

NATIONAL FOREIGN TRADE COUNCIL, INC.

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The Honorable Barack Obama
233 N. Michigan Avenue, #1720
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Dear President-elect Obama:

I am writing as chairman of the National Foreign Trade Council (NFTC), a trade association of some 300 companies engaged in international trade and investment. We congratulate you on your election and look forward to working with your administration on the important international economic issues facing our country.

The NFTC was founded in 1914 to promote foreign commerce and today advocates trade, tax and human resource policies that support the ability of American companies to compete successfully in the international marketplace. An internationally competitive private sector is critical to meeting the challenge of our current economic difficulties. Because expanding export markets is a vital component of economic recovery, the NFTC advocates public policies that will create export opportunities and enable American companies to compete successfully throughout the world.

The NFTC believes that the expansion of international trade and investment is vital to the national security and foreign policy interests of the United States. Recent events have demonstrated beyond any doubt that the health of our economy is inextricably linked to the economies of other nations. Our trade policy does not exist in a vacuum. To make certain that our citizens gain maximum benefits from our participation in an open world trading environment, our domestic policies must assure that the United States is the most attractive location for global investment, as well as for research and development, particularly of advanced technologies. We therefore look to issues not traditionally associated with trade policy but which constitute the environment in which competitiveness is fostered. These include our education and health care systems, the need for a secure and competitive energy supply, a modern infrastructure and environmental policies that address global warming. By focusing on these longer term issues as well, we seek a better world not only for ourselves but for our children and their children.

We do not believe that the United States can withdraw from its leadership role in the world trading system, as some are suggesting, by taking a time out from international trade agreements. The rest of the world will not stand still while we pause. Other nations

are rapidly developing trading partnerships without the United States which have the potential to operate to our detriment. In fact, the first year of your presidency will present opportunities to increase our economic growth through expanded international commerce. We offer the following recommendations which we believe will sustain the leadership role of the United States in developing the rules-based world trading system and contribute to our economic growth and prosperity:

Doha Round of World Trade Negotiations

The United States has a vital stake in the multilateral trading system and it is in our interest to support its primacy among trading arrangements, improve its rules and functioning, and expand its scope. The NFTC shares the goal of a successful and ambitious conclusion to the Doha Development Round of negotiations at the World Trade Organization. The Doha Development Agenda presents an enormous opportunity to revitalize and strengthen the global trading system and to provide critical impetus to world economic recovery. As difficult as it is to expand liberalization at a time of economic contraction, it is imperative to open developing country markets to our manufactured goods and services and to reciprocate by providing our producers and consumers access to cost-effective imports, including agricultural goods. Progress is stalled in the Round, and it will take U.S. vision and leadership to get it moving again. The NFTC continues to believe that an ambitious outcome to the Doha Agenda will bolster the WTO's credibility and relevance as the bedrock foundation of an expanding global economy and peaceful global economic cooperation. Looking beyond Doha, your administration will have the opportunity to shape the structure and scope of future international trade negotiations. In that regard, we encourage you to look at new architectures for negotiations that encompass countries interested in further liberalization instead of relying on existing frameworks that produce least-common-denominator outcomes. The Trans-Pacific Strategic Economic Partnership Agreement negotiations just beginning are a good example of such a fresh approach.

Bilateral and Regional Trade Agreements

Far from undermining our prosperity, bilateral and regional trade agreements are an important mechanism for opening markets for the export of American goods and services. The NFTC believes that these agreements must include effective provisions on labor and the environment, protection of intellectual property rights and enhanced access to government procurement. These agreements can also reinforce the multilateral trading system if the United States gives priority to negotiations with those countries that have the greatest commercial significance and the best potential for expanding trade and job creation in our country.

The NFTC supports passage and implementation of trade agreements the United States has already signed with Colombia, Panama and South Korea. We support the commencement of negotiations to enhance and join the Trans-Pacific Strategic Economic Partnership Agreement. Likewise, the NFTC strongly supports continued efforts to integrate nations of the Middle East into the global economy by encouraging accession to the WTO, pursuing free trade agreements with willing and capable partners, and moving toward an integrated free trade area in the region.

The difficulties encountered by multilateral trade negotiations in the World Trade Organization have resulted in increased reliance on bilateral and regional agreements, not only by the United States but also by our trading partners. The NFTC supports negotiations to integrate and harmonize existing bilateral and regional free trade agreements.

Trade Negotiating Authority

It is vital that you request and receive trade negotiating authority from the Congress. The NFTC has developed a detailed legislative proposal for renewed authority which includes negotiating objectives that take into account the significant changes in the structure of international commerce since Congress last enacted such authority. This includes, among other things, promoting trade liberalization that improves the environment and combats climate change, modernizing unemployment insurance and health care, and ensuring that U.S. producers of goods, services and technology can take full advantage of global supply and distribution chains that have become a competitive necessity. We also favor restructuring the way in which Congress authorizes and conducts oversight of trade negotiations by creating a joint standing committee that has an important role in authorizing bilateral and multilateral trade negotiations.

Both in the WTO and in other appropriate fora, it is important that your administration continue the United States' strong defense of intellectual property rights for American patents, trademarks and copyrights. The life blood of American competitiveness is its intellectual property, and its theft through piracy or counterfeiting or its expropriation by foreign government law or regulation undermines that competitiveness, stifles innovation and diminishes our efforts to promote good governance based on rule of law in developing countries. This is an emotional subject – on all sides – but there are ways to combat diseases throughout the world and to promote growth in developing countries through technology transfer without sacrificing U.S. companies' intellectual property, and we look forward to working with your administration to find them.

Worker Adjustment Assistance Programs

The NFTC strongly supports bipartisan efforts to improve and modernize the Trade Adjustment Assistance (TAA) program. An effective TAA program that gives displaced workers the skills and resources they need to re-enter the job market is a central element of U.S. trade policy. Given the consensus that the current TAA program is insufficient, we support streamlining the application process, increasing access to and flexibility of benefits such as training, health care and wage insurance. TAA should extend benefits to trade-dislocated service sector workers, cover workers dislocated by shifts in production to non-FTA countries, and foster partnerships which support and coordinate the needs of U.S. communities with existing private sector worker-training programs.

Modernize and Streamline Trade Preference Programs

The United States maintains a network of unilateral trade preference programs that provide access to our market for some of the world's poorest nations. These programs simultaneously provide cost-effective inputs to U.S. manufacturing, thereby

enhancing U.S. competitiveness. These programs, including the Generalized System of Preferences, the Caribbean Basin Initiative, and the Africa Growth and Opportunity Act, among others, form a complex web of varying benefits, eligibility requirements, duration and capacity assistance which often dilute their effectiveness. The NFTC urges your administration to undertake a comprehensive review of these agreements with a view to modernizing and harmonizing their operations.

Climate Change

The NFTC and its member companies share a common desire to find a global solution to climate change, and believe that the best way to achieve that objective is for the next administration to pursue multilateral negotiations that would shape a post-Kyoto approach to global climate change policy. We urge you to take the lead in these negotiations in order to encourage the participation of other countries and shape a set of acceptable rules that are not used unfairly to restrict international trade. We believe that any effort to tackle climate change must be multilateral to be effective. As you work with Congress to develop domestic legislation, we hope you will carefully consider America's competitiveness and ensure U.S. compliance with international trade rules. We also urge you to consider that trade liberalization can be an important factor in addressing climate change. Reducing trade barriers for clean technologies and enhancing access to those technologies, as the United States has proposed through an Environmental Goods and Services Agreement, should be an important part of any broader multilateral effort to combat global warming.

Visa and immigration reform

For more than 200 years, America has made itself great by welcoming people from all over the world looking for new opportunities and a better life. They have contributed immeasurably to our culture, our economy, and our polity, and we are all richer for them. Now, in the wake of the terrorist attack of September 11, 2001, we have begun to close our doors not only to immigrants but to legitimate visitors, including our companies' customers and foreign employees – at the very time we face the most vigorous competition for talent and when we need them the most. The NFTC supports immediate relief to business travelers and students seeking to travel to and from the United States. To support America's leading position in business and technological innovation, it is important that all branches of the Federal Government cooperate to overcome backlogs in issuance of employment-based immigrant visas caused by restrictive policies and procedures. Failure to do so will lead U.S. companies to develop their talent abroad and encourage talented professionals to seek employment with non-U.S. employers. Toward this end the NFTC favors reinstating visa revalidation to permit low-risk individuals already working in the United States to renew visas without returning to their home countries, creating a "trusted traveler" program globally to facilitate the flow of verified business travelers, and increased resources worldwide to improve visa processing.

Economic Sanctions

The NFTC and its affiliate, USA*Engage, argue that unilateral economic sanctions are not effective foreign policy measures and often do more harm than good. Specifically, U.S. sanctions that exceed UN mandates penalize both U.S. industry and

workers and the populace of targeted countries without bringing about meaningful political change. Responsible overseas corporate investment can promote better working conditions, environmental, health and safety standards and the rule of law in sanctioned countries, thus promoting infrastructure changes that can form the basis for more enlightened political leadership. Unilateral sanctions, such as the “Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2008” introduced in the 110th Congress, merely cede the commercial field to countries such as Russia and China that do not support effective curbs on Iranian nuclear ambitions. The same considerations apply to the Sudan. Similarly, U.S. sanctions on Cuba have not worked, continue not to work and will not work in the future. USA*Engage urges the new Administration to renounce the use of unilateral sanctions for foreign policy purposes.

Divestment

The NFTC and USA*Engage urge your Administration to discourage state and local measures that require divestment by pension funds of shares in companies active in problem countries. These measures do not achieve their foreign policy goals, but they do penalize retirees, and in some states, the taxpayers who have to make up pension plan shortfalls.

Equally, important, divestment interferes with the President’s authority to conduct foreign policy. In *NFTC v. Crosby*, the Supreme Court found that state sanctions that go beyond existing federal sanctions on a country intrude on the exclusive power of the national government to regulate foreign affairs and subvert the policies and objectives of the federal sanctions regime. That decision and others set limits on the ability of state governments to impose foreign policy sanctions, but the enthusiasm for such measures continues. USA*Engage believes that the President should make foreign policy and urges the new Administration to take a strong stand against state and local divestment measures.

Regulatory Reform

The NFTC and USA*Engage share the frustration expressed by many industry organizations regarding export control and sanctions licensing delays and inefficiencies. Much work has been done by such groups in identifying measures that could help expedite the lawful pursuit of international business. Entry into force of the bilateral agreements with Britain and Australia to expedite defense cooperation would be a productive first step. Resolving the longstanding conflict between the Commerce and State Departments over licensing jurisdiction and updates to the International Traffic in Arms Regulations, Export Administration Regulations and OFAC sanctions and their applicable control lists should also be a priority.

In addition, the NFTC and USA*Engage urge the new Administration to conduct a review of current enforcement priorities and ambiguities in areas such as the Foreign Corrupt Practices Act as companies fully compliant with the Act nonetheless must spend disproportionate amounts of resources to maintain such compliance.

International Tax Policy and Competitiveness

As your Administration begins the analysis of difficult tax policy choices that can have a profound effect on U.S. companies, a forward-looking approach that assures a level playing field is essential. There are many decisions that are critically important to the long-term competitive position of American businesses in world markets.

The threshold policy concern in today's competitive international business arena is to pose the right question. In the past, that often was to ask whether the proposed change in law would encourage the American business to "make it here or to make it there." While this foundation for international tax policy may have made some sense at a time when U.S. business dominated the world's markets, it makes little sense today.

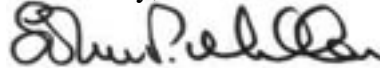
American businesses seeking to compete in the global economy are not choosing to invest either in America or in a foreign land. The decision to invest is no longer a decision to invest "here or there". Rather today's global markets offer opportunities to serve customers and consumers both "here and there". Ninety-five percent of the world's people live outside the United States. To the extent that tax policy constrains the ability of American businesses to participate in growing overseas markets by making them carry a greater tax burden than their foreign competitors, the latter will have a permanent advantage.

The NFTC supports international tax policies that reflect both the position of the United States in the global economy and the position of the individual American firm seeking to grow and prosper in global markets. U.S. policy should pursue a goal that would permit American companies to pay roughly the same amount of tax as their foreign competitors in markets both at home and abroad. Given a level playing field American businesses will have a fair chance to succeed.

The NFTC also strongly supports the bilateral tax treaty program that promotes greater certainty, the avoidance of double taxation and the prevention of discriminatory treatment against U.S. companies.

Let me reiterate that the National Foreign Trade Council looks forward to working with your administration to advance our common interest in a competitive U.S. private sector operating in a rules-based international economy.

Sincerely,



John Patrick Mullen
NFTC Chairman and
CEO, DHL Express

Advancing Global Commerce for Over 90 Years

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