February 2, 2010

General James L. Jones
Assistant to the President for National Security Affairs
The White House
Washington, D.C. 20500

RE: Comments for Presidential Study Directive on U.S. Global Development Policy

Dear General Jones,

We, the development, faith-based, and business communities, write to highlight the importance of trade in promoting prosperity and security globally and at home as you finalize the Presidential Study Directive on U.S. global development policy. Our private sector members were delighted to speak with your staff late last year about aligning our aid and trade policies for poorer countries, and we urge you to strengthen the ties between trade and aid policies for better development results.

There is considerable evidence that trade, which facilitates market-led, sustainable and broad-based economic growth, is an important tool for reducing poverty in the world's poorest countries. U.S. trade preferences for developing countries granted under the Generalized System of Preferences (GSP), African Growth and Opportunity Act (AGOA) and other programs are intended to spur growth through expanded access to the U.S. market. This in turn will expand markets for U.S. exporters and investors, and promote prosperity and stability for rich and poor countries alike. But despite its role in catalyzing job creation and market development in poor countries, trade has not been fully utilized as a component of our development strategy.

Experience has shown that new opportunities to trade do not translate into growth and poverty reduction without complementary investments in the ability of poor countries to produce and get goods to market. Yet U.S. trade and foreign assistance policies are formulated separately. This lack of coordination has limited the effectiveness of both as policy tools and in some cases has caused them to work at cross purposes. According to the HELP Commission's 2006 report, "the U.S. assessed more duties on imports from countries eligible for the MCC … than it provided through the MCC appropriation."[1] Such policy contradiction potentially wipes out the development gains we seek to achieve through the financial assistance we provide. U.S. policy should aim to enable countries to use their own economic growth to address their development needs rather than tax that growth and replace it with a far smaller amount in aid.

The following changes would increase policy coherence and ensure that US trade policy and development policy both reach their full potential for poverty reduction:

1. <u>Establish a mechanism for coordinating whole-of-government approaches to U.S. global development policy, to include trade, aid, and investment</u>. Among other things, such a mechanism should ensure that trade policy for the poorest countries is supportive of development and that development assistance is coordinated with preference programs to help developing countries build the capacity to take advantage of the trade opportunities that exist.

2. <u>Ensure that USG agencies that interact with poorer countries explicitly consider the development impact of their activities, especially USTR</u>. When it comes to the poorest countries, trade should be seen as a tool of development policy and agencies engaged

[1] In 2006, the U.S. received $1.77 billion in U.S. duties from MCC countries. This was $20 million more than the $1.75 billion in aid appropriated for the MCC for fiscal year 2007. Source: The HELP Commission Report on Foreign Assistance Reform, 2007.

with traditional U.S. trade policy activities, such as the Office of the United States Trade Representative (USTR), Department of Commerce, Overseas Private Investment Corporation (OPIC), U.S. Trade and Development Agency (USTDA), and Export-Import Bank should be clearly tasked by the President to include development as an explicit goal of their partnerships with these countries. This would allow the leadership of these agencies to use existing authorities more creatively to further development goals.

3. Strengthen the capacity of USG trade and development agencies to coordinate in pursuit of common development goals. Small changes, such as building development expertise within USTR, could boost the impact of USG trade-related activities on poverty. Likewise, increasing the number of trade policy experts at USAID could ensure better integration of poor countries' market development and trade goals into USAID programs. Approaches that emphasize country ownership and measureable results, like those of the Millennium Challenge Corporation (MCC), should be supported and strengthened.

4. Finally, consider the technical assistance and capacity building needs of beneficiary countries in the design of all U.S. trade/aid programs, as part of the effort to create sustainable change. In order to support this function, the US government can build upon existing successful programs. Examples would include providing enhanced budget and personnel for the AGOA Trade Hubs and the Treasury Department's Office of Technical Assistance, and reforms of OPIC's rules for loan guarantees to allow greater flexibility. Not only might these changes enhance the preference programs' impact on poverty and decrease restrictions that limit the opportunities for private sector growth in developing countries, they will likely also have an overall positive impact on the U.S. economy by creating new marketing and investment opportunities for U.S. businesses.

Thank you for your consideration.

Sincerely,

American Apparel & Footwear Association (AAFA)
Association of Equipment Manufacturers
Bread for the World
Business Council for Global Development
Business Roundtable
Coalition for GSP
Edwin L. Barber III, Senior Advisor for African Development, GoodWorks International LLC
Initiative for Global Development
International Food & Agricultural Trade Policy Council
Katrin Kuhlmann, Resident Fellow, The German Marshall Fund of the United States
Kimberly Elliott, Senior Fellow, Center for Global Development
National Foreign Trade Council
National Retail Federation
ONE
Oxfam America
Retail Industry Leaders Association (RILA)
United States Association of Importers of Textiles and Apparel (USA-ITA)
Walmart Stores, Inc.
Women Thrive Worldwide

February 2, 2010

Dr. Lawrence Summers
Assistant to the President for Economic Policy
The White House
Washington, D.C. 20500

RE: Comments for Presidential Study Directive on U.S. Global Development Policy

Dear Dr. Summers,

We, the development, faith-based, and business communities, write to highlight the importance of trade in promoting prosperity and security globally and at home as you finalize the Presidential Study Directive on U.S. global development policy. Our private sector members were delighted to speak with your staff late last year about aligning our aid and trade policies for poorer countries, and we urge you to strengthen the ties between trade and aid policies for better development results.

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