, and putting in place a rigorous and objective arbitration mechanism for enforcing those obligations.

Services Negotiations in the Doha Round (April 8, 2008). The multilateral WTO negotiations present a rare opportunity to open markets to U.S. services around the world in a single stroke. The U.S. economy is predominantly a services economy. It

is, moreover, a sector where the United States has a strong comparative advantage, as demonstrated by the fact that the U.S. consistently runs a trade surplus in services. An often overlooked benefit of the services sector is that it also acts as a trade multiplier. Because U.S. services are among the most competitive in the world, they can help deliver U.S. manufactured and agricultural exports more competitively into foreign markets. Therefore, the opening of global services markets is critical to amplifying the economic benefits of any market opening achieved through the agriculture and NAMA negotiations.

The U.S. economy excels in services and need to retain that edge to retain our global economic leadership. An ambitious outcome in the Doha services negotiation is an essential component of our national economic strategy.

IV. Recommendations

Enhance Worker Education and Training. Not all U.S. workers have benefited from the worldwide economy, and where appropriate, the government should help U.S. workers take charge of their livelihoods by being better educated and trained for the jobs of the future. The private sector, of course, has a vital role to play. U.S. employers – and especially large companies – spend over \$70 billion on formal worker training every year, not to mention substantial assistance to those who do lose their jobs, often in the form of counseling, training, job development and search assistance, or information-dissemination.

First, while Trade Adjustment Assistance (TAA) is a much-debated program, its current dichotomy between a manufacturing job lost because of trade (which is covered), and a service job lost (which is not covered) makes little sense. As long as TAA exists (it expires in 2007 without reauthorization), we favor extending it to include dislocated service workers.

Second, we would encourage your Administration to take a hard look at the current worker training/adjustment system. Potential improvements may include the consolidation of existing programs, greater focus on workers who want to upgrade their skills, and greater accessibility to unemployed and part-time workers. Creative ideas that may strengthen the workforce's competitive edge – proposals for wage insurance, human capital investment tax credits and personal lifetime learning accounts – should be considered. While the PEC does not specifically endorse any of these ideas, it believes that they, among others, merit serious study.

Consult with Businesses on Homeland Security Initiatives. The PEC urged the U.S. government to work with the nation's business community in developing effective homeland security initiatives. Given the importance of the trade and travel sectors, policies that affect these businesses should not be made without input from industry.

Pursue Stronger Services Liberalization in all Trade Negotiations. The PEC is concerned about recent attempts to trim back efforts to liberalize trade in services and

service-related investment, such as recent proposals to significantly reduce the scope of the FTAA negotiations. Such a move would set a dangerous precedent for future negotiations and have a negative effect on commercial activity in the Americas. Reducing our goals for services trade in the FTAA negotiations will severely limit the potential growth-stimulating effects of the Agreement for the U.S. and its 33 partners in the hemisphere. This and future Administrations must continue to seek liberalization in services as a top priority in all trade negotiations.

Improve the Scope of Statistical Data on Services. The Services Subcommittee hopes that this and future Administrations will provide and continue to make available resources for the following initiatives:

- Expand the Census Bureau's *Quarterly Services Survey* to include additional industries in order to better measure the sector's output;
- Upgrade the BEA's *International Trade in Services* statistics to collect annual data on international banking affiliates, support linkages projects on occupational data, and improve export and import services data to correct the existing undercount;
- Upgrade BEA's analytical capabilities to provide more timely and objective analysis of emerging economic topics, like outsourcing; and
- Expand the BLS' Producer Price Index and international pricing program to include Services in any discussion of prices, inflation and the performance of the U.S. economy from the producers' perspective.

Organize a Monopoly Abuse Task Force. Administration officials should organize a special task force to further define and assess the problem of monopoly abuse and devise an effective U.S. strategy. The task force recommendations to alleviate monopoly abuse should be incorporated into pending and future bilateral and multilateral trade agreement negotiations.

Increase Implementation of Business Visa Centers. While the PEC appreciates the opening of new Business Visa Centers in certain consular locations, this program should be implemented in all consulates so they have the resources and flexibility to establish business windows at posts, set aside time-blocks for business visas and permit group appointments. Further, leveraging 21st century technology to improve the visa process seems to be the next logical step in reducing wait times, minimizing travel to secure a visa, and improving the efficiency of the visa acquisition process.

Enhance Pandemic Influenza Preparation. The PEC has four specific recommendations regarding Pandemic Influenza preparation.

- Identify products and services that will be considered critical and necessary for responding to or existing during an influenza pandemic. Then develop specific crisis trade policy agreements to ensure production and movement of these critical products and services, including pharmaceutical products and protective infection control equipment, are not impeded. Develop prioritization of and special

customs clearance processing for global imports and exports of critical supplies to ensure global supply chains remain viable.

- Further define and identify critical business infrastructure to include specific manufacturers, service providers, vendors, and agencies in all tiers of the supply chain.
- Large critical infrastructure businesses are being asked to participate by several levels of government with very little consistency in requests and plans. In order for businesses to support federal, state and local response efforts, they need a better understanding of what they are expected to do. Provide model state and local plans as examples to ensure consistency in response.
- The U.S. Department of State should be charged with developing plans to protect Americans overseas. As part of these plans, the State Department must also be prepared to assist U.S. citizens in their return to the United States. If such measures are not planned or the State Department determines it will not be able to aid Americans overseas, advanced warning must be given to those individuals so they are aware that the State Department will not be able to assist them in the event of a pandemic.

Bolster WHTI Implementation. The White House can guarantee that both security demands and the need to strengthen our economy are met by ensuring the needed resources for WHTI implementation.

- The PEC recommends that implementation is executed in concert with Mexico and Canada, included shared technology used or developed to process passports or documents.
- The communications effort to educate the traveling public about the new requirements must also be increased and coordinated. The Administration should provide direction to the Department of State and Homeland Security as well as the private sector in order to convey a consistent message.
- Tomorrow's competitiveness depends on our nation's continuing ability to successfully adapt to a knowledge-based economy. It is imperative that the implementing agencies utilize adequate technology (such as processing pre-arrival customs information) to ensure goods can move across borders as freely as possible.
- DHS has not been given the resources necessary to implement the WHTI program effectively in the judgment of the General Accounting Office, many members of Congress and many private sector leaders. The requisite additional resources vary from border crossing to border crossing and include for example, additional CBP staff and additional physical infrastructure (e.g. pull-aside lanes). Additionally, the Department of State should be granted additional resources in order to accommodate an increase in demand for passports.

Expanding BITs. The subcommittee encourages further efforts to ensure open, transparent and balanced investment climates in important markets through the negotiation of comprehensive and binding bilateral investment treaties (BITs). In particular, the Subcommittee recommends that the Administration explore BIT

negotiations with the so-called “BRIC” nations (Brazil, Russia, India and China). A reinvigorated BIT program would signal that the United States can and will support foreign investment with our prospective treaty partners while opening markets for – and protecting – U.S. investors abroad.

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Subcommittee on Technology and Competitiveness

I. Introduction

The Subcommittee's primary mission is to address issues that will bolster the US economy and assist US small, medium and large businesses utilizing technology as one of the catalysts. The subcommittee focused on providing feedback to the administration on creating a competitive edge for our industry as it pertains to standards, tariff and non-tariff barriers, entrepreneurialism, the utilization of free trade zones, and sanctions that will keep US economy growing.

II. Goals

Innovation, technology and competitiveness are all terms that have been and continue to be used to describe America's form of capitalism. The spirit of entrepreneurialism permeates much of our society from the elementary school cafeteria-based science fairs to the risks men and women take to create businesses funded by savings and debt. One thing Americans cannot be labeled is risk averse. However, balancing these qualities and enthusiasm is government, at all levels of American life and commerce. The members of this Administration's Export Council's Subcommittee on Technology and Competitiveness sought to apprise and advise the President of the roles our federal government should or should not play in America's ongoing effort to lead in global innovation and entrepreneurship.

III. Accomplishments

This Subcommittee, like the full membership of the Export Council is comprised of representatives of both the manufacturing and services sector and whose size range from those labeled "small" by the standards created by statute and the Small Business Administration to those whose physical operations span the globe. In sum, the Subcommittee's Members agree fully that fostering a strong national competitiveness strategy built on the pillars of technology, innovation, communication and fair trade rules will be critically important for the future of our Nation's business sector.

Visas. Visited twice by the Council, America's business knows it can't sell what people can't see or touch. The Council fully appreciates America's anxiety which spilled into the Departments of State and Homeland Security following the events of 9/11. These Agencies are charged with finding the balance between open borders which welcome students, customers and guests and a check point where individuals who would do harm to America are stopped. This is not an easy task. However, through technology and the need for data sharing across borders, is critical to our country's security and growth in a global environment. We recognize and commend the State Department's Office of Consular Affairs for the progress regarding tourist and business visas; but there is far to

go in addressing the calls for further liberalization of our policies regarding these and other albeit still temporary visas. Further, wait times for U.S. visas around the globe have been subjected repeatedly to criticism by America's broad commercial sector. The Council commends the President in challenging the Department of State and Homeland Security to work closely with experienced segments of the private sector to review and implement process changes and utilization of key technological breakthrough in this area that has resulted in a better management model.

Standards. In the early formation of this sub-committee, Secretary Evans challenged the committee and administration to focus on areas of growth with the decline of Manufacturing in the US. With this in mind, the Office of Standards was created. The subcommittee supported this office which lead to providing input to the next generation of standards to protect our people, economy, and environment for future generations. The Council further provided feedback and data to the Administration to ensure this Office was properly funded and that it be more aggressive in identifying opportunities to promote standards created by US-based standards development organizations (SDOs). These standards are to be used among our trading partners and, where appropriate, promote the standards developed by standard bodies around the globe and that include US based standard organizations and companies. Recognizing that Standards continues to be debated nationally and internationally, the subcommittee addressed the issue in two distinct letters relating to Import Safety and RFID Technology.

Raising Awareness. An overarching objective of the subcommittee and the Council at large is to raise awareness of those issues impacting exports and the membership. During this Administration many of the issues addressed by the PEC have resulted in a definitive response or solution, others like entrepreneurial, utilizing free trade agreements, competitiveness and biofuels continue to be debated in public and private forums.

IV. Recommendations

Education. As evidenced by the clamor for more and more H-1B visas, the Export Council commended the Administration for its support and implementation of the No Child Left Behind Act. The Subcommittee followed the Act since its inception and with the entire Council expressed its concern that the requests for and the granting of state and local exemptions from the provisions of the Act would lead to ongoing gaps in the availability of young men and women to fill the ever more challenging positions our domestic and transplanted employers offer. The reasons for these concerns were buttressed earlier this year when America's best of the fifty largest secondary school systems in America were found to still leave behind 23% of its incoming 9th graders. Without a "fully prepared" workforce in all corners of America, not just selected suburbs, America stands to lose its standing among its trading partners as a technology leader. In sum, if we are to remain an economic leader in the world it is imperative that we excel in academics.

Immigration Reform. The Subcommittee urged the President in a letter dated July 19, 2006 to deliver and pass a comprehensive reform bill that addresses and resolves the

problems of the current immigration system, that upholds the ideals of our Nation, and provides a fair and practical way to move forward.

Civil Justice Reform. The Administration was urged in a letter dated August 23, 2007, to promote common sense civil justice reforms including: *Rationalize pretrial discovery; Eliminate "junk science" from courtrooms; Enact a federal standards defense; and Develop policies and practices to limit the use of U.S. courts by foreign claimants for claims arising out of acts committed in foreign countries by governments of those countries.* These recommendations would lead to a fairer, more predictable, less expensive system for resolving such claims and would help maintain America's competitiveness in a global marketplace.

Import Safety. The Subcommittee in an April 8, 2008 letter, urged the President and his Administration to continue its work to implement the recommendations of the Import Safety Working Group and to work closely with the private sector to ensure adoption of systems for recalls and other supply chain management issues that utilize existing and globally accepted standards, such as those developed by EPCglobal, ISO, IEEE and GS1. Providing the right information on a product recall to the right party at the right time improves the safety of U.S. consumers. Technology provides the tools to automate this process and improve it significantly, while ensuring continued strong trade flows of both exports and imports. Safety clearly is an important aspect of a prosperous U.S. economy.

US Small and Medium Enterprises (SMEs). U.S. businesses - and in particular SMEs - are faced with regulatory or other structural barriers at home and abroad that the U.S. government is best positioned to tackle. As first addressed in the Council's letter regarding standards, non-tariff barriers, including foreign regulations that may create an unlevel playing field or reflect entrenched and parochial bureaucratic interests that needlessly tangle market access and global supply chains. In its April 8 2007 letter, the subcommittee recommends that the Administration: *Continue to pursue comprehensive trade agreements, Encourage Big Businesses to use SMEs in their global supply chains; Improve Communication about U.S. Government programs to promote exports; Promote global recognition and use of standards and strong international rules.* Clearly, as we continue to navigate the waters of this new era of intensified globalization, America's vibrant small business sector will remain a critical comparative advantage as we work together to strengthen U.S. competitiveness and accelerate U.S. economic growth.

RFID Technology. In a January 18, 2007 letter the subcommittee urged the Administration to continue to support our nation's competitiveness by: *Supporting greater research in Radio Frequency Identification; Increasing RFID pilot programs throughout the Federal Government; Encouraging greater participation by foreign governments to dialogue on the issue of standards and good regulatory practices; and Encouraging greater cooperation between public and private sectors on the issue of RFID and the global supply chain.* Incorporating the use of leading technologies into the President's competitiveness and manufacturing initiatives is a sound strategy that will ensure our government is fostering an environment that promotes a dynamic and competitive manufacturing industry through more efficient and effective supply chain management.

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Subcommittee On Trade Promotion and Negotiations

I. Introduction

The Subcommittee's primary mission is to survey and evaluate export expansion opportunities available to the communities represented by the membership. In particular, the Subcommittee focuses on multinational organizations (e.g., World Trade Organization), bilateral and multinational free trade agreements (FTAs), and issues such as investment, intellectual property rights (IPR), market access, transparency, and national treatment.

II. Goals

The Subcommittee's goals have been to promote the expansion of U.S. export trade by highlighting the importance of various trade and investment negotiations, conveying current and emerging problems and issues in the field of export expansion, and providing advice to the President on U.S. Government plans and actions.

III. Accomplishments

Advancing the WTO Doha Round Negotiations. The Subcommittee has continually championed the WTO's Doha Development Agenda as a key pillar of U.S. trade policy. In March 2004, following the setback at the Cancun Ministerial, the Subcommittee supported then-U.S. Trade Representative Robert Zoellick's efforts to put the Doha negotiations back on track, offering pragmatic suggestions for moving forward. In May 2005, the Subcommittee again promoted U.S. leadership in the WTO Doha Round, noting that the United States stands to gain comprehensive market access opportunities from multilateral trade negotiations. In December 2005, prior to the Hong Kong Ministerial, the Subcommittee reflected upon critical issues for the success of the Round, including agriculture, industrial market access, services and trade facilitation. The Subcommittee has also stressed the importance of the Doha Round in additional letters regarding trade discussions with APEC countries and other major WTO members, such as India. In its repeated return to this topic, the Subcommittee has identified the WTO Doha Round negotiations as a priority to U.S. exporters in all sectors of the economy.

FTAs with South Korea and Other Countries. The Subcommittee has also strongly backed the Administration's pursuit of bilateral and regional FTAs to achieve trade liberalization goals. In particular, the Subcommittee in July 2006 endorsed the initiation of FTA negotiations with South Korea, highlighting Korea's market access barriers to U.S. goods and services and the economic and political benefits that could flow from a successful negotiation. In May 2005, the Subcommittee supported Congressional approval of implementing legislation for the DR-CAFTA and U.S.-Bahrain FTA, and backed other negotiations with countries in the Middle East (e.g., Oman) and Latin

America (e.g., Colombia and Peru). The Subcommittee noted that FTAs allow the United States to move forward on market opening with trading partners that are ready for comprehensive liberalization. As other countries pursue trade liberalization, FTAs established without U.S. participation may be crafted to set precedents and promote rules and regulations unfavorable to U.S. interests.

Balanced Foreign Investment Approval Reform. In June 2006, in the wake of the Dubai Ports World controversy, the Subcommittee added its voice to those calling for a balanced approach to legislative reform of the Committee on Foreign Investment in the United States (CFIUS). The Subcommittee joined with leading U.S. industry groups to warn against policy changes that would significantly hinder foreign investment inflows. The PEC noted that the United States cannot afford to wall off our economy, lest others be persuaded to follow our example.

Addressing Concerns with China, Russia, and India. The Subcommittee has focused its attention on specific trade and investment barriers in major emerging economies, notably China, Russia and India. In October 2003, the Subcommittee called on the U.S. Government to work with China, in a collaborative manner, to reform China's currency policy, eliminate non-tariff barriers and trade-distorting subsidies, and open China further to U.S. service providers and investors. The activities of the U.S.-China Joint Commission on Commerce and Trade (JCCT) and the September 2006 launch of the U.S.-China Strategic Economic Dialogue (SED) demonstrate the importance the Administration has placed on achieving these goals. In September 2004, the Subcommittee highlighted commercial concerns in Russia and expressed support for negotiations on Russia's accession to the World Trade Organization. Also, in June 2007, the Subcommittee commented on the U.S. economic relationship with India, and encouraged ongoing bilateral discussions such as the U.S.-India Trade Policy Forum.

Shaping the APEC Agenda. Prior to the November 2006 Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Vietnam and the September 2007 APEC Summit in Australia, the Subcommittee outlined its recommendations on trade and investment issues in the Asia-Pacific region. In letters to the President, the Subcommittee stressed the importance of the protecting IPR, ensuring the transparency of technical standards and regulatory policies, and promoting the liberalization of capital markets and financial services. The APEC leaders' shared goal of free and open trade and investment in the Asia-Pacific region is supported by the PEC.

IV. Recommendations

Renewal of Trade Promotion Authority. The Subcommittee continues to support Trade Promotion Authority (TPA). Congress should act to renew TPA, which expired on June 30, 2007. As stated in an April 2007 letter, the failure to renew TPA will severely hinder the U.S. position in the global economy due to the necessity of TPA in negotiating trade agreements. In May 2005, the Subcommittee supported the extension of TPA under the previous legislation. In the following months, the Administration concluded FTAs with Oman, Peru, Colombia, Panama, and South Korea. If TPA is not renewed, our economic

competitors will continue to negotiate trade agreements, which could give their exporters an advantage over U.S. manufactured goods, agricultural products and services in key markets if the United States is not similarly engaged.

Expanding BITs. In addition to FTAs, the Subcommittee encourages further efforts to ensure open, transparent and balanced investment climates in important markets through the negotiation of comprehensive and binding bilateral investment treaties (BITs). In December 2007, the Subcommittee recommended that the Administration explore BIT negotiations with the so-called “BRIC” nations (Brazil, Russia, India and China). A reinvigorated BIT program would signal that the United States can and will support foreign investment with our prospective treaty partners while opening markets for – and protecting – U.S. investors abroad.

Strengthening IPR Protections. The protection of IPR has been a recurring theme from the Subcommittee. In March 2004, the Subcommittee spelled out the costs to the U.S. economy of trade in counterfeit or pirated products. The global problem of IPR infringement rights continues to grow. The Subcommittee recommends that state-of-the-art protections for U.S. trademarks, copyrighted works, and patents should be common to *all* U.S. FTAs, and enforcement of these rules should be enhanced.

Reforming Immigration Policy. The Subcommittee, in an April 2008 letter, highlighted the importance of immigration reform in maintaining a well-trained workforce that will ensure the competitiveness of the U.S. economy in the 21st Century. Noting workforce shortages, particularly among individuals with graduate-level degrees in the science, technology, engineering and mathematics (“STEM”) fields, the Subcommittee recommends legislative changes to increase employment-based visa quotas, exempt STEM graduates from the green card cap, and modernize the H-1B and L visa categories to ensure talented workers remain in the United States.

President's Export Council – Final Report

not yet approved by the entire Council

Subcommittee on Corporate Stewardship

The President's Export Council (PEC) Subcommittee on Corporate Stewardship report was not intended to be the authoritative study of American corporate stewardship in developing countries. Such a document would take years to produce – collecting the stories of thousands of U.S. companies in dozens of countries around the world.

Instead, the report was designed to provide snapshots of American business at its best. American companies are: bettering the economies of struggling countries; cleaning up the environments of polluted regions and saving others from the saw and the steamroller; reducing disease and increasing life expectancies through American medicine, American medical equipment, and American medical professionals; giving children the gift of a classroom and the knowledge necessary to stimulate their minds – minds that will help their homelands flourish when job opportunities and progressive governments await them.

As U.S. Commerce Secretary Donald L. Evans put it in his letter at the beginning of the report, “American businesses working around the world help to foster a fertile environment that provides opportunity and possibility for millions.” The opportunities and possibilities shine far and wide – from **Coca-Cola** and **BellSouth** building schools and providing scholarships for poor Mexican and South American children, to Marriott employees providing relief to thousands of Jakartans devastated by floods.

The possibilities ring true as well for the skies, water and natural resources of developing nations, all of which can suffer when economic development disregards environmental health. American companies such as **Chiquita Brands**, **CMS Energy**, **Goldman Sachs** and **IBM** show how profit does not have to come at the expense of the environment. Businesses such as **Eli Lilly**, **Merck**, **Chindex** and **Procter & Gamble** demonstrate how America's vast medical resources – the most advanced in the world – can turn the tide on disease and poor health that ravages Africa and other regions.

U.S. companies have done so much, not only because they can – but because it is the right thing to do. As Secretary of State Colin L. Powell said, “The private sector can generate the large amounts of capital that poor countries need to get on the road to sustained development.”

American businesses give to developing countries because it is both good citizenship and good business practice. As Michael Novak says in his essay, “‘Stewardship’ turns out to be a far larger concept today than was ever imagined before. We find ourselves feeling responsible for a whole world of urgent needs, often needs on a very deep level of politics and culture, but sometimes simple, humble needs such as clean drinking water and medicines for lifting away the burden of diseases that had gone untreated for centuries.”

Michael Porter, the Harvard Business School professor and renowned expert on business strategy, believes business has a crucial role to play in bringing up the world's struggling economies. In his article he writes, "Companies, more than governments, foundations or other social service organizations, have a unique ability to help build healthy economies in the developing world."

Acknowledging U.S. companies for their activities is the simplest way to strengthen a commitment to corporate stewardship. Both the Department of Commerce and the Department of State have programs to recognize the good corporate practices of American businesses around the world.

The Department of Commerce established the Corporate Stewardship Award in 2003. The award demonstrates Commerce's dedication to recognizing small, medium and large businesses' efforts to balance their responsibility to employees, shareholders, and their communities. It is a philosophy that unites a company's ethical values and economic mission by stressing the importance of proper use and allocation of company resources in order to build a strong society and foster corporate responsibility to practice good citizenship.

In selecting the candidates for the award, an emphasis is put on strong economic performance as well as an effective record of corporate ethics and values, engagement in community, strategic corporate investments that benefit society, and leadership that fosters and promotes corporate stewardship. The companies that demonstrate commitment and exceptional accomplishments in those categories are rewarded with the Corporate Stewardship Award for their total performance and contribution to economic, community and social progress. For more information on this award, please refer to <http://www.uschamber.com/ccc/default>.

The Secretary of State's Award for Corporate Excellence (ACE), established in 1999, sends a strong signal of the State Department's commitment to further exemplary practices worldwide and highlights the Department's increasing role in business-related issues. The call for nominations is made each spring. American companies, large and small, are nominated by chiefs of missions at U.S. embassies and consulates around the world, and ACE winners are chosen by an interagency Award Selection Committee. The Secretary of State presents the ACE to one or more firms at a ceremony held at the Department of State in the fall of each year. The Department of State is committed to working with American business to advance best practices and to recognize the contributions of the American business community to improving lives at home and abroad. For more information on the Secretary of State's Award for Corporate Excellence program, please see <http://www.state.gov/e/eb/cba>.

The PEC Subcommittee on Corporate Stewardship recommends the formation of similar award programs to promote the importance of corporate stewardship in U.S. business. We also encourage U.S. embassies to continue their outreach to and engagement with

U.S. businesses by documenting corporate stewardship assistance to countries and peoples around the world.

The PEC hopes the document is both an effective snapshot as well as a persuasive and directional signpost for companies throughout the United States and the rest of the world that business can do well by doing good – and corporations, countries and the world's citizens mutually benefit from good corporate stewardship.

President's Export Council – Draft Final Report

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Subcommittee on Export Administration (PECSEA)

I. Introduction

The PECSEA was created in 1976 as a separately chartered subcommittee of the President's Export Council (PEC) and has dealt with a wide range of export administration issues. The charter specifies that the PECSEA will draw on the expertise of its members to provide advice and to make recommendations on ways to minimize the adverse impact of export controls on U.S. business while protecting U.S. national security, fostering U.S. foreign policy goals, and safeguarding commodities in short supply. In this report, the members of PECSEA outline the major initiatives undertaken during the George W. Bush Administration.

II. Goals

During the past five years, the PECSEA spent the bulk of its time to strengthen and streamline export controls, shape export control legislation, and identify criteria for evaluating potential nanotechnology export controls. The Subcommittee prepared and sent, through the PEC, three letters to the President (two in 2004 and one in 2005) on these issues. The PECSEA met seven times over the past five years.

III. Accomplishments

Strengthen and Streamline Export Controls. The PECSEA established the following three working groups to identify recommendations for making improvements to the dual-use export control system in the areas of process, policy, and enforcement: Technological Developments on Existing Controls; Foreign Availability and Other Countries' Export Controls; and Dialogue Regarding Security and Economic Issues.

The following four recommendations were forwarded to the President on September 29, 2004: (1) streamlining the treatment for U.S. technology transfers by developing a process-based set of rules and developing a set of "best practices" for technology transfers; (2) initiating expanded dialogue with U.S. partners to enhance their review of license applications for sensitive items; (3) developing standard conditions which exporters can preview with the end-users; and (4) ensuring that commercial commodities that have military applications remain controlled as dual-use items.

Export Control Principles. The PECSEA developed a set of principles that provided the President, the Secretary of Commerce, and legislators with a conceptual outline for a new export control statute. These included: (1) simplifying the legislative framework for our export control system; (2) providing the U.S. Government with adequate authority to

respond to terrorist and proliferation activities; (3) eliminating references to Cold War-era institutions, such as COCOM; and (4) ensuring that U.S. export controls are able to evolve based on technological developments, including increased foreign availability in the global marketplace. On December 17, 2004, the PEC adopted a PECSEA letter urging that comprehensive export control legislation be a priority in President Bush's second term.

Nanotechnology. The PECSEA identified a set of general principles to assist the U.S. Government in developing a framework for evaluating the extension of export controls to nanotechnology. On December 6, 2005, the PEC approved a PECSEA letter proposing evaluation criteria for potential nanotechnology export controls. These criteria are: (1) controlled nanotechnology items must have clear military significance or potential for sensitive end use; (2) nanotechnology export controls must be multilateral in order to be effective; and (3) controls on nanotechnology must not place an unreasonable burden on the U.S. economy.

IV. Recommendations

New Statutory Authority. The next PECSEA should continue the effort to seek a new dual-use export control statute that takes into account changes in the international export control system, national security concerns, and changes in economic market conditions and globalization.

Continuation of Export Control Reforms. The next PECSEA should take into consideration technological progress, globalization of research and development, foreign availability, and diffusion of global supply networks - and recommendations of the DEAC.

Over the last five years, the PECSEA has witnessed many positive steps towards a much-needed modernization of U.S. dual-use export controls. The agenda for the next PECSEA should build upon these efforts to address emerging threats and changing economic conditions. This should include both strategic and administrative elements, to include development and enactment of a new dual-use export control statute; implementation of presidential directives and DEAC reforms; and identification of additional procedures to ensure that export controls are properly targeted at end-users and technologies of concern, minimize their impact of U.S. economic competitiveness and innovation, and do not inhibit the long-term health of the defense industrial base.

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PEC China Trip – June 2004

Several PEC members accompanied Secretary Evans on his June 2004 trip to China. The purpose of the trip was to give PEC members an opportunity to learn first-hand about the Chinese economy and how the bilateral relationship can be managed in a win/win fashion. Secretary Evans laid out four basic themes that framed the PEC mission and the discussions: (1) the central role of trade and commerce in the overall US-China relationship; (2) the importance of China's compliance with its WTO obligations; (3) the need for further liberalization of China's trade regime; and (4) ways to expand US exports to China.

PEC members met in Beijing with senior Chinese government officials, including Premier Wen Jiabao, Vice Premier Zeng Peiyan, Vice Premier Wu Yi, and Minister of Commerce Bo Xilai. The discussions were friendly, while at the same time frank and candid. A range of issues were discussed, but each side emphasized a few in particular. US officials stressed the need for China to address currency valuation (with free RMB convertibility the end goal) as a means to bring down the US trade deficit with China. For its part, the Chinese emphasized the need for the United States to recognize China as a "market economy" for purposes of US trade law. Following the government meetings in Beijing, PEC members met in Shanghai with members of the growing private sector in China, including officials at the Shanghai stock exchange.

As a follow-up activity, the PEC replied to a question posed by Vice Premier Wu Yi asking, "Why are US companies not as successful in China as companies from Japan and the European Union (EU)?" The PEC concluded that no one factor was responsible for the relatively low penetration of US exports vis-à-vis those of other countries. The PEC suggested that the US Government examine the question in more detail and possibly develop a "business plan" to help US companies (particularly small and medium-sized enterprises) compete more effectively there.

A more complete description of this trip can be found in [cite portion of PEC Final Report with the China trip report].

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PEC Ukraine/Russia Trip – June 2008

Several PEC members accompanied Secretary Gutierrez on his June 2008 trip to Ukraine and Russia. The purpose of the trip was to give PEC members an opportunity to learn first-hand about the two economies and how the bilateral relationships with the United States can be managed in a win/win fashion.

PEC members met in Kyiv with senior Ukrainian government officials and private sector representatives, as well as U.S. businessmen and American Chamber of Commerce (AmCham) representatives. Also, the PEC members went on a number of site visits to see the economy in process. A range of issues were discussed and the discussions were friendly, while at the same time frank and candid. Secretary Gutierrez spoke to a public AmCham meeting, met with the President and the Prime Minister, and signed a Memorandum of Understanding with the Minister of the Economy regarding efforts to improve the U.S. - Ukraine bilateral relationship.

PEC members met in St. Petersburg with senior Russian government officials and private sector representatives, as well as U.S. businessmen and AmCham members. Here, too, the discussions there were friendly, frank and candid. The PEC members went on a site visit, participated in a Business Roundtable, met with the Governor of St. Petersburg, and attended some of the 12th Annual St. Petersburg International Economic Forum activities.

A more complete description of this trip can be found in [cite portion of PEC Final Report with the Ukraine/Russia trip report].