THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

November 16, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

The PEC welcomes your Administration's focus on supporting U.S. commercial engagement with the Middle East and North Africa (MENA), and appreciates your team's on-going outreach to the business community and trading partners in shaping that support. American exports to the Middle East have grown 2.5 times faster than exports to the rest of the world. This region ranks 4th as an export market for the United States, and more commercial interaction with the U.S. can help reduce social unrest and conflicts.

Increasing our commercial engagement has tremendous potential not just to build on that market growth, but also to boost job creation in the U.S. and MENA; developing new employment/training/ education opportunities for MENA's emerging workforce and bringing new technology, product and services solutions to meet the national and environmental needs in the MENA countries. Removing barriers and building capacity in MENA has the possibility to generate a $109 billion increase in U.S. exports to the region.

There are a number of mechanisms to build upon for a more concrete path of commercial engagement. For example, there are existing bilateral discussions and processes in the region to build upon, most notably the U.S. Free Trade Agreements (FTAs) with Bahrain, Israel, Jordan, Morocco, and Oman. In addition, all U.S. trading partners in the region have signed Trade and Investment Framework Agreements (TIFAs) with the U.S. There is also a Qualified Industrial Zone program with Egypt, Israel, and Jordan.

But there are challenges, and we would encourage the Administration to keep an open mind when considering the various ways forward for the region over the longer term:

- Consider using a comprehensive approach to open markets in this region by building on the trade fundamentals which could reduce trade barriers by harmonizing standards, promoting intellectual property rights, ensuring transparency for the private sector and building cooperative customs arrangements to facilitate the flow of trade.

- Promote engagement as a partner in developing regional integration – building on regional efforts already existing in the Gulf Cooperation Council. The US Administration should target key areas for engagement that have the potential to increase trade and investment, such as regulatory coherence, trade facilitation, customs efficiencies, intellectual property enforcement and others.

- Focus on promoting development agendas for key areas of interest – including environmental technologies (alternative energies, water etc); and sectors identified by key countries as important to growth (i.e., the Saudi "clusters" program). Create a partnership approach with national governments to identify necessary reforms in order to support national agenda projects.

Key Issue Areas for Focus:

- Investment: Expand efforts to promote opportunities for more inclusive investment growth by removing barriers such as impediments to wholly-foreign ownership, and agency requirements for licensing to sell/distribute.

- Regulatory Convergence: Promote and expand existing efforts to develop regional regulatory approaches, including development of regional institutions that can develop programs for industry consultation and engagement on the development of regulations; and regional systems to allow for electronic (Internet) posting of regulations, requirements etc.

- Standards: Work actively with existing standards bodies to increase engagement and adoption of a flexible approach to accepting one or more sets of existing high level standards. Endeavor to reduce non-science based regulations/restrictions (SPS Barriers), particularly in agriculture.

- Customs: Increase efforts to develop more open and transparent customs administration, including internet posting, consultation efforts, and harmonization of customs applications across regional entities etc. (including, for instance, through exchange or other programs).

- Governance: Standards for transparency, anti-corruption, and a focused strategy regarding illicit trade in the region should be developed with national governments and regional actors.

- Tariffs: Reduced tariffs, including on manufacturing inputs, will benefit both local industries and U.S. investment in manufacturing in the MENA region. There needs to be a focus on liberalizing tariffs at the border to promote a free flow of goods and liberal rules of origin. Some inputs for local production include tariffs. There are also tariffs on complementary goods in some companies' product lines, which should be diminished to increase investment.

- Government procurement: Greater transparency in tendering, procurement, and management.

- Services: Emphasize improvements on laws and regulations impacting freedom of data flows, Information Communication Technology (ICT), and transparency.

The PEC welcomes the President's initiative to focus attention and strategic thinking to support positive commercial engagement with the Middle East and North Africa. It supports the Administration's approach of developing priority areas based on consultation with the private-sector and in partnership with trading partners in the region. The PEC commits to following up on the potential ideas referenced in this letter for further engagement and development of a coordinated action plan to promote mutually beneficial economic growth and job creation between the U.S. and the MENA region.[1]

Sincerely,

Jim McNerney

[1] Please note that this letter has been prepared by the private-sector appointed members of the PEC.