The President's Export Council

Compilation of the Council's Recommendations during the First Term of the Obama Administration, 2010-2012

A Report to the President
Prepared by the President's Export Council

The President's Export Council (PEC) is a national advisory committee established by Executive Order of the President to advise the President on matters related to U.S. international trade. The Council membership includes both public- and private-sector representatives. The private-sector representatives receive no compensation for their efforts on the Council. This report was prepared by the private-sector members. The views expressed in this report do not necessarily reflect those of the Administration or individual members of the Council.

This report and PEC letters of recommendation are available on the Internet.

To access the PEC's website, please go to http://www.trade.gov/pec or call the PEC Executive Secretariat at 202.482.1124.

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Overview

The President's Export Council is the principal national advisory committee on exports. The Council advises the President of policies and programs that affect U.S. trade performance; promotes export expansion; and provides a forum for discussing and resolving trade-related issues among the business, industrial, agricultural, labor, and government sectors.

The President's Export Council was established by Executive Order of the President in 1973, but was originally composed only of business executives. In 1979, the Council was reconstituted by Executive Order 12131 to include leaders of the labor and agriculture communities, Congress, and the Executive Branch. The Council charter has been amended over the years to include additional Executive Branch members, now totaling seventeen. The charter was amended in 2011 to add representation from the National Governors Association and the United States Conference of Mayors to the membership.

Up to twenty-eight private-sector members of the Council can be appointed by the President. They serve "at the pleasure of the President," with no set term of office. Five United States Senators and five Members of the House of Representatives are appointed to the Council by the President of the Senate and the Speaker of the House, respectively. Executive Branch members serve by virtue of their office and include the Secretaries of Commerce, Agriculture, Energy, Homeland Security, Labor, State, Treasury, and Transportation; the United States Trade Representative; the Chairman of the Export-Import Bank of the United States; the Administrator of the U.S. Small Business Administration; the Director of the United States Trade and Development Agency; the President of the Overseas Private Investment Corporation; the Chairman of the Council of Economic Advisors; the Director of the Office of Management and Budget; the Director of the National Economic Council; and Director of the National Security Staff. The heads, or their designees, of the National Governors Association and the United States Conference of Mayors are also members of the Council.

The President’s Export Council meets at least twice each year in Washington, DC. The Council reports to the President through the Secretary of Commerce, and the Under Secretary of Commerce for International Trade serves as the Executive Director.

The Office of Advisory Committee serves as the Executive Secretariat for Council activities. The Executive Secretariat can be reached at (202) 482-1124. The Council website is www.trade.gov/pec.

Members of the President's Export Council

2010 - 2012

PRIVATE–SECTOR MEMBERS

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Chairman, President and Chief Executive Officer, The Boeing Company

Ursula M. Burns (Vice Chair)
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President and Chief Executive Officer, Carpenter & Company, Inc.

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President, G&C Equipment Corporation

C. Robert Henrikson
Former Chairman, President and Chief Executive Office, MetLife, Inc.

William Hite
General President, United Association

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Former Chairman and Chief Executive Officer, Greater Properties, Inc.

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Alan B. Krueger
Chairman of the Council of Economic Advisors

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Gene B. Sperling
Director of the National Economic Council

Thomas Donilon
Assistant to the President for National Security Affairs

NATIONAL GOVERNORS ASSOCIATION MEMBERS

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Governor of Nebraska

Jack Markell
Governor of Delaware

UNITED STATES CONFERENCE OF MAYORS MEMBERS

Antonio Villaraigosa
Mayor of Los Angeles

Michael Nutter
Mayor of Philadelphia

CONGRESSIONAL MEMBERS

United States Senate

Sherrod Brown
D-Ohio

Mike Crapo
R-Idaho

John Cornyn
R-Texas

Debbie Stabenow
D-Michigan

Ron Wyden
D-Oregon

United States House of Representatives

Jim Gerlach
R-Pennsylvania

Dave Reichert
R-Washington

Linda Sanchez
D-California

Mark Schauer
D-Michigan

Betty Sutton
D-Ohio

Pat Tiberi
R-Ohio

David Wu
D-Oregon

Names in bold denote current members of the President's Export Council.

EXECUTIVE SECRETARIAT

Francisco J. Sánchez
Executive Director, President's Export Council
Under Secretary for International Trade
U.S. Department of Commerce

Jennifer Pilat
Director, Office of Advisory Committees
U.S. Department of Commerce

Tricia Van Orden
Executive Secretary and Staff Director, President's Export Council
U.S. Department of Commerce

Message from the Chair

In March 2010, President Obama set a bold goal for the nation's exporters. He called on us to double U.S. exports in five years. I am honored to be assisting in the pursuit of this goal, along with my co-chair Ursula Burns, Chairman and Chief Executive Officer of Xerox Corporation. The United States is well on its way to reaching the President's target. To continue to move toward that ambitious goal, it is critical that the Administration and the Congress work together on export-promoting policies. Given that 95 percent of the world's consumers live outside our borders, we must continue to open markets to U.S. goods and services.

During the most recent term, the Council established five subcommittees: Global Competitiveness; Export Promotion and Advocacy; Manufacturing, Services and Agriculture; Workforce Readiness; and Small- and Medium-Sized Business Engagement. In addition, the Council has also maintained the separately chartered Subcommittee on Export Administration (PECSEA), which reviews export-control issues.

The Council has held two meetings per year as set by its charter and produced 24 letters of recommendation. When fully implemented, the recommendations will have the potential to increase exports by more than $800 billion. This report reflects the progress made in the last three years and provides a framework for future growth.

Ursula and I want to thank both the public- and private-sector members of the President's Export Council for their hard work and dedication over the last three years, and we look forward to working with them in the future.

W. James McNerney, Jr.
Chairman, President, and Chief Executive Officer
The Boeing Company

Message from the Vice Chair

At the end of this term of the President's Export Council, we find ourselves at the midpoint of the National Export Initiative, in which we were challenged to help the country double exports by the end of 2014. Exports are at record high levels, with U.S. exports in 2011 representing an increase of one third over the level just two years earlier. This success has occurred in part because of the work that the public and private sector have done together to bring all available resources and policies to bear on the issue of expanding exports. The Council is particularly pleased that the growth in exports has occurred across all sectors. Manufacturing exports are up, while services and agricultural exports have hit record highs.

The implementation of many of the recommendations of this Council has had significant direct and indirect effect in growing exports. Passage of trade agreements with Korea, Colombia, and Panama has already increased exports to these markets. Improvements in visa processing have contributed to the record high numbers of international visitors to the United States. Reauthorization of the Export-Import Bank of the United States and a reform of export controls have opened new markets for American companies and workers. The Council is pleased that so many of these recommendations have been acted upon by the U.S. government and have had a direct impact on export growth.

But much remains to be done. It is vital to continue to increase exports, which have been one of the most promising engines of growth for our economy as a whole. Many opportunities still exist to expand market opportunities overseas and streamline our government processes at home.

The addition of members to the Council representing the United States Conference of Mayors and the National Governors Association provides critical support for much needed efforts to enhance and streamline collaboration with states and localities on export promotion. Completion of a Trans-Pacific Partnership Agreement with at least ten and possibly more U.S. trading partners around the globe could significantly boost U.S. exports to a region that already does $400 billion in trade annually with the United States. Progress on a Transatlantic Partnership Agreement with the countries of Europe could dramatically increase exports to our largest trading partners. Completion of an updated Information Technology Agreement in the World Trade Organization could remove tariffs on over $100 billion in U.S. trade and $800 billion in global trade, benefiting both the producers and the global users of these technologies.

These are critical priorities, and we look forward to continuing our work with the U.S. government to further promote growth in exports and the U.S. economy as a whole.

Ursula M. Burns
Chairman and Chief Executive Officer
Xerox Corporation

Subcommittee Reports

Subcommittees

The work of the Council's constituent subcommittees was paramount to its success. The subcommittees identified pressing issues, crafted letters of recommendation, and shepherded them through the approval process.

- The **Global Competitiveness Subcommittee** examined trade, investment, regulatory, and tax policies that impact U.S. competitiveness.

- The **Manufacturing, Agriculture, and Services Subcommittee** focused on sector-specific policies to enhance U.S. exports.

- The **SME Business Engagement Subcommittee** addressed policies to overcome obstacles to exporting for small businesses.

- The **Trade Promotion and Advocacy Subcommittee** provided input on U.S. government activities to promote exports – including commercial advocacy, export finance, and export control reform.

- The **Workforce Readiness Subcommittee** compiled best practices and recommended policies to maintain and increase the competitiveness of the U.S. workforce.

- The **PEC Subcommittee on Export Administration (PECSEA)** advised and reported to the Secretary of Commerce on matters pertinent to the Export Administration Act, the Export Administration Regulations, and related statutes and regulations.

Subcommittee on Global Competitiveness

Subcommittee on Global Competitiveness

Overview:

The Subcommittee was established to review trade, investment, regulatory, and tax policies that impact U.S. competitiveness.

This Subcommittee was pleased to see the majority of our core recommendations adopted, most significantly passage of three pending free trade agreements. The U.S. – Korea Free Trade Agreement (KORUS) entered into force on March 15, 2012, followed by the U.S. – Colombia and U.S. – Panama agreements on May 15, 2012 and October 31, 2012, respectively. The agreements immediately reduced tariffs and provided American businesses, farmers, and ranchers with significantly improved market access. The KORUS utilization rate has grown steadily in the first few months of implementation, growing from 44 percent in the first month to 57 percent in the fourth month. And from May 1 through August 31, 2012, U.S. merchandise exports to Colombia grew 14 percent over the same period in 2011.

In addition, recommendations on launching EU-US free trade negotiations are making progress as the High Level Working Group on Jobs and Growth continues to examine options to increase transatlantic job-creative trade and investment. Similarly, the Trans-Pacific Partnership (TPP) negotiations, based on the Council's 21st century trade principles, have made substantial progress over fourteen rounds of negotiations, including welcoming Canada and Mexico to TPP this year. Lastly, the House of Representatives and Senate voted in strong support of extending Permanent Normal Trade Relations (PNTR) to Russia.

The Subcommittee also focused on a number of key domestic policies that would advance American competitiveness, like increased enforcement of intellectual property rights, providing a tangible example to third countries to protect American innovative content, products, and services. Intellectual property enforcement is a core element of the Administrations' trade policy and a key mandate of the newly created trade enforcement office. Additionally, tax reform continues to be an ongoing debate, especially within the Congress, and the Council's recommendations are key elements of that discussion.

Beyond the letters of recommendation, the members of the Subcommittee also worked diligently with the National Security Staff and Department of Commerce to provide substantive industry input into the development of industry- and country-specific commercial analysis. This work has been further developed by the government into strategies for key sector and country export opportunities.

Recommendations:

Free Trade Agreements – Negotiate and implement new and pending bilateral, regional and multilateral trade agreements. Resolve outstanding issues and submit as soon as possible for Congressional consideration and passage the pending free trade agreements with the Republic of

Korea, Colombia, and Panama. Revitalize Doha Round negotiations to restore job creation and economic growth.

Russia's Accession to the World Trade Organization (WTO) – Address longstanding issues of concern for a range of U.S. businesses that export to Russia. Conclude a strong and effective WTO accession agreement for on Russia. Remove application of Jackson-Vanik to Russia and establish Permanent Normal Trade Relations for Russia once a commercially meaningful agreement is reached.

Tax Reform – Reform the corporate income tax system as part of a fiscally responsible comprehensive tax reform and budget package. Reduce corporate tax rate to help U.S. companies compete abroad and attract investment to the U.S. Implement a territorial-type tax system under which foreign earnings taxed once in the foreign country can be brought back for reinvestment in the domestic economy without incurring additional home country tax. Incentivize research and development initiatives by offering a permanent R&D tax credit and reducing taxation of income from the exploitation of IP created and owned in-country. Offer additional investment incentives including extending first-year depreciation on capital expenditures for small and large companies over a longer period.

Intellectual Property Protection – Continue to empower the Intellectual Property Enforcement Coordinator and work with Congress to ensure the office has adequate resources and authority to effectively coordinate our government's IP enforcement efforts. Ensure the U.S. government continues to negotiate and implement bilateral and multilateral trade agreements with strong IP provisions that build upon and do not diminish existing U.S. trade agreements, protecting America's creations and innovations to benefit all American industry sectors. Work to shut down overseas websites that sell counterfeit goods and facilitate digital theft. Ensure that IP attaché programs within executive agencies – including U.S. Patent and Trademark Office, Department of Justice, and Department of Homeland Security directorates – are robust and coordinated, and work with Congress to expand these programs into additional countries.

21st Century Trade – Highlight and address several issues for consideration during Trans-Pacific Partnership negotiations to deal effectively with 21st century issues and commercial realities. Address issues related to market access, non-tariff barriers, regulatory coherence, trade and supply chain facilitation, strong intellectual property protection, liberalization of trade in services, strong investment protection and access, government procurement, transparency and corruption, cross-border data transfers, and state-owned and state-supported enterprises. Promote meaningful trade liberalization with key trading partners on issues such a non-tariff barriers and intellectual property protections through collaborative efforts between businesses and government.

Middle East and North Africa Commercial Engagement – Use 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.

Transatlantic Partnership Agreement – Launch Transatlantic Partnership negotiations to expand U.S. – EU bilateral job growth, trade, and investment. An agreement should secure elimination of tariffs, strong intellectual property rights protections, expanded government procurement coverage beyond the recent revisions to the WTO Agreement on Government Procurement, and a comprehensive approach to regulatory barriers, among other commitments.

Permanent Normal Trade Relations Status for Russia – Work with the United States Congress to provide Permanent Normal Trade Relations prior to Russia's WTO membership ratification so that American manufacturers, service providers, farmers, ranchers, and others do not lose out on significant economic opportunities in Russia.

Members of the Subcommittee on Global Competitiveness

Andrew N. Liveris (Chair)
Chairman, President, and Chief Executive Officer, The Dow Chemical Company

Jeffrey Kindler (Vice-Chair)
Former Chairman and Chief Executive Officer, Pfizer Inc.

C. Robert Henrikson
Former Chairman, President and Chief Executive Office, MetLife, Inc.

Robert A. Iger
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Charles R. Kaye
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Denise Morrison
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Ivan Seidenberg
Former Chairman and Chief Executive Officer, Verizon

Glenn F. Tilton
Chairman, United Continental Holdings and Chairman of the Midwest, JP Morgan Chase

James S. Turley
Chief Executive Officer, Ernst & Young Global Consulting

Subcommittee on Manufacturing, Services, and Agriculture

Subcommittee on Manufacturing, Services, and Agriculture

Overview:

The Subcommittee focuses on sector-specific policies to enhance U.S. exports. Each of the broader sectors of manufacturing, services, and agriculture brings significant strengths to the U.S. economy.

Manufacturing jobs pay higher than average wages, and manufacturing provides the bulk of U.S. exports, contributes substantially to research and development, and protects national security. After decades of sharp decline, domestic manufacturing has seen a recent resurgence, and manufacturers have added 484,000 jobs since January 2010.[1] The Subcommittee on Manufacturing, Services, and Agriculture noted that this growth must be matched by investment in a 21st century infrastructure if U.S. manufacturers are to remain competitive in the global market.

The services sector comprises sixty-eight percent of the nation's gross domestic product and employs four out of five U.S. workers.[2] In 2010, U.S. exports of private services were $530.3 billion, the highest level on record. This resulted in a trade surplus of $162.2 billion.[3] The United States enjoys a significant comparative advantage is fields such as financial services, entertainment, e-commerce, travel and tourism, and express delivery and logistics. Most importantly, services provide the critical infrastructure for trade in goods and agriculture. Highlighting the job creation potential in the services sector, the Subcommittee recommended enabling better data collection and sharing, removing barriers to trade in services, and promoting one economic bright spot in particular – travel and tourism – which constitute twenty-five percent of services exports. In 2011, 62 million international visitors came to the United States and spent a record $153 billion on U.S. travel- and tourism-related goods and services, a fourteen percent increase in spending from the previous year.[4]

Agriculture is also a major contributor to exports in this country, and the U.S. farmer plays a vital role in feeding the world. In 2011, U.S. agricultural exports hit a record high of $137.4 billion, with a surplus of $42.9 billion.[5]

Recommendations:

Travel and Tourism, Letter 1 - Undertake a comprehensive review of the procedures and policies currently in use by U.S. embassies and consulates both in visa waiver and non-visa waiver

[1] http://www.bls.gov/web/empsit/ceshighlights.pdf
[2] http://www.ustr.gov/trade-topics/services-investment/services
[3] http://www.bea.gov/scb/pdf/2011/10%20October/1011_services%20text.pdf
[4] http://www.tinet.ita.doc.gov/outreachpages/download_data_table/Fast_Facts.pdf
[5] http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus)/latest-us-agricultural-trade-data.aspx

countries that are a source of significant inbound travelers in order institute concrete measures to expand, simplify and expedite the visa and travel process. Conclude Open Skies agreements with fast-growing aviation markets, especially in Asia, South America and the Near East, with the goal of increasing market share and competitiveness.

Services Data - Improve the quality and precision of trade data covering the U.S. services sector. Recommended actions include: (1) increasing or allocating funding to U.S. Bureau of Economic Analysis to support an expansion in size and scope of the data collection surveys which provide statistics on services trade; and, (2) allow expanded data sharing among the three key economic statistics agencies, in line with the Administration's proposal to amend 26 USC 6103(j) to remove existing statutory barriers to data sharing.

Transportation Infrastructure - Improve and enhance America's transportation infrastructure so that American exporters can conveniently move their products out of the country. Perform a top-down comprehensive review of the nation's export infrastructure value chain in collaboration with federal, state and local agencies and the private sector in order to determine weaknesses and choke-points. Use the results of the aforementioned study to identify export infrastructure 'corridors' and to build intergovernmental teams to provide strategic guidance for the development, management and enhancement of export infrastructure programs. Prioritize discretionary infrastructure investments on projects that will enhance the flow of exports. Develop a comprehensive funding strategy, including moving forward with the establishment of a National Infrastructure Bank. Address long-term structural needs of exporters, such as ensuring an adequate supply of truck drivers and other transportation workers.

Information Technology Agreement Expansion - Expand the product coverage and membership of the WTO Information Technology Agreement, which eliminates tariffs on a wide range of information and communication technology products, enhancing global trade, spurring economic growth in the United States and globally, and fueling the advance of the information age around the world.

Travel and Tourism, Letter II - Increase visa-processing capacity in order to lower visa wait times. Expand the visa waiver program. Negotiate long-term visas on a reciprocal basis with more countries, particularly with China.

Members of the Subcommittee on Manufacturing, Services, and Agriculture

Alan Mulally (Co-Chair)
President and Chief Executive Officer, Ford Motor Company

Richard L. Friedman (Co-Chair)
President and Chief Executive Officer, Carpenter & Company, Inc.

Patricia A. Woertz (Co-Chair)
Chief Executive Officer, Archer Daniels Midland

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Jeffrey Kindler
Former Chairman and Chief Executive Officer, Pfizer Inc.

Andrew N. Liveris
Chairman, President, and Chief Executive Officer, The Dow Chemical Company

Subcommittee on SME Business Engagement

Subcommittee on SME Business Engagement

<u>Overview:</u>

The Subcommittee focuses on identification and development of recommendations and policies designed specifically to help small- and medium-sized enterprises overcome significant barriers and obstacles to accessing global markets and heightening export performance.

Small- and medium-sized enterprises (SMEs) form the backbone of the American economy. Small businesses make up 99.7 percent of U.S. employer firms, 98 percent of firms exporting goods, 33 percent of exporting value, and 64 percent of net new private sector jobs.[6] Thus, the success of SMEs in the global marketplace is critical toward propelling the President's Export Council's goal of boosting exports in the National Export Initiative, helping accelerate our national economic recovery, and furthering the U.S. position in the global economy.

The SME Business Engagement Subcommittee has conducted six Roundtables across the country to gather and assess first-hand feedback from more than 200 SME exporters on the obstacles and challenges to exporting. Commonalities emerged across sectors and regions and informed and drove three sets of focused recommendations: increase export capacity of SMEs by addressing challenges related to education, access to capital, and regulatory and cost burdens.

Strong progress has been achieved on many of the Subcommittee's critical recommendations, including creation of Metropolitan Export Initiatives to leverage local and regional assets, resources and opportunities. To date, the partnership between Brookings Institution and the U.S. Department of Commerce's International Trade Administration has resulted in successful initiatives in 12 major cities, all dedicated to harnessing local business and private sector groups, universities, and community colleges to expand outreach and education.

In addition, significant progress has been achieved in capital access areas including addition of new preferred lenders in the Small Business Administration's Export Working Capital program and reauthorization and increased lending capacity at Export-Import Bank. Among advances, Ex-Im Bank also has created three new loan programs for small business exporters: Global Credit Express (its first direct-loan program to help SMEs access short-term working capital lines of credit), Express Insurance (an expedited and simplified insurance program for SMEs) and Supply Chain Finance (to help small business suppliers better manage borrowing). Ex-Im also launched its Small Business Global Access in partnership with the National Association of Manufacturers, the U.S. Chamber of Commerce, and several financial institutions. To date, Ex-Im has sponsored 42 Global Access forums around the country, bringing 3,000 SME exporters together with bank lenders, insurance brokers, other USG agencies and Ex-Im export finance specialists.

Ongoing progress also is being made on SME focus areas in education, particularly expansion of on-demand resources at Trade.gov and USTR.gov, and creation of a "one-stop resource shop" at

[6] http://www.sba.gov/sites/default/files/FINAL%20FAQ%202012%20Sept%202012%20web.pdf

Export.gov, including the SBA and TPCC agencies' launch of export.gov/sbcounselors offering links to key topics covered in training of 150 SBA resource partners through the Association of Small Business Development Centers. Ex-Im also is rolling out a new training platform with onsite and webinar courses this year, including a new SME portal on its website. Recommendations to ease regulatory and cost-burden issues also are being addressed, particularly through development of streamlined export control measures and reduced fee structures for entrepreneurs in the America Invents Act's reforms to our nation's patent system.

Recommendations:

Create "Local NEIs" (Metropolitan Export Initiatives) – To address the perceived confusion and difficulty we heard from SMEs at roundtables across the country in getting help from the many export-related agencies and organizations, we recommended integrated, export development planning at the state and metro levels in order to leverage the resources and capabilities of government and non-government resources to more effectively reach, counsel and support SMEs in their exporting efforts. Expand regional export development planning to more of the nation's top 25 exporting cities, and providing federal catalyst grants to foster grassroots-level SME education in MEI and other markets, particularly focused on community-level outreach engagement among identified business associations, economic development councils, academia, state and local governments, non-profits and the private sector.

Enhance and Expand On-Demand Information – Accelerate continued maximization and development of new public-private partnership efforts to increase export-related education and information when, where and how SMEs want it, including on-demand podcasts, videos, and webinars for all TPCC agencies, and to increasingly drive this information toward a single portal.

Boost FTA Education/Outreach Programs Utilizing SMEs – SMEs are a very credible voice in educating and positively changing the perception about trade for the United States. Recommend increased engagement and utilization of direct and indirect SME exporters to highlight their success stories and to use their voices to win over pockets of resistance to the economic and job benefits of trade for the U.S.

Ease and Streamline the Loan Initiation Process – Build on the Small Business Jobs Act of 2010 by elevating the initiatives undertaken by the SME Working Group of the TPCC: increase delegated lending authority to existing trade finance lenders; increase trade finance training to community banks to include receptivity to working with smaller exporters, and assisting SMEs in better document preparation prior to seeking finance solutions. Collaborate with programs such as the Goldman Sachs 10000 Small Business Initiative to provide SME support services focused on a business' financials, as well as alternative financing models in partnership with CDFIs (capital component of the 10000 Small Business Initiative), which allows for more flexibility in funding decisions made at the local level. More underwriters with increased authority are needed at Ex-Im Bank to speed up loan approvals.

Provide More Support for Young Small Businesses - Establish formal "incubator" programs at the Federal government level that specialize in working with young SMEs to fund working capital and export finance needs during the start-up process. Provide additional support of

Young Entrepreneurship Programs at community colleges to provide a support structure for new business owners in accessing business support services, coaching, and partnering with private organizations whose mission it is to provide start-up capital and funding to young entrepreneurs. Build upon the "Startup America" program launched in 2011 and the Small Business Jobs Act by ensuring sustained funding sources for Small Business Development Centers (SBDCs).

Ease and Streamline Export Compliance Policies/Procedures – Continue expediting export control and regulatory reform initiatives with formalized timelines and milestones, as well as increased SME outreach/education efforts through Export.gov. Link Small Business Development Centers (SBDCs), the SBA and the Bureau of Industry and Security (BIS) in export compliance and control education efforts.

Cost of IP Registration, Maintenance and Enforcement - Work within the WTO and within trade agreements to improve the simplicity, speed and cost of registering and maintaining all IP. Create a program to reduce the cost to SMEs and/or provide financing for registration of patents. Encourage an appropriate TPCC agency to introduce an insurance policy that SMEs can purchase to be used for potential legal and related costs in cases of IP infringement.

Streamline Rules of Origin to Remove Barriers for SME Export Compliance and FTA Access – Continue to work with the WTO and other trade bodies to remedy differences in rules of origin to ease and equalize compliance requirements, as well as penalties, for resource-strapped SMEs.

Members of the Subcommittee on SME Business Engagement

Gene Hale (Chair)
President, G&C Equipment Corporation

Raul Pedraza (Vice Chair)
President, Magno International, L.P.

Mary Vermeer Andringa
President and Chief Executive Officer, Vermeer

William Hite
General President, United Association

Robert A. Mandell
Former Chairman and Chief Executive Officer, Greater Properties, Inc.

Subcommittee on Trade Promotion and Advocacy

Subcommittee on Trade Promotion and Advocacy

Overview:

The Subcommittee focuses on U.S. government activities to promote exports, including commercial advocacy, export finance, and trade education.

The Trade Promotion and Advocacy Subcommittee identified high-leverage opportunities to significantly help American businesses begin or expand exporting, with a particular focus on small and medium sized enterprises. The Subcommittee is pleased by the progress made to implement its recommendations, but also recognizes that additional steps are necessary for to achieve the NEI's ambitious goals.

U.S. businesses face burdensome regulatory costs with regard to trade facilitation. The Subcommittee made a number of recommendations focusing on simplifying paperwork and processes for export control measures, customs reporting, and business visa issuance. Since these recommendations were made, the Department of the Treasury has taken steps to implement a mechanism for streamlined customs data collection, reformed regulations regarding exports of controlled goods, and piloted new, more efficient visa issuance procedures. These steps will save time and money for both exporters and agencies collecting data and enforcing regulations.

The Subcommittee also looked for new ways for the federal government to engage small and medium sized businesses in export promotion and outreach efforts. Following a Subcommittee recommendation to conduct a benchmarking survey, the International Trade Administration compared its programs to those of successful exporting nations and adopted best practices to enhance trade agencies' web presence via export.gov. There has also been unprecedented collaboration across all levels of government through the Metropolitan Export Initiative, which has provided resources and expertise to U.S. cities to develop export promotion plans to meet the needs of regional economies and their constituent businesses. The Subcommittee also applauds the reauthorization of the Export-Import Bank through 2014. The Bank plays a vital role providing working capital to exporting businesses.

Recommendations:

Export Control Reform – Move quickly to complete Phase II of the export reform initiative, including harmonizing control lists and providing resources for more outreach and assistance to small businesses to help them comply with laws and regulations. Continue to collaborate with the private sector during the implementation phase, specifically regarding how items and technologies are to be controlled under the new system.

Benchmarking – Utilize research based comparative studies to improve insight regarding the processes and policies being used by other nations to help their business reach global markets. Conduct a comprehensive study to determine the factors that differentiate U.S. export performance from other major exporting nations, including export leaders such as Germany, South Korea, and Singapore.

Trade Facilitation/Single Window – Streamline the administrative and physical barriers that delay the movement of goods across borders. Fully establish an automated single shipment information window that is aligned with international data standards and works with equal efficiency for both imports into and exports from the United States. Encourage U.S. trading partners to adopt the recommendations in the Revised Kyoto Convention and the SAFE Framework of Standards established by the World Customs Organization. Ensure trade facilitation measures already largely agreed upon in the current Doha Round are implemented regardless of the outcome of the overarching negotiations.

Export-Import Bank Financing – Reauthorize the Export-Import (Ex-Im) Bank by September 2011. Nominate and work with Congress to approve candidates for vacancies on the Bank's Board of Directors. Raise the allowable financing cap from $100 billion to a minimum of $200 billion. Modify Ex-Im content regulations to better reflect today's marketplace. Make it easier for small businesses to access Ex-Im resources. Develop an action plan to provide increased financing to the services sector.

Business Visas – Improve the global competitiveness and innovation capabilities of U.S. industries through efficient visa processing procedures. Improve facilitation of visa processing for nonimmigrant business visitors. Collaborate with Congress to reform U.S. visa and immigration policies. Establish a Trusted Employer Program through U.S. Citizenship and Immigration Services. Convene an informal public-private working group to improve transparency and increase communication between relevant agencies dealing with business visa issues.

Federal, State, and Local Government Cooperation on Export Promotion – Enhance coordination and eliminate redundancies in the efforts of Federal, state, and local governments to promote exports. Use metropolitan areas as testing grounds and develop individualized state and metro export plans to better identify challenges faced by small- and medium-sized enterprises that would like to start or expand exporting.

Members of the Subcommittee on Trade Promotion and Advocacy

Scott Davis (Chair)
Chairman and Chief Executive Officer, UPS

Robert A. Mandell (Vice Chair)
Former Chairman and Chief Executive Officer, Greater Properties, Inc.

Raul Pedraza
President, Magno International, L.P.

Glenn F. Tilton
Chairman, United Continental Holdings and Chairman of the Midwest, JP Morgan Chase

James S. Turley
Chief Executive Officer, Ernst & Young Global Consulting

Subcommittee on Workforce Readiness

Subcommittee on Workforce Readiness

Overview:

The Subcommittee focuses on export capacity building by recognizing the critical role the American workforce plays in US competitiveness, and therefore, to US export performance. The Subcommittee focuses on policies and programs which enhance the competitiveness of the U.S. workforce. Increasing the number of Americans with basic employment competencies, as well as mid and high level technical skills, is essential to boosting productivity and exports. Following the economic recession of 2007-2009, employment in America faces a dual crisis. Vulnerable populations are still facing difficulty securing jobs while, at the same time, U.S. firms are reporting unfilled jobs numbering in the 500,000 to 600,000 range. The SME subcommittee of the PEC also heard this clearly from their series of national roundtables. Primary obstacles to export for Small to Medium sized Enterprises cited in 2010-11 were costs, regulations, and lack of knowledge. By early 2012, SMEs cited the lack of a qualified workforce as the number one hindrance to additional business and exports.

Early after the Workforce Readiness committee's re-chartering, a successful event was held at the Chicago location of the United Association of Plumbers and Pipefitters. Stakeholders from local, state and federal government, the private sector, community colleges and universities, and economic development organizations met to discuss the reality of the skills gap challenge, to identify causes, and to highlight ideas and pilot programs where progress could be, or already was, being made. From this and subsequent interaction with stakeholders and program directors across the nation, a number of recommendations were made.

Recommendations:

Specialized Training Programs for Veterans – We urged the Administration to enhance training programs for those returning from the military, to model those programs after successful start-up programs such as Veterans in Piping (VIP) and Helmets to Hardhats (H2H), to offer preferential treatment in governmental contracts for organizations who participate in or sponsor such programs, and to encourage the Departments of Veterans Affairs, Defense, Education, Labor and Agriculture to collaborate with community colleges and industry in job placement for veterans in needed, STEM related fields.

As of this report, 9.7 percent of post-9/11 veterans remain unemployed. That number is a drastic drop from the 12.1 percent rate reported last year. However, the rate is still more than two percent higher than the non-veteran, unemployed rate. Additionally, over the next few years, over one million Americans will return to the U.S. civilian job market. These veterans deserve an opportunity to participate in partnerships that prepare job seekers for a new career.

The Subcommittee reports considerable action and momentum from all stakeholders on this recommendation. Several programs have been initiated and launched in the last two years: Veteran Gold Card, My Next Move for Veterans, Veteran's Job Bank, etc. Many employers and labor organizations are also effectively reaching out to veterans. For instance, GE's *Military to*

Manufacturing Get Skills to Work partnership with the Manufacturing Institute and the United Association of Plumbers and Pipe Fitters' *Veterans in Piping* program seek to facilitate training and employment of veterans in record time. Both programs give preferential training opportunities to veterans and guarantee veterans job opportunities after completion of the training program. Other industry employers could replicate and expand these programs.[7] The United Association of Plumbers and Pipe Fitters' *Veterans in Piping* program is a particularly good model because it offers an 18-week accelerated welding program that provides veterans with a lifelong skill. Similar to some other pre-existing partnerships, such as *Helmets to Hardhats*, new partnerships should target Veterans and other economically-displaced workers that need assistance transitioning into a different career.[8] In addition, the national partners in the NAM-endorsed Skills Certification System have developed a technology platform to translate active-duty military personnel's occupational codes and training into civilian, industry-recognized credentials to connect veterans to immediate employment opportunities in manufacturing.

Basic Skills – Our primary and secondary school systems must substantially improve their ability to equip workers with basic qualifications needed for entry-level positions. Retention efforts in high schools must be substantially improved, whether graduates elect to go to college or pursue other career tracks. To achieve this, federal, state and local education programs must partner with state and local governments and local business to make effective education reforms a top-tier priority on everyone's policy agenda. Make high school graduation a top-tier priority by reinforcing and expanding career and technical education, developing more collaborative apprenticeship programs with industry, promoting career counseling that better understands today's technical job market and acknowledges that not all high school students benefit from a college track, and by the Administration effectively using its voice, to publicly encourage all of the above.

An alarming number of U.S. students, one in four, fail to graduate high school within four years and many never receive a diploma at all. Approximately seven thousand students drop out every school day. Many report frustration with traditional high school curriculum. Moreover, America's primary and secondary schools often fail to equip students with sufficient rudimentary skills needed to qualify for mid to high-skill level jobs in manufacturing and other industries. These conditions negatively impact companies seeking workers and workers seeking employment. The manufacturing and service sectors routinely report that American students lack necessary skills to perform entry-level jobs. Most industries require skills students simply don't have after graduating high school. Specifically, corporations with positions to fill report that students lack basic math and technical skills.

Successful models already exist, such as Project U-Turn in Philadelphia, a city-wide collaborative that includes the School District, City agencies, foundations, youth-serving organizations, parents and students. Similar collaborative efforts are needed to enhance success in high school and, moreover, to ensure a high school diploma reflects basic mastery of reading

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[7] Get Skills to Work, modified October 18, 2012. http://www.getskillstowork.org/; UA Veterans in Piping (VIP) Program | Veterans, modified October 31, 2012. http://www.uavip.org/veterans.asp

[8] Helmets to Hardhats: Home, modified October 30, 2012. http://www.helmetstohardhats.org/

and math. The lack of basic skills is a large and complex issue, going well beyond what institutional education can solve. Further recommendations will be made at future meetings.

STEM Skills – Given the growing importance of science, technology, engineering and math in modern society, the committee recommended developing a coordinated and comprehensive plan to expand STEM training including, but not limited to, efforts to incent all educational systems, primary to post-graduate, to expand and upgrade research, education and training in the critical STEM areas; promote and expand the usage of apprenticeship programs as a time-tested, effective method of preparing an effective workforce; and encourage community colleges to re-focus some of their efforts towards enhancing the value of terminal degrees.

Compared to many of our competitors, America lacks capacity in critical STEM skills training. Major public and private resources should be focused on prioritizing and growing educational and training for workers in *Science, Technology, Engineering and Math*. Educational and training efforts for STEM can positively impact our nation's ability to compete in international markets and remain a leading force in the world economy.

New Hampshire recently required the University of New Hampshire and its community college system to sign a letter of commitment outlining steps they will take to increase the number of graduates with degrees in science, technology, engineering and math. Washington STEM has developed tools for schools to assess their STEM curricular and teaching strength. The Tapping America's Potential (TAP) Coalition, comprised of some of America's most innovative companies, recommended that policymakers take five steps to produce the STEM graduates our country will need to compete globally and to spur job growth: a) build public support for making improvement in science, technology, engineering and mathematics performance a national priority; b) motivate U.S. students and adults, using a variety of incentives, to study and enter science, technology, engineering and mathematics careers, with a special effort geared to those in currently underrepresented groups; c) upgrade K–12 mathematics and science teaching to foster higher student achievement, including differentiated pay scales for mathematics and science teachers; d) reform visa and immigration policies to enable the United States to attract and retain the best and brightest science, technology, math and engineering students from around the world to study for advanced degrees and stay to work in the United States; and e) boost and sustain funding for basic research, especially in the physical sciences and engineering. There is considerable activity around this recommendation and many programs have been initiated. Everyone is talking STEM, but given the size and scope of the challenge, the Subcommittee sees opportunity for further recommendations which it will bring to the next Council meeting.

Training Partnerships – Some of the most successful skill training programs being used today are conceived, designed and delivered through strategic partnerships involving two or more of the following groups: business, labor, government, education and non-profit organizations. These should be expanded and should include ingredients found in successful programs, namely: (a) using partnership teams to plan and carry out training; (b) providing pay for workers while they learn; (c) combining practical on-the-job training with classroom or shop instruction, and (d) guaranteeing trainees employment upon completion. Additional recommendations were to boost workforce readiness at community colleges by utilizing federal assistance in such a way that colleges are encouraged to engage employers to ensure that skills taught reflect direct and immediate needs; having community colleges align their technical curriculum with industry recognized, nationally portable credentials such as the NAM-endorsed Skills Certification program which encompasses industry, academia, and independent certification and technical/engineering bodies; and scaling up accelerated, collaborative programs such as Right Skills Now and Skills for America's Future.

While there is no "one size fits all" solution for every situation, research shows the most successful workforce training programs rely on input from various combinations of key stakeholders, including industry, labor, education, and government. Recent partnerships between manufacturing companies and community colleges provide one type of blueprint for joint training. Community colleges are a natural education partner because they are often conveniently located near manufacturing centers. In addition, many new, high skill manufacturing jobs only require two-year degrees, the equivalent of associate degrees already offered by community colleges. Apprenticeship training programs, especially those offered in the construction industry, provide viable career paths for those seeking employment in the skilled building trades. The apprenticeship training model used in the U.S. construction industry is a highly effective and completely self-funded approach to post-high school skills training. Since apprenticeships are demand driven, they help ensure that employees are provided with the right skills for the jobs available. Apprenticeships provide workers with core employment-related skills including communication and problem-solving skills, as well as training on how to deal with a diverse set of on the job demands from supervisors and co-workers. In countries such as Germany, between 50 percent and 70 percent of all young people participate in apprenticeships, which have helped this country maintain an advanced manufacturing sector. However, in the U.S. only about five percent of all new entrants participate in apprenticeships. Extending apprenticeships not only in manufacturing but also in education and healthcare would help prepare new entrances for these jobs in our economy.

We are seeing collaboration and coordination between stakeholders like never before. Those who are not currently participating in such programs already are eying successful programs with an idea to start. As part of our report, the Subcommittee has highlighted some programs and examples that are being scaled up and has included recommended ingredients for success:

> **TALENT 2025 Initiative:** In 2010, a number of CEOs from major Western Michigan employers created TALENT 2025 to help address workforce needs in the region. TALENT 2025 tries to create solutions by developing broad partnerships between industry and other market participants, such as educational institutions. One recent initiative involving Paragon D&E, Gentex Corporation, Autocam, Anderson Global, Grand Rapids Community College and Ferris State University trains students to work at their manufacturing facilities. Participating manufacturers provide a two-year scholarship for students to study advanced manufacturing and pay students to work at their facilities while in school.[9] This approach is similar to traditional apprenticeship programs in construction, where joint labor-management groups have provided high quality, cost-effective training for over 100 years. Notably, this program also resembles

[9] Advanced Manufacturing Partnership (AMP) | Grand Rapids Community College, modified October 30, 2012. http://cms.grcc.edu/amp

the types of partnerships recommended by the President's Council of Advisors on Science and Technology in its 2011 report, *Ensuring American Leadership in Advanced Manufacturing*.

Volkswagen Apprentice Program: Recently, Volkswagen partnered with Chattanooga State community college to implement a three-year apprenticeship-type program in Chattanooga, Tennessee. Volkswagen's program trains mid-skill level machinists to perform maintenance on robotic welders. Apprentices alternate between the classroom and the Volkswagen plant, earning money as they work. Apprentices spend a total of four trimesters working at the Volkswagen plant and five trimesters in the classroom and lab. After completing the program, Volkswagen guarantees the students a job with the company. Significantly, this is one of the first examples of a corporation applying the traditional apprenticeship model to a manufacturing setting.[10]

Dream It, Do It from the Manufacturing Institute: Twenty states have now implemented Dream It, Do It, a national career awareness and recruitment program for manufacturers. It includes national and local activities to engage, educate, and employ the next generation of skilled manufacturing talent. Its four goals and programs seek to Explore (discover the world of manufacturing), Inspire (offer tools and research to help promote careers in manufacturing and STEM education), Educate (develop manufacturing education programs using nationally portable, industry-recognized credentials using the credentialing partners of ACT, SME, MSSC, NIMS and the AWS), and Connect (encourage strong regional, cluster-oriented, pro-manufacturing partnerships among local business, political, education, and civic leaders, and economic developers).

Right Skills Now: The President's Council on Jobs and Competitiveness, the Manufacturing Institute, ACT and NIMS, have partnered to develop a nationally replicable, fast-track solution to deliver just-in-time talent to manufacturers. Manufacturers gain accelerated access to skilled talent as well as an efficient and sustainable system for evaluating which candidates have the Right Skills Now, while students earn industry-recognized credentials and credit toward a degree — all while working. Those who are unemployed or under-employed can prove they have the Right Skills Now in a competitive job market.

All stakeholders, including business, labor, government and academia, agree that improving the skills, experience and availability of qualified American workers is critical to meeting the NEI's goals. The Workforce Readiness Subcommittee of the PEC, focusing on capacity building for exports, will work together with the Manufacturing Council and the President's Jobs Council to ensure a comprehensive and coordinated approach to these issues.

[10] Volkswagen Academy | Tennessee Technology Center : Chattanooga State, updated October 17, 2012. http://www.chattanoogastate.edu/ttc/volkswagen-academy.html.

Members of the Subcommittee on Workforce Readiness

William Hite (Chair)
General President, United Association

Mary Vermeer Andringa (Vice Chair)
President and Chief Executive Officer, Vermeer

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Charles R. Kaye
Co-President, Warburg Pincus LLC

Gary Loveman
Chairman, President, and Chief Executive Officer, Caesars Entertainment Corporation

Denise Morrison
President and Chief Executive Officer, Campbell Soup Company

Patricia A. Woertz
Chief Executive Officer, Archer Daniels Midland

Subcommittee on Export Administration

Subcommittee on Export Administration

Overview:

The Subcommittee on Export Administration (PECSEA) advises and reports to the Secretary of Commerce on matters pertinent to the Export Administration Act, the Export Administration Regulations, and related statutes and regulations. The PECSEA is principally focused on United States policies (1) encouraging trade with all countries with which the United States has diplomatic or trading relations and (2) controlling trade for national security, foreign policy and short supply reasons. The PECSEA draws 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.

The PECSEA is comprised of approximately 25 members who serve at the Secretary's discretion. Membership is drawn from members of the President's Export Council, high-level federal government officials, senior academics and representatives of business and industry who are exporters of those goods and technical data that are presently under control for national security, foreign policy or short supply reasons or are proposed for such control.

Recommendations:

Export Control Reform – As outlined in our letters of recommendation during this term, the PEC believes that the modernization of our export control regime is a vital component of an improved regulatory network that will enhance and advance U.S. national security interests while also ensuring a level playing field for U.S. industry. The PEC supports the Administration's efforts to enact meaningful reform and applauds the significant achievements that have already been implemented. We continue to encourage the Administration to collaborate with the U.S. Congress toward the successful completion of the goals stated for Phase III of the Export Control Reform (ECR), often referred to as the "four singles:"

- Single Control List
- Single Licensing Agency
- Single Primary Enforcement Coordination Agency
- Single IT System

Complete Phase I and Phase II of the ECR, particularly the revisions to the control lists and the corresponding licensing policies – Phases I and II of ECR were designed to provide fundamental relief within the current system while maintaining the current interagency structure. These fixes could be achieved largely by Executive action alone without legislation. The Administration has made significant progress to date.

- It has already developed and published the methodology for rebuilding the control lists, and will begin implementing these regulatory changes in early 2013.
- The President issued Executive Order 13558 to create the Export Enforcement Coordination Center (E2C2), where all departments and agencies with export

enforcement responsibilities are working side-by-side, together with the intelligence agencies, to coordinate enforcement actions.
- The Administration partnered with the U.S. Congress to pass the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), to increase the disparate criminal export enforcement penalties to a standardized maximum. It also provided the Department of Commerce with permanent law enforcement authority that had been in lapse.
- An electronic consolidated list of parties ("Consolidated Screening List") was developed to assist companies screen transactions to ensure items are exported in compliance with licensing and other export control requirements; this is of particular value to small- and medium- sized exporters.
- Four departments – Commerce, Defense, Energy, and State – are already migrating to a single secure licensing IT system administered by Defense.
- Commerce implemented License Exception "Strategic Trade Authorization" (STA) to permit the export of a defined set of items on the Commerce Control List (CCL) to U.S. strategic Allies and other friendly countries without a specific license, while enhancing the compliance requirements of foreign exporters and focusing U.S. Government enforcement resources on truly sensitive exports and destinations.

Consult with the PEC and PECSEA on matters related to the ECR – The PEC remains encouraged by the Administration's adoption of this recommendation and the meaningful dialogue and support that it has received from the Administration, in particular from the Bureau of Industry and Security (BIS), during this term. The open two-way communication and access to high-level BIS leadership during our PECSEA meetings have informed our recommendations and assisted in highlighting industry concerns prior to and during implementation of various initiatives under the ECR.

Streamline and Strengthen the Technology Release Process – The PEC is pleased to acknowledge the notable progress in the Technology Release Process overseen by the Department of Defense. We are pleased to note that the Deputy Secretary of Defense signed a policy memorandum directing organizational changes that should help increase transparency and predictability in the process.

Completion of the USML/CCL Review – The PEC continues to believe that the transition of items from the United States Munitions List (USML) to the CCL could have the most dramatic impact on reforming the system by reducing the regulatory burden and documentation required of exporters. The PEC acknowledges that significant progress has been made, as outlined in the below steps that have been largely completed and in the "Public Comments" stage, which is a precursor stage to a "Final Draft" being published:

- Proposed creation of the "600 Series," which establishes a framework of controls under the DOC for items transferred from the USML to the CCL;
- Proposed Transition Rules for items transitioning from the USML to the CCL;
- Proposed "Specially Designed" definition;

- Proposed changes ("Rule Changes") to the International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR) regarding the following ITAR Categories:

    - Explosives/Energetic Materials (V)
    - Military Vehicles (VII)
    - Aircraft (VIII)
    - Military Training Equipment and Training (IX)
    - Protective Personnel Equipment and Shelters (X)
    - Auxiliary Military Equipment (XIII)
    - Gas Turbine Engines (XIX)

The PEC is encouraged by this progress but continues to urge the Administration to set a firm timeline for completing the necessary process to notify the U.S. Congress as mandated by Section 38(f) of the Arms Export Control Act (AECA).

Regulatory Clarity and Harmonization of Definitions – The PEC believes that many of the initiatives already implemented, and the rule changes that have already been proposed but not yet implemented, have and will continue to provide significant relief to the "interpretive burden" that affects all companies, large and small, but poses a disproportionate challenge to small- and medium-sized exporters. Of special note are the Administration efforts in the following areas:

- Officially opened two new national, multi-agency centers to improve how the U.S. Government administers its export control system – the Export Enforcement Coordination Center and the Information Triage Unit;
- Rebuilding the two control lists (USML and CCL) which will clarify what is controlled on which list, ending jurisdictional confusion and making it easier for exporters, especially small business, to comply with the regulations;
- Proposed definition of "Specially Designed" by Commerce and State;
- Established the STA license exception; and
- Consolidated Screening List.

Single IT System – Four departments – Commerce, Defense, Energy, and State – are already migrating to a single secure licensing IT system administered by Defense. Other departments are expected to follow, but the PEC continues to believe that a measurable timetable for completion should be identified and agreed upon by all the relevant agencies. In addition, the Administration must continue efforts to develop a single licensing form and a harmonized IT interface for exporters.

Outreach and Education – The PEC has previously stated and herewith reiterates its belief that the successful implementation of ECR will depend heavily on a successful outreach and educational campaign. The PEC is encouraged by the actions that the Departments of State and Commerce, in particular, have taken to step up their external communications to the trade community and to start planning for the training and outreach necessary to implement ECR.

The PECSEA has been working closely with BIS during this term to identify the actions that will assist the Administration achieve the best returns for its investments in outreach and education. Some of the tangible results of this collaboration include:

- Partnering with pre-vetted nonprofit educational trade organizations to expand government outreach with shared resources;
- Providing immediate feedback on the redesign of the BIS website;
- Developing, refining and implementing online education and training tools;
- Evaluating the use of online surveys and additional free, online tools for self-development and training; and
- Establishing a comprehensive database of U.S. exporters to assist BIS in marketing and targeting its outreach efforts.

Trusted Exporter Program – The PEC recommended that the Administration consider establishing a Trusted Exporter Program that would provide incentives for exporters to invest in their compliance programs in exchange for an easier path to exports for their products and technologies; a robust audit and enforcement element would be an integral component of such a program. The Administration has expressed interest in further developing a Trusted Exporter concept, likely to start in 2013. The PEC encourages the Administration to continue its work on this concept in close collaboration with industry to ensure that implementation of the program is feasible and not unduly burdensome on exporters.

Proposed Revision to ITAR for Arms Brokering – The PEC cautions that proposed Department of State revisions to the International Traffic in Arms Regulations (ITAR) with regard to arms brokering may negatively impact the competitiveness of industry and may be disproportionately burdensome for small- and medium-sized enterprises. The PEC encourages the Administration to continue to assess proposed changes to ensure they are consistent with the overall objectives of the ECR and do not create disproportionate burdens on the small-business community.

Members of the Subcommittee on Export Administration

Raul Pedraza (Chair)
Magno International, LP

Marion Blakey (Vice Chair)
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Osval Storie
MAG Industrial Automation Systems

Michael Swartz
Lake Shore Cryotronics, Inc.

Chuck Tabbert
Ultra Communications, Inc.

Song Volk
Hughes Network Systems, LLC

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THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230
September 16, 2010

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

Dear Mr. President:

As part of the National Export Initiative aimed at doubling exports over the next five years, we believe that the service sector, and in particular the travel and tourism industry, will play a vital role. In 2009, the United States had over $120 billion in travel and tourism exports, and a positive trade surplus of $21 billion. The travel and tourism industry is one of America's largest employers generating 8.2 million jobs in this sector last year. While the United States still has a trade surplus in tourism, in the post -911 years our national tourism performance has suffered dramatically, as we have lost 68 million visitors, resulting in $500 billion in lost spending, over 400,000 lost jobs and $32 billion in lost tax revenues'. Your leadership is needed to reverse this trend. With continued improvement in coordination among various government and private sector entities, we can be successful in increasing the number of people traveling to the United States each year.

The U.S. government can play a more vigorous role in accelerating economic growth in this important sector. The U.S. Travel Association estimates that by doubling arrivals from the 36 Visa Waiver countries alone, over $200 billion in spending would be generated in support of the U.S. economy while building cultural, education, family and business connections. A robust travel and tourism sector will spur growth throughout the country for small, medium and large businesses. With one out of every nine jobs in the United States tied to travel and tourism, the economic impact would be significant.

Important steps have already been taken to ensure that our embassies understand the importance of supporting U.S. business in world markets. Extending this effort to the travel and tourism sector of our economy is an important step the President's Export Council recommends the Administration embrace. In particular, we recommend that U.S. Embassies and consulates in Visa Waiver countries, and non-Visa Waiver Program countries (such as Brazil, India and China) that are major sources of inbound travel to the United States, undertake a comprehensive review of their current procedures and policies for encouraging travel and tourism to the United States. The goal of this review should be to institute concrete measures our embassies and consulates will undertake to expand, simplify and expedite the visa and travel process. The world must come to know that the United States welcomes foreign visitors while remaining vigilant in protecting our security.

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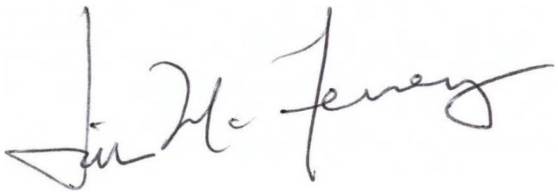
[1] Source: Oxford Economics

Additionally, continued progress opening international aviation markets can further enable travel and tourism. Our nearly 100 "Open Skies" agreements have vastly expanded international flights to and from the Unites States, increased travel and U.S. exports, enhanced productivity, and spurred high-quality job opportunities and economic growth. However, some of the world's fastest-growing aviation markets, especially in Asia, South America and the Near East still remain highly restricted. Additional "Open Skies" agreements will further bolster a key component of exports.

Thank you, Mr. President, for your leadership in promoting international travel and tourism. The PEC stands ready to assist you in any way to reinvigorate our travel and tourism industry.[2]

Sincerely,



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

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

September 16, 2010

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

Dear Mr. President:

A vital component of maintaining the competitiveness of U.S. companies abroad is an effective and efficient export control system- one that safeguards our most critical technologies and strengthens the U.S. industrial base. We applaud your leadership in launching the Export Control Reform Initiative and believe it is critical for the Administration to remain focused on transforming the current system.

As you noted last month when outlining the Administration's reform efforts, "by enhancing the competitiveness of our manufacturing and technology sectors, they'll help us not just increase exports and create jobs, but strengthen our national security as well." Modernizing U.S. export controls will encourage domestic investments in research, development, and manufacturing activities of cutting edge technologies that support our fighting men and women and facilitate potentially tens of billions of dollars of secure exports. In particular, we believe it is vital that the Administration work diligently to complete the Phase I and Phase II efforts it has announced, particularly the revisions to the control lists and the corresponding licensing policies, as soon as possible.

As the "blueprint" for reform was being created, the Administration solicited ideas from industry and trade groups as to the most vital areas for reform. We believe that process could be more formalized. In particular, we recommend that the Administration consult with the President's Export Council Subcommittee on Export Administration (PECSEA), and, as appropriate, the full President's Export Council (PEC), on its vision and implementation plans, including proposed regulatory and statutory changes. We also believe it is important for industry to have an opportunity to comment on the Administration's criteria and related policies to determine which items and technologies are controlled under the new three tier system. In this manner, the full expertise of the PEC can provide a valuable resource for needed changes.

Another important component to consider as part of the overall effort to reform export controls is the Technology Release process managed by the Department of Defense (DoD). As Secretary Gates and General Jones have noted, we need to gravitate toward a system that builds "higher walls around fewer systems," ensuring that our resources are aimed at protecting truly critical technologies. The process is an important part of that equation, as it sets the "technology transfer bar" for specific regions and countries with which the United States works as part of our national security strategy. We believe this is an area the DoD should continue to assess to identify measures that could both streamline and strengthen the technology release process.
Finally, given the complexity of the export control regime, the PEC urges the Administration to provide resources that will allow for more outreach and assistance to small businesses to comply with laws and regulations. The goal should be to simplify the current system to enable more robust compliance for all businesses.

A reformed and robust export control system will enhance national security, strengthen the industrial base and foster the competitiveness of U.S. companies abroad. As your team continues to pursue export control reform, the PECSEA is prepared to provide support for this critically important effort.[1]

Sincerely,

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

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

September 16, 2010

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

Dear Mr. President:

When you announced the formation of the President's Export Council (PEC) in July, we pledged to work to develop a plan to help achieve the National Export Initiative's goal of doubling U.S. exports over the next five years. The NEI is an ambitious undertaking and by taking a collaborative, public-private approach to achieving the NEI's goals, we can make significant progress in strengthening our country's economy and creating millions of new jobs for American workers.

The negotiation and implementation of new and pending bilateral, regional and multilateral trade agreements is integral to achieving the NEI's objectives. As you know, every major trading nation is now negotiating free trade agreements (FTAs) to ensure that their exporters and workers get preferential access in markets where our exporters and workers are battling to expand their sales. If our competitors succeed in getting preferential treatment in these important world markets, while the U.S. stands still on trade, not only does the NEI runs a high risk of falling short of its promise, but we run the risk of falling behind in the global economy and missing opportunities to create tens of thousands of jobs here at home.

The following are an initial set of public policy recommendations to ensure that American exporters have free and fair access to markets—a level playing field—by making trade agreements work better for the United States.

1. <u>Prepare and submit as soon as possible the pending Free Trade Agreements for Congressional consideration and passage</u>. We strongly support your decision to move quickly to resolve the outstanding issues in the Korea FTA, specifically, autos and beef. This will allow pending FTAs to move forward starting with Korea and subsequently with Colombia and Panama. Trade agreements have succeeded in opening foreign markets to American exporters. For example, in 2009, the U.S. had a trade surplus in merchandise of nearly $17 billion with our 17 FTA partners (excluding oil and mineral products). Through July 2010, the U.S. surplus in these products with our FTA partners was nearly $9 billion. And, according to the independent, non-partisan U.S. International Trade Commission, "these agreements could increase U.S. exports by at least $13 billion." Moreover, moving forward with the pending FTAs is necessary to reestablish a once-level playing field, including in the agriculture sector which has seen a significant loss of market share due to foreign competition from countries with FTAs with Colombia and Panama.

2. <u>We also strongly support your initiative to revitalize the Doha Round negotiations.</u> Successful completion of the Doha Round is an essential part of restoring global economic growth and new job creation on a sustained basis. The PEC agrees with Ambassador Kirk that while the positions currently on the table in the WTO provide a foundation for moving forward,

they do not in their current form or substance support significant new opportunities for economic growth and job creation.

Thus, we support the initiatives by Ambassador Kirk to re-energize the manufacturing, services and agriculture negotiations to expand their market opening commitments, and to ensure that these negotiations move forward in concert. The PEC also strongly endorses the view that the future success of the Doha Round depends on the willingness of large emerging countries like Brazil, India and China to assume their share of the responsibility to expand world trade commensurate with the substantial economic benefits they have been realizing as a result of multilateral market opening over the last sixty years.

3. Reinforce American Rights Against Unfair Trade Practices. The NEI already includes a strong commitment to enforcement of American rights under existing international agreements. It is equally important to ensure that domestic laws to protect American companies and workers from unfair trade practices are enforced fairly and effectively, and that internationally-accepted rules to prevent unfair trade practices are not preserved in new bilateral, regional or multilateral negotiations.

4. Pursue Modern FTAs with Our Major Trading Partners. Moving forward with the unfinished business of the Doha Round and the pending FTAs is essential, but it is equally important to begin to move forward on a new 21st century agenda of bilateral, regional and multilateral trade negotiations to make sure our foreign competitors are not able to exploit their bilateral and regional trade agreements to the disadvantage of our exporters and thus undermine the NEI's purposes.

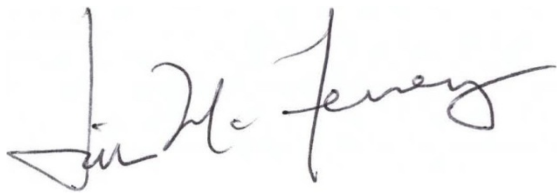
The PEC endorses the negotiation of new trade agreements with our major trading partners. The Trans Pacific Partnership (TPP) is an important example of the type of initiative needed to promote American exports and create new jobs. We urge you to conclude the TPP negotiations before the U.S. hosts the Asia Pacific Economic Cooperation meetings in November 2011. In the months ahead, the PEC intends to consider the feasibility of other beneficial bilateral and regional initiatives.

5. Re-establish Confidence in the Adjustment Process. Helping workers, companies and communities adjust to trade, as well as rapid economic, technological and social changes inherent in the global economy is also an essential part of a successful NEI and critically important to our overall competitiveness. The new bipartisan trade adjustment assistance program enacted in 2009 is a good start. However, public- private initiatives are needed to move beyond trade-related programs and find new ways to provide lifelong learning for workers, as well as assistance for job dislocation when livelihoods are threatened for any reason.

In the Omnibus Trade and Competitiveness Act of 1988, the Congress identified how trade agreements might constructively help the adjustment process. It authorized the President to undertake international negotiations to agree on rules to set up a system which would allow a country to impose a "small uniform fee" on imports to fund adjustment programs. Given the overall economic benefits of removing trade barriers and as tariffs are eliminated or substantially reduced, we believe the feasibility and utility of using this type of system to temporarily support the adjustment process should be re-evaluated.

As you said, Mr. President, in July, "export growth leads to job growth… So at a time when jobs are in short supply, building exports is imperative." We agree and are committed to working with you, the Congress and our colleagues in the private sector to make the NEI a success.[1]

Sincerely,



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

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

September 16, 2010

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

Dear Mr. President:

As members of the President's Export Council, we applaud and strongly support your National Export Initiative (NEI) as an essential component of U.S. foreign policy for international trade. Successful implementation of the National Export Initiative will require a work force that is trained and educated to meet the economic challenges that lie before us as a Nation. We believe promoting more effective training programs and a focused effort on increasing the number of Americans high-demand job areas focused in science, technology, engineering, and math (STEM) is essential and will in turn boost productivity. A particular segment of the workforce, returning soldiers from overseas operations, deserves your special attention and consideration. With the unemployment rate of veterans ages 22 to 24 reaching as high as three times that of non-veterans in the same age group, we believe the Administration should put additional emphasis on training initiatives to transition returning veterans back into the civilian workforce. By equipping veterans with highly-marketable skills, the U.S. can take a practical approach to addressing both the problem of high veteran unemployment and the challenge of industry skill shortages in key occupations.

Model programs that could serve as templates are the "Helmets to Hardhats" (H2H) Program of the National Building Trades Unions and the "Veterans in Piping" (VIP) programs of the United Association of Plumbers and Pipefitters (UA), both which have established track records of helping returning veterans make successful transitions from the military to high-skill careers in the private sector. Founded in 2003, H2H has placed tens of thousands of veterans into some of the most successful apprenticeship training programs in the country where they receive skills training offered simultaneously with immediate employment opportunities. The VIP program, launched in 2008, is an intensive eighteen week program offered directly on military bases that has provided training to numerous veterans in high skill jobs that are in strong demand in various U.S. industries. The program will soon be expanded to include new training aimed at jobs in the green technology sector.

Expanding the H2H and VIP programs, and developing similar programs based on these models, is one way to address critical workforce shortages in a constructive manner. Allowing a preference in federal contracting solicitations for companies that participate in H2H, VIP, or similar programs could further expand the success of these initiatives and help provide a model for additional training programs in the future.

Working with the Departments of Veterans Affairs, Education, Labor and Agriculture, we believe there are additional opportunities to encourage veterans to enroll in the STEM disciplines. These agencies should take the lead in forging partnerships between the local colleges and businesses to create venues where returning soldiers can match their backgrounds to these high demand fields of study. Encouraging veterans to choose STEM disciplines could be accomplished through preferred job placement with participating industry partners. Tailoring programs at the local level would ensure industry is engaged with veterans before and throughout their time in the classroom. By utilizing tuition assistance programs already available to qualifying veterans, shortages in fields critical to supporting export potential could be filled at minimal additional cost.

Experience has shown the lessons of leadership, discipline, and teamwork instilled in our soldiers translates well to workplace. By training our veterans in high demand fields that will support the Administration's goal of doubling exports in five years, these men and woman will continue to ensure the security of America's future in their new civilian lives.

We stand ready to work with you to ensure that our veterans' exceptional talents are leveraged in support of our nation's economic competitiveness.[1]

Sincerely,

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

September 16, 2010

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

Dear Mr. President:

As part of the National Export Initiative aimed at doubling exports over the next five years, we believe that the service sector, and in particular the travel and tourism industry, will play a vital role. In 2009, the United States had over $120 billion in travel and tourism exports, and a positive trade surplus of $21 billion. The travel and tourism industry is one of America's largest employers generating 8.2 million jobs in this sector last year. While the United States still has a trade surplus in tourism, in the post -9111 years our national tourism performance has suffered dramatically, as we have lost 68 million visitors, resulting in $500 billion in lost spending, over 400,000 lost jobs and $32 billion in lost tax revenues'. Your leadership is needed to reverse this trend. With continued improvement in coordination among various government and private sector entities, we can be successful in increasing the number of people traveling to the United States each year.

The U.S. government can play a more vigorous role in accelerating economic growth in this important sector. The U.S. Travel Association estimates that by doubling arrivals from the 36 Visa Waiver countries alone, over $200 billion in spending would be generated in support of the U.S. economy while building cultural, education, family and business connections. A robust travel and tourism sector will spur growth throughout the country for small, medium and large businesses. With one out of every nine jobs in the United States tied to travel and tourism, the economic impact would be significant.

Important steps have already been taken to ensure that our embassies understand the importance of supporting U.S. business in world markets. Extending this effort to the travel and tourism sector of our economy is an important step the President's Export Council recommends the Administration embrace. In particular, we recommend that U.S. Embassies and consulates in Visa Waiver countries, and non-Visa Waiver Program countries (such as Brazil, India and China) that are major sources of inbound travel to the United States, undertake a comprehensive review of their current procedures and policies for encouraging travel and tourism to the United States. The goal of this review should be to institute concrete measures our embassies and consulates will undertake to expand, simplify and expedite the visa and travel process. The world must come to know that the United States welcomes foreign visitors while remaining vigilant in protecting our security.

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[1] Source: Oxford Economics

Additionally, continued progress opening international aviation markets can further enable travel and tourism. Our nearly 100 "Open Skies" agreements have vastly expanded international flights to and from the Unites States., increased travel and U.S. exports, enhanced productivity, and spurred high-quality job opportunities and economic growth.. However, some of the world's fastest-growing aviation markets, especially in Asia, South America and the Near East still remain highly restricted.--additional "Open Skies" agreements will further bolster a key component of exports.

Thank you, Mr. President, for your leadership in promoting international travel and tourism. The PEC stands ready to assist you in any way to reinvigorate our travel and tourism industry.[2]

Sincerely,

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

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

December 9, 2010

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

Dear Mr. President:

Many countries around the globe have shown great success in growing exports over the past decade. Apart from some World Bank initiatives, little research has been done to analyze the changing nature, size and effectiveness of government export policies including export promotion and advocacy programs by foreign countries.

The President's Export Council (PEC) believes that the Administration and Congress would benefit from a fresh perspective on key factors driving export success in jurisdictions outside the U.S. The PEC recommends the Administration undertake a comprehensive benchmarking study to determine those factors that differentiate U.S. export performance versus other major exporting nations. Out of the review could emerge best-in-class export policy enablers that could be implemented in the U.S. to help achieve the National Export Initiative's goal of doubling exports in five years. Such a study should focus on a group of countries that have demonstrated recent success in exporting such as Germany, South Korea, and Singapore.

The proposed study could include the following topics:

- Analysis of exporting landscape and trends;
- Evaluation of industrial and economic policies utilized by the most successful exporters, including relative levels of R&D spending;
- Comparison of successful exporter nation policies to those employed by the United States, including government resources dedicated to export promotion;
- Assessment of risks and constraints associated with potential changes to U.S. export promotion policies (e.g., political considerations, current trade agreements);
- Overview of regulatory transparency in exporter nations;
- Recommendations on potential changes to U.S. export policy and associated benefits/risks; and
- Outline and discussion of potential approaches to enact recommended changes to policy across the areas of government.

Such a study could rely on a broad range of information sources, including:

- Analysis of reported economic data;
- Review of stated government policies and established export-supporting organizations of successful exporting countries;
- Input from U.S. export officials and trade representatives; and
- Discussions with officials of exporting countries and both U.S. and non- U.S. corporations.

Having greater insight into how other nations are assisting their businesses reach global markets, would enable the Administration, Congress and the general public to better understand the competitive pressures U.S. companies and workers are facing. Aggressive advocacy programs abroad, for example, may run afoul of existing international agreements. U.S. companies may be competing not with other private companies, but with state-owned enterprises or government entities that have greater access to government financing and subsidies. Such a study should explore how other jurisdictions coordinate export promotion and advocacy, whether through one strong agency rather than being spread out over several agencies as is the case with the U.S. Trade Promotion Coordinating Committee.

By better understanding what other countries are doing to promote exports, Congress and Government agencies tasked with export promotion and advocacy can better develop appropriate policies and programs that support growth objectives and defend against unfair practices abroad.

Furthermore, if additional commitment by the U.S. is necessary to upgrade our pro- export institutions, investments and policies to match rapidly changing developments in the global marketplace, public support will be necessary. Yet, without an understanding by the public of the need for such upgrades or modernizations—informed by knowledge of what others are doing- it may be difficult to obtain the necessary political support for legislative or regulatory change determined to be warranted based on the analysis.

The Council believes a benchmarking study such as that described is fundamental and overdue given the rapid and continuing changes in a global marketplace with many new and major players. The study should be made publicly available and include cost analysis of all recommendations. We advocate such a study be conducted within the next six months and seek to work with you and your Administration to further refine its design and objectives.

Sincerely,

Jim McNerney

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

December 9, 2010

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

Dear Mr. President:

Expanding exports of services is very important to meeting your goal of doubling overall U.S. exports over the next five years. In 2009, our exports of private services totaled $483 billion, and over the past decade, private services exports have nearly doubled. As the world's economy becomes more knowledge-based, services will become an even more important component of the U.S. export portfolio.

Services jobs account for over 80 percent of U.S. private sector employment; and therefore is a sector we cannot afford to ignore or underestimate in the goal of doubling exports. When you consider the span of this sector—financial services, insurance, express delivery, telecommunication services, logistics, advertising, computer and information services, management consulting and public information services, legal, accounting, medical and other professional services, travel and transportation, and others—it emphasizes the important role of services in job creation.

In addition, the services economy is an enabler and multiplier in the agriculture and manufacturing sectors—banking, insurance, accounting, express delivery, logistics, and telecommunications play essential roles in getting any product to consumers.

One barrier faced in efforts to promote and increase service exports is the quality of our export data. Obtaining accurate measures of services poses several unique challenges to our statistical system, and funding of surveys to better capture service exports has fluctuated over time. Information on the U.S. service sector and trade in services lags far behind that for the manufacturing sector. Insufficient data may be causing understatements about the size and extent of services exports.

Good decisions are facilitated by good data. To assist our government in being able to produce better information and results around service exports, below we have two specific recommendations.

Recommendation #1:
Increase or allocate funding to the Bureau of Economic Analysis (BEA) to support an expansion in the size and scope of surveys on services exports. Earlier initiatives resulted in the conversion of annual surveys to quarterly frequency (2004), the expansion of services detail for affiliated parties to match detail already collected for unaffiliated parties (2006), and new surveys related to travel expenditures (2009). With additional resources, BEA would be able to improve the coverage of its surveys by linking with data collected by the Census Bureau on the exports of U.S. establishments in selected services industries. In addition, BEA would be able to expand coverage in its quarterly surveys by reducing reporting thresholds and would be able to explore collecting additional detail on selected services, such as environmental services, computer and telecommunications services, and manufacturing services.

<u>Recommendation #2:</u>
Improve data sharing among key statistical agencies, as the Administration has proposed, by amending 26 USC 6103(j). Current tax law limits access to Federal tax return information (FTI) tor governmental statistical use. The Bureau of the Census (Census) receives FTI tor all businesses, and the Bureau of Economic Analysis (BEA), receives FTI tor corporate businesses. The Bureau of Labor Statistics (BLS) is currently not authorized to receive any FTI. Significantly, it is not the <u>tax</u> information per se from the FTI that is sought, but rather access to the business identifiers about the relevant organizations that is critical to produce accurate measurements.

The BEA's current restriction to corporate FTI impedes the measurement of income and international transactions in the National Accounts because of the growth of non- corporate businesses especially in the service sector. The accuracy and consistency of income data are important to the formulation of fiscal policies. Allowing BEA, Census, and BLS to synchronize their business lists would significantly improve the consistency and quality of sensitive economic statistics, including productivity, payroll employment, and average hourly earnings. It is roughly estimated that $20-40 billion of service exams could be overlooked due to the inability to identify gaps in the business lists.

The service sector generates four-fifths of our country's economic output, and employs over 80% of the American private sector workforce. In the years ahead, our services trade will grow substantially, and sufficient resources must be made available to accurately measure this crucial part of our economy.[1]

Sincerely,

Jim McNerney

Please note that this letter was prepared by the private-sector members of the PEC.

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

December 9, 2010

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

Dear Mr. President:

On behalf of the President's Export Council, we write to urge your Administration to give top priority to addressing the inadequate protection and enforcement of intellectual property rights (IPR) of U.S. manufacturers and service providers in foreign markets. We commend current efforts underway within the Administration to develop effective means of attacking the current high levels of IPR infringement in the markets of our major trading partners and to promote the development of strong global legal norms for the protection and enforcement of IPR. We strongly believe that beyond achieving new market access for U.S. exports, few initiatives hold greater promise for boosting exports and foreign sales, and promoting the sustained growth of well compensated U.S. jobs.

As you have often emphasized, American innovation and ingenuity are key factors in our global competitiveness. Goods and services protected by intellectual property laws are the cornerstone of our exports today. As Secretary of Commerce Locke stated in his remarks on the National Export Initiative, more than fifty percent of our exports depend upon some form of IPR. These exports have enormous upside potential, but that growth cannot be realized without effective means to combat IPR infringement worldwide.

A November 2009 study by the OECD concluded that in 2007 the international trade in counterfeit and pirated goods could amount to $250 billion, more than double the estimate in 2000 and approaching 2% of world trade. The actual value of such illicit goods is far higher as the OECD survey excluded pirated digital products and goods that were produced and consumed in a single country. Despite this evidence, little progress has been made to turn the tide of increasing infringement of IPR.

For instance, the weak protection of utility patents undermines the ability of U.S. companies in the critical pharmaceutical, biotechnology, environmental and advanced material technology industries. Similarly, weak protection of design patents undermines the ability and motivation of U.S. companies to innovate and sustain the distinctiveness of their designs from computers to cars. Strong IPR protection leads to export growth and job creation in these fast-growing sectors, in which we are currently world leaders.

In addition, foreign sales and exports of the companies in the most copyright-intensive sectors of our economy amounted to some $126 billion in 2007. The biggest obstacle to further growth of these exports is this: too many foreign markets are flooded with illicit copies of their movies, music, publications, videogames and software, and too many of our trading pat1ners are responding inadequately to abate this deluge.

Legitimate companies invest huge sums in the creation and dissemination of copyrighted materials. They simply cannot compete effectively with organized pirate operations that incur no development costs, pay no royalties, evade all regulatory requirements, and pay no taxes on their ill-gotten gains. This is the biggest foreign market access barrier that the copyright industries face.

U.S. manufacturers and providers of patented or trademarked goods and services face a similar obstacle in reaching overseas markets that are saturated with copies and counterfeits of their products. Not only do counterfeiters free ride on the huge product development and marketing investments of patent, trademark, and service-mark owners; they also expose foreign consumers to shoddy and even dangerous knock-offs. This further poisons the well for legitimate U.S. exporters by diluting the value of their brand and undermining their reputation.

In this as in so many other areas, market access barriers translate directly into lost U.S. jobs. A recent economic study estimated that piracy of music, movies, business software and videogames costs our economy over 370,000 jobs, both within the copyright industries themselves, as well as "ripple effects" upstream and downstream in the supply and distribution chain.[1] Overseas piracy is clearly a major contributor to these job losses and must be curtailed by strong and sustained action. Counterfeiting is too profitable to be deterred by half measures.

It is therefore critical that efforts to improve IPR enforcement and to strengthen the legal standards of IPR protection in foreign markets be fully integrated with the National Export Initiative. Success in reducing the level of piracy and counterfeiting in the markets of our trading partners will translate into increased exports and foreign sales, and thereby contribute directly to a stronger U.S. economy and more robust domestic job growth.

A focus on addressing weak IPR protection and enforcement fits well with several of the objectives that you have set for the NEI:

- <u>It reinforces efforts to remove barriers to trade</u>. Reducing levels of IPR infringement has enormous potential to open markets that are, for all practical purposes, still largely closed because of the ready availability of pirated and counterfeit goods at a price far below that of goods from a legitimate source that must bear the full cost of innovation and development. U.S. exporters of a huge range of products and services, from movies and videogames to consumer goods and health care products, will benefit when more effective enforcement lifts these de facto trade barriers.
- <u>It buttresses enforcement of trade rules</u>. Nearly all of our major trading partners are obligated, under the WTO TRIPS Agreement, to effectively enforce design, patent, copyright and trademark laws, especially against those who engage in piracy and counterfeiting on a commercial scale. Bringing enforcement realities into line with these commitments will pay substantial dividends for U.S. exporters. Several of our trading partners have taken on significant additional enforcement obligations, in their Free Trade Agreements with the U.S. In this regard, the world-class intellectual property chapter of the Korea-U.S. FTA should establish a strong foundation on which corresponding provisions of the upcoming Trans Pacific Partnership FTA or other future trade agreements could be built.
- <u>Respect for IPR is a policy leading to strong sustainable and balanced economic growth.</u> When a trading partner cracks down on piracy and counterfeiting in its market, it fosters local innovation and creativity, builds respect for the rule of law, and lays a sound foundation for the healthy growth of its own high-tech sectors in areas such as e-

commerce, biotechnology, advanced materials and environmental technology. This is a win-win outcome, leaving only the law-breakers as the losers.

While fully addressing the myriad challenges that U.S. IPR holders face in overseas markets will require a long-term, sustained effort, we believe there are several priority areas your Administration should focus on in the short-term, which can make an appreciable impact on this problem:

1. **Continue to empower the Intellectual Property Enforcement Coordinator (IPEC) and work with Congress to ensure that she has adequate resources and authority to effectively coordinate our government's IP enforcement efforts.** We know that your Administration has recognized the threat posed by widespread infringement of IPR of U.S. producers. In particular, we applaud the efforts undertaken by the U.S. Intellectual Property Enforcement Coordinator and other senior officials. Their work demonstrates an encouraging commitment by the U.S. to lead these efforts by example. Greater effectiveness and coordination in the U.S. IPR enforcement et1ort producing public successes in abating infringement will provide a robust model for our trading partners to emulate. The IPEC worked with other senior officials in your administration to release an ambitious IP enforcement plan in June 2010. This work demonstrates an encouraging commitment by the U.S. to lead efforts to improve global protection and enforcement of IPR by example. Greater effectiveness and coordination in the U.S. IPR enforcement effort producing public successes in abating infringement will provide a robust model for our trading partners to emulate. The IPEC must have the capacity to facilitate the proper implementation of the plan's initiatives targeted at improving protection and enforcement both domestically and in markets overseas.

2. **Ensure the U.S. government continues to negotiate and implement bilateral and multilateral trade agreements with strong IP provisions that build upon and do not diminish existing U.S. trade agreements, protect America's creations and innovations and will benefit all American industry sectors.** Such provisions are essential ingredients to incentivizing the development of original works, new technologies, promoting America's continued competitiveness, and driving U.S. export growth. We also encourage the Administration to press for a higher priority for intellectual property protection and enforcement issues in all relevant multilateral organizations in which the U.S. participates. Finally, it is vital that your Administration remain vigilant in international fora to ensure that strong IP protections are not undermined and emphasize the importance of patents to incentivizing innovation in these fora.

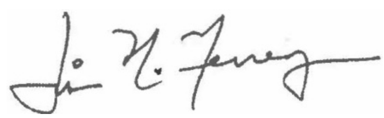
3. **Work to shutdown overseas websites that sell counterfeit goods and facilitate digital theft.** The explosive growth of broadband networks in many countries offers huge potential markets to U.S. copyright owners-in the long run. But in the short run, it has too often given the pirates a faster and cheaper means to steal U.S. intellectual property and to deliver it to consumers with little risk of detection or fear of punisj1ment. The Internet also opens up new distribution channels for product counterfeiters. In many countries, the online marketplace is awash with pirated or counterfeit products, crowding out legitimate sources. Many of the most egregious infringement websites are hosted overseas, which presents a significant challenge to right holders' ability to take action. The U.S. Government must make it a priority to work with foreign governments

to ensure reasonable methods and effective tools are used to prevent the distribution of illicit content not only in traditional marketplaces but over the Internet as well.

4. **Ensure that IP attaché programs within executive agencies-including U.S. Patent and Trademark Office, Department of Justice, and the Department of Homeland Security directorates -are robust and coordinated, and work with Congress to expand these programs into additional countries abroad.** IP attaches-stationed at American embassies in selected countries play a valuable role by working with U.S. businesses, as well as local officials and law enforcement to address IP protection and enforcement issues in various countries.

We look forward to working with you to make effm1s to combat weak and ineffective intellectual property regimes abroad an integral and essential part of the National Export Initiative.[2]

Sincerely,



Jim McNerney

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

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

December 9, 2010

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

Dear Mr. President:

Our economy stands at an integral moment when growth is essential to our future. One of the best ways to ensure future growth is to expand our exports, particularly in fast growing economies. So that the United States might better compete, an important consideration of the National Export Initiative is to address the serious fiscal challenges that limit our country's ability to maximize the scale of our exports. Congress and the White House must work to develop a plan to meet those challenges. Current policy projections show unsustainable growth in government deficits and a key contributor to these deficits is federal non-interest spending. Our nation's economic security and American living standards depend on slowing the growth in federal spending and ensuring an annual balance between federal revenue and expenditures.

Critical reform of the corporate income tax system should be part of a fiscally responsible comprehensive tax reform and budget package. Critical action must be taken now to incent substantial private sector investment, which offers sustainable advantages over similar expenditures of public sector funds. U.S. companies have large capital reserves sitting on the sidelines due to the unprecedented uncertainty of the current public policy and political climate. A strong correlation exists between business investment and jobs, thus unlocking this capital for investment in the U.S. economy is in everyone's best interest. We respectfully submit the recommendations below for consideration:

- Reduce the combined (federal and state) corporate tax rate to the OECD average or less;
- Create an international tax system in which U.S. corporations can compete well with those in other OECD nations;
- Enact a permanent research and development credit that is competitive with other OECD incentives; and
- Create additional temporary tax incentives to invest in capital equipment.

Significant tax reform is needed to address these deficiencies and allow American workers and companies to compete effectively in domestic and international markets, to create jobs, and to achieve a higher standard of living for all Americans. As other nations pro-actively work to design tax systems to attract businesses and capital investment they improve the competiveness of their companies and workers. In the following portion we address these issues in more detail.

1. **Corporate tax rate reduction –** A significant corporate tax rate reduction is needed to both help US companies compete abroad and attract investment to the United States, encouraging foreign companies to invest here. Increased capital investment brings more employment and higher wages for U.S. workers. Increased U.S. production expands exports around the world. A lower corporate rate would reduce the advantage of using debt financing over equity financing by reducing the benefits of interest deductions. It would reduce the incentive for businesses to operate in non-corporate form, such as partnerships or LLCs. It

would also reduce pressure on transfer pricing because it would reduce the incentive to have income in low tax rate jurisdictions. In a 2008 report by economists at the OECD, who measured the relationship between different taxes and economic growth, they determined that the corporate income tax is *the most* harmful tax for long-term economic growth. This is because capital and income are the most mobile factors in the global economy and, thus, the most sensitive to high tax rates. Because capital is mobile but workers are not, labor bears a disproportionate share of the burden of corporate taxes – as much as 70% by some estimates.

In 2010, the average corporate tax rate in the OECD (excluding the U.S.) is 25.5 percent, including sub-central taxes. The corporate tax rate in the United States, including state income taxes, is 39.2 percent (calculated by the OECD as a 35 percent federal rate and a deductible state rate of 6.47 percent). Holding the state tax rate constant, the United States would need a federal corporate rate of approximately 20 percent to match the 2010 OECD level. Future tax reductions already announced in several OECD countries mean that our trading partners will continue to gain a competitive advantage in this area unless the United States undertakes a significant federal corporate tax rate reduction. Finally, it is worth noting that OECD countries that have lowered corporate rates have generally done so in combination with some broadening of the corporate income tax base.

2. **Territorial-type tax system -** The rest of the world increasingly uses territorial systems under which foreign earnings—taxed once in the foreign country—can be brought back for reinvestment in the domestic economy without incurring additional home country tax. Within the OECD, 25 countries use these territorial systems, with the United Kingdom and Japan adopting territorial systems in 2009. The United States, along with only five other OECD countries (Chile, Ireland, Korea, Mexico and Poland) use so-called worldwide tax systems in which foreign earnings are subject to domestic tax when remitted to the domestic economy. Importantly, all five nations have a much lower corporate tax rate than the U.S.

   Expansion abroad by U.S. companies is vital for establishing export platforms for U.S.-produced goods and expanding the scope of domestic investments in research and other high-paying headquarters' operations. Economic analyses show that foreign operations of U.S. companies are complementary to their domestic operations- operations abroad expand domestic operations. A competitive territorial tax system for the United States should broadly follow the practice of our trading partners and should not be designed to raise new revenue, or to destabilize the U.S. corporate tax base, but rather to make the US tax system more competitive with its major trading partners.

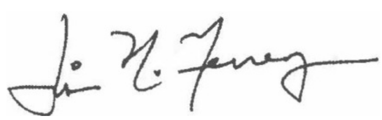
3. **Research and development incentives** (R&D Tax Credit) - For U.S. companies to increase exports, they must be at the forefront of technology and intellectual property development. No longer can the U.S. claim sole superiority in this area, as a large number of countries currently offer the critical operational pre-requisites for conducting research and development (R&D), including factors such as a strong customer base, educated workers, protection of intellectual property, and government support. The competition for these dollars is fierce, and the tax code is an effective instrument for encouraging the spending of these dollars. Unfortunately, the U.S. is falling behind.
   Even before the existing R&D credit expired, the U.S. tax incentive was only 24^{th} among industrialized nations. Your Administration has proposed, and the U.S. should adopt, a permanent R&D tax credit that taxpayers can rely on. In addition, to encourage incremental investment in intellectual property development and ownership, many countries have recently enacted regimes providing advantaged treatment for intellectual property. These regimes offer reduced taxation of income from the exploitation of intellectual property

created and owned in-country. The U.S. should consider a similar regime, expanded to include all intellectual property that is important to the U.S. economy.

4. **Additional Investment Incentives-** For five of the last eight years Congress has extended tax incentives to enhance first year depreciation on capital expenditures for small and large companies (‘bonus” depreciation). While constructive and significant, these incentives alone have not increased business investment as much as desired given the economic downturn. Extending investment incentives until the economy more fully recovers or the corporate tax rate can be reduced would allow for advanced planning in corporate capital expenditure budgets and greatly enhance these incentives. In addition, a full expensing regime (as proposed by your Administration), or alternatively an investment tax credit of equal value, would significantly increase capital expenditures and GOP based on economic studies. This would encourage firms to make investments that would not be undertaken under today's tax code.

Finally, we appreciate the thoughtful considerations put forth by the bipartisan leaders of your deficit commission. Although this group opposes raising corporate taxes simply to raise revenue, we believe a full review of the tax code and responsible corporate tax reform that meets the objectives above is in order. We will continue to review the general proposals recently outlined and any additional recommendations published by the Commission.

Sincerely,



Jim McNerney

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

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

December 9, 2010

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

Dear Mr. President,

As we seek to fulfill the objective you have outlined for the National Export Initiative to double U.S. exports over the next five years, we urge you and your Administration to conclude a strong, effective agreement for the United States on Russia's World Trade Organization (WTO) accession that, among other things, addresses longstanding issues of concern for a range of U.S. exporters. Once a commercially meaningful agreement is reached, we would encourage your Administration to move quickly to seek successful Congressional repeal of Jackson-Vanik and passage of Permanent Normal Trade Relations (PNTR) for Russia. Passage of PNTR is an imperative condition precedent for U.S. businesses and agricultural interests to take full advantage of Russia's WTO entry. As always, we stand ready to fully support this ultimate goal, including helping to inform Congress on the importance of having Russia in the WTO and being subject to binding international trade rules.

As you know, Russia is the world's 10th largest economy and it has been one of the fastest- growing economies over much of the past decade. Russia's economy is expected to enjoy 4% growth in 2010 and 2011. With its highly-educated population and growing middle class, Russia continues to be a promising market for many U.S. companies.

In recent years, U.S. exports to Russia experienced a rapid, upward trajectory (up 27% in 2008, after increasing 56% and 20% respectively in 2007 and 2006). In the aftermath of the global economic crisis, U.S. exports to Russia are growing once again, and, by some estimates, could double or triple from current levels once Russia becomes a WTO member. The potential of the Russian market for high value-added U.S. goods and services is strong.

Thus, the liberalization of Russia's economy that will occur with Russia's accession and the certainty that having Russia operating within the stricture of the global rules-making body of the WTO represent important opportunities for U.S. exports in a variety of sectors, including:

- High Technology. Many Information Technology (IT) products and telecommunications equipment will enter Russia duty-free as a result of Russia's commitment to join the WTO's Information Technology Agreement. Russia's IT market is expected to be valued at $17 billion in 2011, and its personal computer market is projected to grow nearly 11% annually for the next 5 years. Today nearly 40% of Russians regularly use the internet. U.S. officials continue to work with Russia and our global trading partners to secure commitments regarding acceptable rules in Russia for imports of goods with encrypted technology, which is important to the IT sector and will make Russia's Information Technology Agreement commitments meaningful.
- Intellectual property rights (IPR). Russia has made progress in implementing the terms of the bilateral intellectual property rights agreement with the United States. Most notably the Russian Duma recently passed legislation to provide regulatory data protection for confidential test data produced by pharmaceutical companies for the

purpose of obtaining marketing approvals and has now granted its customs officials *ex officio* authority to interdict suspected counterfeit and pirated goods. Russia's enforcement of its intellectual property commitments, however, as well as high rates of on-line piracy remains a significant concern. The United States' ability to hold Russia to its bilateral commitments to enforce intellectual property rights, particularly in the online marketplace where Russia suffers from serious infringement, is essential in making Russia's accession agreement meaningful; and during this intervening period before Russia joins the WTO, the Administration should urge Russia to take clear and credible actions to improve their protection and enforcement of intellectual property rights.

- Industrial Exports. A broad range of U.S. manufactured and other industrial exports (chemicals, aircraft, and medical, power generation and construction equipment) will enjoy lower tariffs averaging 8.2 percent as a result of Russia's WTO commitments.

- Agriculture. The Russian agricultural market will offer opportunities for U.S. farmers and ranchers looking to export their products and for U.S. firms selling farm machinery or value- added food products. In acceding to the WTO, Russia will be obligated to bind its agricultural tariffs, adding predictability to our trade relationship and opening export opportunities for the U.S. agricultural industry. The terms of WTO membership should bring about improved transparency and put much-needed limits on Russia's continued ability to impose arbitrary restrictions on imports of U.S. poultry, beef and pork, for which Russia has been a major market. Moreover, the terms of WTO membership should require Russia to abide by science-based sanitary and phytosanitary (SPS) standards that will help facilitate U.S. farm exports to the Russian market. Full and dedicated implementation will help t build confidence that Russia will abide by its obligations.

- Aerospace. Russia is expected to need more than 1,000 new commercial aircraft over the next two decades, creating long-term opportunities for U.S. exporters to supply Russia with top-quality passenger jets. Not later than one year following accession, Russia's tariffs on wide-body commercial aircraft will decline from the current 20% to 7.5% over a four-year period and decline from 20% to 12.5% on narrow-body commercial aircraft over seven years, creating additional export opportunities for U.S. aerospace entities. U.S. manufacturers of parts for civil aircraft will also benefit from Russia's WTO commitments- tariffs on aircraft parts, including engines will be reduced to an average of 5% when Russia enters the WTO.

- Autos and trucks. Under the terms of Russia's WTO accession, tariffs on foreign autos will fall to 15% from the current 20%-35%, representing major market access gains on the horizon for U.S. auto exporters, particularly in trucks and specialized vehicles as well as parts, suppliers, and components. Russia is forecast to become the largest single motor vehicle market in Europe by 2014. Foreign trucks are in demand for many industrial uses, and Russia's growing passenger-car industry still depends heavily on imported components, parts and assembly kits.

- Environmental and Energy Technologies and Services. In order to achieve its energy-efficiency goals, Russia will need to invest an estimated $320 billion by 2020 (according to the IFC) in residential and public buildings, industrial facilities, transportation, electricity, and heating systems. These investments, along with policies such as new building codes that emphasize greater energy efficiency, present opportunities for U.S. firms to provide specialized environmental technologies and services, and Russia's membership in the WTO will be an important tool to ensure that these markets remain open.

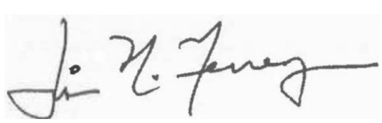
- Services. Russia's WTO accession commitments on services will improve or bind current trade practices in 116 services sub-sectors, ensure full national treatment in 30 sub-sectors and provide U.S. service companies with greater market access in Russia.

Russia's adherence to WTO rules will bring more certainty to an often uncertain environment, enabling U.S. companies that export to Russia to plan with significantly greater confidence. As a WTO member, Russia would be required to comply with transparency and notification requirements, thus allowing us better tools with which to assert our commercial rights. Further, Russia would be required to bind its tariff levels, preventing unilateral increases for purely protectionist reasons. Had Russia been in the WTO by 2008, its negotiated tariff commitments likely would have reduced risks to U.S. exporters from several protectionist steps taken by Russia in reaction to the 2008-2009 financial crisis. Finally, having Russia in the WTO will allow the United States to seek redress with Russia through the WTO's dispute settlement procedures with Russia if there are challenges in implementation.

Given the breadth of opportunity presented by Russia's WTO accession, we in the business community would like to ensure that this key emerging market continues to receive the proper attention and focus on your Administration's trade agenda in 2011. We all need to clarify and to' correct misimpressions that the WTO's admission of Russia as a member would constitute a benefit conferred upon Russia by and at the expense of the United States.

Mr. President. reaching agreement on a commercially meaningful accession agreement for Russia to the WTO will provide the American worker the opportunity to compete more effectively in this fast-growing global economy and support the NEI goal of doubling exports in the next five years. We stand ready to work with you on a PNTR campaign at the appropriate time, given the vast potential we see in the Russian market and the importance of Russia to our global competitiveness.[1]

Sincerely,



Jim McNerney

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

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

March 11, 2011

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

Dear Mr. President,

As members of the President's Export Council, we fully share your goal to double U.S. exports by the end of 2014. As you and your Administration are fully aware, financing plays a vital role in furthering U.S. exports. U.S. exporters- especially small- to medium-size companies- still have difficulty obtaining working capital and retail financing at a time when overseas customers remain financially constrained. The Export-Import Bank of the United States (Ex-Im)—the principal U.S. export credit agency—is positioned to provide this needed service and is a vital tool in the nation's current export strategy.

Due to limitations placed upon Ex-Im, however, it operates far below levels of other countries' official export credit agencies. Although Ex-Im provided a record $24.5 billion export financing in FY'10 (an increase of 70% over FY' 08), supporting a record $34.3 billion in export sales, official export credit agencies around the world are typically much more supportive of their own domestic exporters.

As the Chairman of Ex-Im regularly points out, Ex-Im is "self-sustaining" and, therefore, no longer requires annual funding from the Congress. Moreover, Ex-Im has generated billions in revenues to the U.S. Treasury through its transaction fees to customers. Over the past five years, in fact, Ex-Im has generated $3.4 billion in revenues in excess of administrative costs and loan loss reserves which it has remitted to the U.S. Treasury. In addition, since 1934, Ex-Im's net losses on its entire portfolio have been less than 1.5%; and since the start of Credit Reform in 1992, Ex-Im has set aside prudent reserves to cover such losses.

As a result, it can-and should-provide even more financing assistance to U.S. businesses. According to the National Association of Manufacturers, an additional $40 billion in guarantees annually would generate an additional $50 billion in U.S. exports each year. And, even at this increased level, it would still be less than the amount the export credit agencies of Japan and Canada provide to their exporters. In addition, a modest increase in Ex-Im's administrative budget would generate capacity to undertake more business. This can be accomplished by simply allowing Ex-Im to keep more of the revenue it generates.

Therefore, the PEC makes the following specific recommendations regarding Ex-Im:

1. The Administration and Congress reauthorize Ex-Im by September, 2011.

2. The Administration provide nominees and push to fill vacancies within Ex-Im's Board as expediently as possible. The minimum requirement for a quorum to conduct business at Ex-Im is three. If nominees are not confirmed and in place by July, only the Chairman will be in office and Ex-Im will not be able to process transactions;

3. With the level of financing currently at approximately $78 billion, the allowable financing cap of Ex-Im be raised from $100 billion to, at a minimum, $200 billion that would allow Ex-Im to increase significantly its loans and guarantees annually;

4. Ex-Im's content regulations be modified to better reflect the way goods and services are transformed and transacted in today's marketplace;

5. Ex-Im take steps to make it easier for small and medium-sized enterprises (SMEs) to access Ex-Im's resources, with the goal of doubling Ex-Im's financing for SMEs over the next four years; and

6. Ex-Im develop an action plan to address increased financing for the services sector, consistent with Ex-Im's stated desire to increase financing for critical sectors of the U.S. economy.

Mr. President, members of the Council look forward to working closely with you and your Administration over the coming months to support the timely reauthorization of Ex-lm and to move forward on these recommendations.[1]

Sincerely,

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

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

March 11, 2011

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

Dear Mr. President,

We write to express our concern over the effects our country's visa policies are having on our ability to do business in the short term and to remain competitive internationally over the long term. We ask you to designate a high-level representative to meet with us to learn more about the barriers to America's competitiveness and innovation posed by current U.S. visa policies and to work with relevant government agencies and Congress to address the specific problems outlined below.

Timely, transparent and fair visa policies and processing procedures are critical to our ability to innovate domestically and compete internationally. Efficiently transporting and relocating talent around the world are critical to the survival of U.S. businesses in a world characterized by just-in-time global supply chains and immediate customer and supplier demands. Many American companies utilize business-related visas to facilitate the entry of suppliers, customers, foreign employees, business partners, prospective investors, and conference and trade show participants.

A series of changes in the visa process following 9/11 have added time and uncertainty to the application process and made it more difficult for global companies to grow their business. These policies include increased security checks of certain visa applicants, the collection of biometric data to secure a visa, and the institution of mandatory in-person interviews for most visa applicants. A survey released in 2004 calculated direct and indirect losses to business of over $30 billion due to visa restrictions. We believe those losses have continued in the intervening period. These policies are costing U.S. jobs by encouraging trade shows to locate meetings abroad and for centers of global research and collaboration to be built offshore.

Conversations with the State Department, the Department of Homeland Security, the Commerce Department and Congress over the years have been promising, but few lasting improvements have occurred. Our experience has been that each time a problem appears to be solved; a new one pops up to take its place. In particular, we urge you to work with the business community on the following priorities to improve the ability of U.S. companies to innovate and compete globally:

- **Facilitate visa processing for B visa travel.** While AmCham and other business programs have cut processing times for some business travelers, many of the U.S. companies and associations who most require short turnaround times for visas are least- able to afford participation in the programs designed to facilitate travel. Increasing the use of dedicated business windows, setting aside time specifically for visa traveler interviews, and encouraging post-specific initiatives in conjunction with AmChams to assist small business-related travel would help to facilitate important business transactions and movement of international personnel.

- **Streamline the visa interview and issuance processes.** Increasing the number of consular officers worldwide, moving resources to those posts with the highest demand and the longest waiting periods, and waiving the interview requirement for business- related visa applicants in appropriate low-risk cases would facilitate visa issuance and make the United States a more welcoming place for foreign business travelers. The Administration should work to reinstitute the option for those already working in the United States to renew their visas without leaving the United States.

- **With Congress to reform** U.S. **visa and immigration policies** to better attract and retain the kind of highly-skilled workers, entrepreneurs and innovators from around the world. Common-sense reforms that are essential if the U.S. is to out-innovate the rest of the world-such as reforming the quota system for highlyy-skilled temporary entry and immigrant visas and stapling a green card to the diplomas of highly-skilled foreign students studying in the United States-cannot wait for comprehensive immigration reform and must be pursued in the near term.

- **Establish a Trusted Employer Program through U.S. Citizenship and Immigration Services** to facilitate and streamline travel for employers with strong track records of compliance. The newly deployed system known as VIBE, Validation on Instrument for Business Enterprises, may be one tool to streamline the process.

- **Form an informal public-private working group** to serve as a mechanism to improve transparency and increase communication between the Departments of Commerce, Homeland Security and State, other relevant government agencies, and affected U.S. companies and industry groups.

Sensible reforms of current visa policies can aid efforts to deny entry to those who seek to harm us by refocusing resources where they are needed most. We would appreciate a report on progress made on these proposals at our next meeting in November. In the interim, we urge you to have the Interdepartmental Working Group on Business-Related Visa Issues, created by Commerce, State, and Homeland Security in late 2009, to meet with us, learn more about the difficulties we have experienced, and then work with the relevant agencies to address the specific problems and changes we have suggested.[1]

Sincerely,

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

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

March 11, 2011

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

Dear Mr. President:

U.S. trade agreements can fairly be characterized as representing the "gold standard" of bilateral and regional agreements. They include binding commitments and enforcement obligations across a broad range of issues ranging from across-the-board tariff eliminations and intellectual property and investment protections to the addressing of standards and regulatory issues in key sectors.

In September, the private sector members of the PEC called for all three pending FTAs to move forward to Congress for swift approval. With the approval of the FTAs, the United States has the opportunity to build on twenty plus years of successful bilateral and regional negotiations. The PEC believes it essential that the Administration and the Congress work together to develop a consensus on trade policy and to deal effectively with 21st century issues and commercial realities. As the Administration works to promote exports, we would strongly encourage the incorporation of disciplines to address current commercial needs in order to establish new market access and promote increased opportunities for American exporters and their workers. The Trans-Pacific Partnership (TPP) negotiations, in particular, provide a critical and immediate opportunity to create a 21st century agreement, that could serve as the vehicle for developing a renewed, broad, bipartisan consensus on the importance of international trade to the U.S. economy.

To establish the roadmap for the next generation of U.S. bilateral, regional and multilateral international trade and investment agreements, the following issues should be addressed in the TPP negotiations:

1. Market Access: The TPP must ensure that all members of the TPP commit not only to meaningful market access in their national markets but also establish mechanisms to ensure enforcement of market access commitments.
2. Non-Tariff Barriers: The TPP should strive to eliminate discriminatory standards, discriminatory industry-specific market distorting subsidies, regulatory distortions and other non-tariff barriers that prevent effective access by U.S. goods and services into foreign markets, distort efficient trade flows and add costly and unnecessary delays. The TPP should focus on creating new procedures to promote coherence and convergence, rather than creation of new distortions, in the development of new regulations.
3. Regulatory Coherence: The TPP should focus on facilitating the movement of goods and services among TPP countries by ensuring that they maintain transparent, effective, enforceable and mutually coherent regulatory systems which are both risk and science based, adhere to international best practices and assure high levels of collaboration among TPP governments and their stakeholders.

4. Trade and Supply Chain Facilitation: The TPP should establish streamlined, more effective and coherent rules that promote the safe, secure and efficient movement of products from the point of their production across the border to the point of sale.

5. Strong Intellectual Property Protection: The TPP should provide for state-of-the art-intellectual property protection and enforcement for all products, building off of the provisions in the U.S.-Korea Free Trade Agreement and considering developments in the global economy. The U.S. should strive to ensure that enforcement of intellectual property protection is no less effective than the standards found in U.S. law.
6. Liberalization of Trade in Services: The TPP should address liberalization of trade in services, as services provide the infrastructure and means by which all commerce operates. Liberalizing trade in services means that services can be delivered more cost effectively, efficiently and flexibly across the whole range of commercial activity and act as an enabler and multiplier across all sectors.
7. Strong Investment Protection and Access: The TPP should provide for improved access for U.S. investment overseas that helps drive U.S. exports and economic growth, strong legal protections for U.S. investors and their property overseas and access to fair and impartial investor-state arbitration to ensure that investment disciplines and appropriate safeguards are enforced.
8. Government Procurement: The TPP should ensure transparent and non-discriminatory access to foreign government procurement markets for U.S. suppliers that will help governments make more effective use of limited resources and funds.
9. Transparency/Corruption: All TPP members should be encouraged to sign-on to the UN Convention against Corruption and establish strong transparency requirements regarding government rulemaking.
10. Cross-Border Data Transfers: The TPP should provide a framework for the cross-border transfer of data in all manufacturing and service sectors. To be effective, the framework needs to eliminate and prevent the creation of regulatory barriers to cross-border data transfers.
11. State-Owned and State-Supported Enterprises. State-owned and state-supported enterprises represent a major challenge to U.S. competitiveness internationally. The TPP provides an important instrument to develop more adequate and effective rules governing the operation of SOEs and SSEs so that companies can compete on an equal footing.

PEC members are committed to working closely with the Administration. In addition to these TPP specific initiatives, the PEC has identified a number of areas for focus in the creation of a 21st century trade roadmap. We would recommend ongoing consultation to focus improving our expertise and ability to address areas and recommendations identified in the attached list that presents the most serious 221st century challenges to the competitiveness of America companies and workers.[1]

Sincerely,

ATTACHMENT: 21st Century Trade Roadmap

Building on the experience of the TPP negotiations, the PEC members are committed to working closely with the Administration. We would recommend ongoing consultation to focus improving our expertise and ability to address areas which present the most serious 21st century challenges to the
competitiveness of American companies and workers including:

To help address non-tariff barriers, the federal government must strengthen the interagency process to create a consistent and up-to-date agenda on regulatory issues. The U.S. government should:

- Use USTR's new report on Technical Barriers to Trade to conduct a stock-taking exercise (including public comment and leveraging of expertise of existing advisory committees such as PEC and ITACs) to identify existing non-tariff barriers by country and to identify anticipated trends;
- Develop an action plan to address non-tariff barrier issues in future U.S. bilateral and regional agreements, in agreements negotiated with other countries and in all multilateral negotiations (e.g., WTO or UN process);
- Prioritize, with public comment, key non-tariff barriers and ensure that these are standing principles of negotiations (prioritized against trade-offs for other, dissimilar issues);
- Incorporate an industry consultation process in the inter-agency process so that industry can consistently provide better, technical data on regulatory issues- across the U.S. agency structure;
- Develop and promote incorporation of regulatory coherence principles which should guarantee the independence and impartiality of regulators, and ensure all market participants are subject to the same regulatory scrutiny and control; and
- Tap expertise of multiple agencies for capacity training sessions for trading partners with a focus on regulatory and policy approaches to innovation and exports by sectors such as information and communications technology.

To address supply chain and trade facilitation, the U.S. government should:

- Create cooperative, capacity-building initiatives with other key trading partners. One excellent model is the joint EU-US cooperation on intellectual property. In this effort, the United States works with the EU to leverage joint customs expertise and officials for training sessions with developing country customs officials.
- Develop additional outreach to key developing economies. Such outreach (including the joint approach outlined above) could include training forums on Good Laboratory Practices (GLP) and the promotion of the Global Harmonized System (GHS) classifications.
- Promote and support initiatives like "National Single Window," both in the U.S. and among our trading partners. This initiative works to ensure that all ports of entry within a country treat imports exactly the same, from classification definitions to tariff allotment to registration requirements rather than the current practice that can produce variable assessments of the same product.

- Develop and implement- through APEC, the OECD or other similar organizations- commitments by countries to assess customs duties based on the value of the carrier medium rather than the intellectual property of the product.

To promote strong intellectual property protection globally, for all products, the U.S. government should:

- Preserve and promote strong data exclusivity requirements for all patent and regulatory submissions in foreign countries, while keeping in place incentives for innovative and affordable drugs to be available in foreign markets;
- Develop appropriate mechanisms to prevent the distribution of illicit content online;
- Promote enforcement mechanisms to combat counterfeiting that incorporate not only judiciary and police enforcers but regulators who have a vested interest to ensure that counterfeit products do not undermine the regulatory approval and standards/safety process;
- Establish the elimination of agricultural-chemical and auto safety components counterfeiting as a priority; and
- Harness the expertise of the U.S. legal field to assist in capacity-building with developing country judges, law enforcement, customs, and legal services.

To create a competitive investment environment that will promote U.S. exports, higher-paying jobs and improved economic growth, the U.S. government should:

- Finalize the model Bilateral Investment Treaty (BIT) review by adopting high standards of protection and dispute settlement no lower than found in the current model;
- Resume BIT negotiations with India, China and Vietnam and explore negotiations with Brazil and Russia;
- Develop and provide safeguards against forced localization issues (i.e., hire requirements, localization of data storage/restriction of flow; local establishment requirements) that restrict open market and competition; and
- Continue to seek the elimination of restrictions on foreign investment in international trade agreements.

To create a non-discriminatory government procurement system, the U.S. government should:

- Accelerate its work to bring other countries, particularly major countries such as China, India and Brazil, into the WTO Government Procurement Agreement to eliminate discrimination against U.S. goods and services;
- Limit expansion of Buy America so that other countries do not use the expansion as a template to expand protectionism against U.S. goods and services; and
- Promote strong and non-discriminatory procurement disciplines by all international organizations, such as the World Bank, and avoid the use of inadequate country-systems that will undermine such standards.
- To combat bribery and corruption, the U.S. government should:

- Encourage all the G-20 countries and other key non-OECD parties to join the OECD Convention on Bribery of Public Officials in International Business Transactions;

- Work with trading partner counties to develop enforcement standards to defeat the 'demand' side of bribery; and
- Encourage enforcement of fair, transparent bidding processes, so that individual instances of bribery do not unduly influence government procurement processes.

To facilitate the cross-border transfer of data, the U.S. government should:

- Undertake international initiatives to develop support among trading partners for frameworks to remove and prevent regulatory barriers to cross-border data transfers.

To ensure a strong multilateral system, the U.S. government should:

- Continue to be the trade liberalization leader in the WTO- especially in the Doha Round, insisting on meaningful and balanced gains in market access for agriculture, manufacturing and services; and
- Work with WTO members to reform and refocus the WTO so it can begin to address 21st century issues.

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

March 11, 2011

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

Dear Mr. President,

As members of the President's Export Council, we appreciate the opportunity to help you and your Administration craft a national strategy to enhance our nation's ability to send American-made goods and services into markets around the world.

A robust, reliable, and efficient domestic transportation infrastructure is the critical 'first-step' on the road to more exports, and your Administration has made a tremendous investment in repairing and replacing our nation's aging infrastructure. As you explained in the 2011 State of the Union address, *"Over the last two years, we have begun rebuilding for the 21st century, a project that has meant thousands of good jobs for the hard-hit construction industry."* We support these efforts, not only because of the positive economic impact they have had, but also because of the role they play in facilitating exports.

America's transportation infrastructure is also America's export infrastructure.

America's highways, railways, bridges, waterways, ports, runways and air traffic control systems are at the very beginning of a very long global logistics chain. American business cannot participate in the global economy if it cannot get its products out the door.

This is an effort that includes all modes of transportation:

- Freight rail moves goods in and out of 49 of the 50 states.
- 70% of all U.S. freight moves at some point by truck.
- 60% of all U.S. grain exports are shipped through the mouth of the Mississippi River.
- In 2009, U.S exports transported by U.S. passenger and cargo airlines equaled $334 billion or nearly 20% of all U.S. exports of goods and services.
- U.S. ports support, directly and indirectly, more than 13 million American jobs.

There are several steps we suggest your Administration consider enhancing America's export infrastructure:

1. <u>Comprehensive Review and Collaboration.</u> The Department of Transportation (DOT) should embark on a top-down review of the nation's export infrastructure value chain in order to determine where the weaknesses and choke-points are located. Armed with this information, collaboration between local, state and federal agencies and the private sector should be encouraged to create opportunities that will speed products to overseas markets. The Regional Goods Movement Plan being created by the Port Authority of New York and New Jersey and the Southern California Multi-County Goods Movement Action Plan are examples of significant regional effort that align with the PEC's goals.

2. Develop Export Corridors. Using the results of the DOT's study, your Administration should identify export infrastructure 'corridors' and build federal inter-agency and inter-governmental teams to provide strategic guidance for the development, management and enhancement of export infrastructure programs. Various incentives to encourage private sector infrastructure investment within the corridors could also be explored. Protecting and modernizing the vital Detroit/Windsor border crossing, projects to prepare South Atlantic seaports for the calling of Post-Panamax vessels, and rail-focused improvements to the San Pedro Bay Ports complex are examples of areas where a newfound commitment to export infrastructure is needed.

3. Export Driven Prioritization of Infrastructure Projects. There is a long list of transportation infrastructure projects awaiting action. We believe that the federal government should take into account their positive impact on exports when evaluating, prioritizing, and scheduling transportation infrastructure projects. As you explained in your 2011 State of the Union address, we should pick infrastructure projects "*…based on what's best for the economy, not politicians."* Assigning a metric to each project that compares a project's contribution to increasing exports relative to its overall cost might be one way to highlight those efforts where the contribution is exceptionally strong. Investments to upgrade ports, such as the one at Long Beach, California, and those serving the Pacific Northwest, would likely find themselves well-placed on such a list. The Lower Mississippi River is in need of reliable funding for dredging in order to maintain a safe depth for navigation and prevent disruptions to ship traffic and the commerce it supports. Modernizing our nation's outdated air traffic control system, including the acceleration of NextGen, is another critical infrastructure priority that will help drive export growth.

4. Comprehensive Funding Strategy. Modernizing our nation's export infrastructure system will require not only greater investment, but also more efficient use of resources in light of your Administration's focus on reducing the federal budget deficit. Nevertheless, your Administration should ensure that transportation trust funds are used for infrastructure development, not deficit reduction. The highway, inland waterways and aviation trust funds, protected by budgetary firewalls, should be the backbone of these transportation infrastructure investments. We further encourage consideration of the establishment of a National Infrastructure Bank, which will leverage private and other non-federal government resources to make wise investments in infrastructure projects that will help drive exports.

5. Address longer-term structural needs of exporters. Efforts such as Surface Transportation Board reform (involving rail competition), using truck-only lanes in congested urban areas, reducing driver wait times, and alleviating the significant shortage of long-haul drivers will promote efficient and cost-effective interstate commerce and further enable the export corridors to flourish. Improving our infrastructure to reduce congestion and wait times will bring efficiencies to our nation's supply chain that will translate to savings and help reduce the burden on small and medium-sized businesses engaged in commerce.

These policy suggestions can be readily applied to existing infrastructure funding programs. Developing the metrics to better understand a project's impact on exports will help our nation decide where to invest our limited infrastructure dollars.

As you know, infrastructure investments benefit more than just the export community; the positive domestic economic impact of this investment is tremendous:

- U.S. ports are directly responsible for 8.4 million jobs.
- U.S. freight rail paid $18 billion in wages alone.
- One of every thirteen private sector employees in the U.S. works in trucking.
- Transportation construction generates over $245 billion in annual economic activity and supports more than three million U.S. jobs.
- The U.S. air transportation system supports a civil aviation industry that accounts for $1.2 trillion in economic activity, or 5.2 percent of U.S. Gross Domestic Product (GOP), while the U.S. aerospace industry has the largest export surplus of any manufacturing sector.
- Accelerating NextGen and incentivizing the necessary aviotlics equipage would generate over $30 billion in economic activity.
- And America's rural communities draw particular economic strength from their ability to generate trade surpluses year after year.

The dynamic global economy is open to America's manufacturers, small businesses, farmers, and other innovators. Through continued investment in America's export infrastructure, your Administration can help ensure America's competitive advantage through our ability to offer products on affordable, reliable, and consistent terms.

Thank you again for the opportunity to share these important ideas with you and your Administration.[1]

Sincerely,

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

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

March 11, 2011

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

Dear Mr. President,

As we continue to work together to implement the National Export Initiative (NEI) goal to double exports in the next five years, we believe that it is important for the U.S. government to place a renewed focus on trade facilitation. Trade facilitation-the streamlining of the administrative and physical barriers that delay the movement of goods across borders-is critical to enhancing the ability of U.S. companies to export globally. By some estimates, inefficient customs, trading practices and procedures can alone increase the cost of selling into a country by 5 to 15 percent.

In order to address these inefficiencies, the U.S. should continue to encourage our trading partners to adopt the recommendations in the Revised Kyoto Convention (RKC) and the SAFE Framework of Standards established by the World Customs Organization (WCO) and ensure that the trade facilitation measures already largely agreed in the current Doha Round are put in place regardless of the outcome of the over-arching negotiations.

The U.S. should view the NEI as an opportunity to refocus current and past trade security, compliance and facilitation measures to fully establish an automated single shipment information window that works with equal efficiency for both imports into and exports from the United States and is aligned with international data standards. As your leadership of export control reform progresses, all of the gains should be made available through automated processes that comply with essential National Security controls, but expedite the clearance of all other goods so the U.S. can compete in the competitive, global environment.

A single window, which is "a system that allows traders to lodge information with a single body to fulfill all import or export related regulatory requirements" would reduce a major barrier to U.S. exports and deliver immediate, measurable benefits.

For example, the World Bank estimates that, globally, it takes an average of six days to move goods to or from the U.S. A one day improvement in the time it takes to export from and import into the U.S., by means of a single window, could increase U.S. trade by almost $29 billion and would help to create thousands of new U.S. jobs.

<u>Automated Single Window</u>

The automated single window is not a new undertaking in the U.S. and some progress has been made on its development and implementation since its genesis in 1993.

In 2001, Customs and Border Protection (CBP) initiated a project to modernize their customs information systems. The project created the Automated Commercial Environment (ACE) as the single online access point that connects CBP, the trade community, and other government agencies. This system will replace CBP's older Automated Commercial System (ACS).

A key aspect of the ACE effort is the International Trade Data Systems (ITDS) program. ITDS is a single-window that will allow traders to provide electronic international trade and transportation data to all Federal agencies that have import/export responsibilities. The ultimate goal is a single window into the Federal government that will facilitate commerce and increase compliance with trade laws.

To date, the ACE/ITDS program has focused primarily on U.S. import data. However, the 2010 ITDS Report to Congress authored by the Department of the Treasury recommends that exporting functionality be given a higher priority. Export agencies should work with the ITDS Board of Directors to quickly identify ways to provide an export single window. The ITDS Board has already engaged the Export Control Reform Task Force that you have created and is preparing to push this initiative forward. The absence of a single, automated system for export clearance increases costs for U.S. exporters, unnecessarily adding expense and time-in-transit to business transactions.

New technologies, for example "cloud computing", allow users the ability to seamlessly interface data in real-time while still protecting sensitive and agency specific data and ensuring that they are readily available. These advances make the goal of creating a single window for trade data much more achievable and much more worthwhile than ever before.

We recommend your Administration work with the various stakeholders, including the DHS/CBP, USTR, Treasury, USDA/FAS, and DoC/ ITA to invigorate the creation of a single window to create a seamless export process. Additionally, work with Congress to secure adequate resources to enable the development and implementation of a single window in a timely manner.

The Council believes **that** the creation of this single window would increase the efficiency and ease of exporting, especially for small- and medium-size enterprises and reduce friction in trade. Although this is just one part of the larger trade facilitation effort, it is an important and critical step that can be undertaken now with little or no cost to help achieve the goals of the NEI.[1]

Sincerely,

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

March 11, 2011

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

Dear Mr. President,

The President's Export Council believes that increasing the capacity of Small and medium-sized Enterprises (SMEs) will be vital to achieving the National Export Initiative's goal of doubling U.S. exports by 2015. U.S. SMEs are typically credited with creating 3 of every 4 of our Nation's jobs and SME exporters (which currently account for an estimated 4 million U.S. jobs) typically grow significantly larger and faster than non-exporting businesses.

While companies both large and small face many similar barriers in exporting SMEs face particularly unique difficulties that require targeted action. The PEC SME Business Engagement Subcommittee conducted five Roundtables across the country over the past five months to gather and assess first-hand feedback from SME exporters. These roundtables inform and drive the three sets of recommendations the PEC is presenting in this letter:

I. Education:

Unique to SMEs- the vast majority of which have fewer than 20 employees- are significantly elevated time and resource constraints that are impeding access to necessary exporting information, education and resources.

1. *Challenge: Disparate Education and Resources*. Hundreds of local, state and federal organizations and agencies are engaged in export outreach, marketing and education efforts. Although these resources are closely coordinated through interagency working groups such as the Trade Promotion Coordinating Committee (TPCC), they are unable to reach all of the -28 million small businesses that exist. As a result, findings by the SME Subcommittee at each of the regional Roundtables indicate prominent and persistent education gaps and confusion among SMEs on a broad range of export-related issues. As the Export Promotion Cabinet already has noted, coordinating, leveraging, and targeting resources across all levels of government will be crucial to achieving your National Export Initiative (NEI) goals.

   To address this issue, as noted in the Report to the President for the NEI, the Small Business Administration (SBA) in cooperation with the TPCC is launching "export outreach teams" around the country to encourage greater regional collaboration for export service providers at the federal, state and local level. Additionally, the Department of Commerce is working actively with the State International Development Organization to conduct a complete survey of current export promotion programs provided by states. This survey, which should be updated on an annual basis, will help ensure that efforts to help companies are complementary and not duplicative. Efforts to further leverage education, training and counseling include the Small Business Working Group (SBWG) of the TPCC, which is fully engaged with using SBA's resource partners including SCORE, Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs) as the focus for referring SMEs in need of technical assistance for exporting. The revised Export.gov portal also contains an assessment tool to determine the direction for referring SMEs, relative to their experience or lack thereof in exporting; the NEI "Road Shows" incorporate outreach with public and private-sector resources on SME exporting education; and the new State Trade and Export Promotion (STEP) grant program manifests public-private-sector participation in educating SMEs on trade.

Recommendations for "Local NEIs" Public-Private Partnership.

a. The PEC recommends that the referenced coordination efforts be targeted particularly at minority-owned SMEs in the Nation's Top 25 Exporting Cities and Top 10 Exporting States. This first-strike target holds significant potential: Department of Labor reports approximately 4.1 million minority-owned firms in the U.S. account for more than $668 billion in gross annual receipts; between 1997 and 2002, the growth of minority-owned firms outpaced the national rate 3-to-1. Using this inventory, Minority Business Development Agencies should be utilized to coalesce all stakeholder groups and convene quarterly meetings designed to develop a clearly streamlined structure and stronger public-private educational outreach partnerships to help SMEs navigate available resources. Pilot programs for the streamlined models can be tested in key exporting regions such as California, Florida, Iowa, New York, Texas and Washington.

b. Federal government should provide catalyst grants to foster regional export development strategic planning among identified chambers, Economic Development Centers, academia, state and local governments, non-profits and the private sector to establish organizational coordination and create formal lines of communication between regions and federal resources. This "Regional Export Initiative" will ensure ongoing cooperation and coordination between key regional export leaders and the federal government; improve communication to regional partners; and ensure federal resources are being utilized in the most cost-effective and impactful way (moving away from competition between regional partners). Allow the SBA's recently announced State Trade and Export Promotion grants - which enable states to apply for a grant to help increase the volume of small businesses that export and to help them increase the amount that they export - to apply to this effort. We believe that additional resources should be committed throughout the federal sector to engage this critical topic of increased education and training on the opportunities and rewards for exporting.

2. ***Challenge: Access to Information.*** SMEs are uniquely time-constrained and resource-limited; they have little ability to sort through dozens of agencies, rules, processes and procedures – and even less time to wait for agency clarifications and information. It is clear your Administration recognizes the importance of facilitating access to information and has made significant advances to cultivate "virtual" interaction with Export.gov, the U.S. Department of Agriculture Foreign Agricultural Service's FAS.USDA.gov and the

U.S. Trade Representative's USTR.gov. The TPCC agencies have agreed that the Export.gov portal be the primary resource for referrals on trade promotion and finance information. Yet SMEs across the country express difficulty finding the trade and export information they need. It is therefore apparent that the problem is not a quantifiable lack of information but, rather, a lack of expansive tools that ease SME access to that information when, where and how they need it. This must also be balanced with the need by many SMEs for sustained, in-depth management and technical assistance.

Recommendation: Enhance and Expand On-Demand Information. Development of new – and maximization of existing- public-private partnerships should be accelerated to continue expansion of on-demand informational/educational resources on export and trade Web channels-including Trade.gov, Youtube.com videos, FAS.USDA.gov, Export.gov and USTR.gov. Model series of Webinars in key topic areas can be developed in partnership with those programs and tested in key markets. In a 24/7 global economy, flexible access to information is key for SMEs, which often only have limited "after-hours" time available. Development is recommended of a live
pilot "hotline" or on-demand chat with central export counseling experts, potentially using DOL's "Ask JAN" as a model that has seen some success in its targeted market. The SBA is pushing forward in this direction with its new portal on SBA.gov for online training and exporting tools. SBA also is increasing its podcasts on globalization topics. Export.gov also is pushing forward in this direction with its re-engineering as the primary portal for all of the TPCC agencies, providing an exporter assessment (state of export readiness) and all resources of the TPCC agencies in a single location.

3. ***Challenge: Continuing Misperceptions about FTAs.*** There is a significant disconnect between exporting SMEs and non-exporting SMEs -which comprise much of the economic landscape - on the economic benefits of Free Trade Agreements. This is evidenced by continuing general public resistance and misunderstanding regarding FTAs. FTAs are critically important to SMEs; the costs incurred to ship goods to foreign ports where the U.S. does not have trade agreements are prohibitive in many cases. However, U.S. sales to foreign ports have steadily increased over the past 3 years; exports were up 17% in 2010. The most believable voice to win the hearts and minds of SMEs on the quantifiable and tangible benefits of FTAs are SMEs themselves.

Recommendation: FTA Education/Outreach Program for SMEs. Acknowledging budgetary concerns, we recommend working with existing educational outreach, concerned organizations like National Institutes of Standards and Technology (through their Manufacturing Extension Partnership) and National Association of Manufacturers, as well as some of the Nation’s top global exporting corporations, to expand their current education efforts. In addition, each of the TPCC agencies is a member of the TPCC Small Business Working Group, where a collaborative, interagency marketing and outreach initiative will maximize SME exposure to U.S. government resources in stimulating SME participation in global trade and increase market penetration for existing SME exporters. Again, public-private partnerships should be aggressively engaged and leveraged to identify local-level SMEs who can validate and share compelling stories - via a broad spectrum of social networking, traditional marketing and other educational outreach platforms -- and illustrate the real-world benefits of FTAs to the general SME market. We stand ready to assist with the "New Markets, New Jobs' outreach initiative to expand its local and regional impact. Execution of messaging should seek to engage more SMEs in general, but also target specific, underrepresented and PTA-resistant sectors and industries according to region.

II. Access to Capital:

Difficulty in accessing credit has been consistently cited by SMEs as one of the biggest barriers limiting their growth and increased presence in the global markets. This issue has also resulted in a dampening of job creation by small businesses.

1. Challenge: Current loan initiation process lacks transparency and takes too long.
Banks are, by their very nature, risk-averse and geared to generate profits in the most efficient manner. Therefore, credit decisions are often made not based on the merits of the underlying export transaction but rather on the potential profit to be derived from the loan; loans that are too small or not profitable enough to the lender are not made even though the export transaction itself bears negligible risk to the lender. SMEs have limited visibility to non-bank lenders who are willing to work with SBA and Ex-Im Bank loan guarantees and small community banks lack the necessary knowledge to properly deal with trade finance. Last, Ex-Im Bank processing time for issuance of export credit insurance policies and loan guarantees is often too long, with exporters continually losing international sales deals as a result.

Recommendations:

a. The SBA is already taking some positive steps to increase visibility by posting a comprehensive directory of lending partners that conduct export financing and processing. The Small Business Jobs Act of 2010 further improved terms and conditions of small business export financing by raising lending limits to $5 million and increasing guaranties on SBA's 3 finance programs for exporters to 90%. However, these and other efforts are largely lost on SMEs who lack the resources to navigate through bureaucratic networks. More prominence must be given to the initiatives undertaken by the Small Business Working Group of the TPCC: Expedite the increase in delegated lending authority to existing trade finance lenders (as noted in the Small Business Jobs Act of 2010); conduct finance trade training to community banks to include receptivity to working with smaller exporters; and working more closely with small businesses in training them to prepare documents for international transactions before going to their financial institutions. We encourage the SBA to accelerate its collaboration with the Office of the Comptroller of the Currency regarding the trade finance outreach and training proposals for community banks.

b. We also encourage collaboration- and expedited implementation of- innovative new programs such as (1) the Goldman Sachs 10000 Small Business Initiative where SMEs are provided with education, business support services that focus on a business' financials and help increase sophistication of SMEs in being ready to access capital, as well as alternative financing models in partnership with Community Development Financial Institutions (capital component of the 10000 Small Business Initiative), which allows for more flexibility in funding decisions made at the local level; and (2) The SBA new loan program called Community Advantage, which is aimed at increasing the number of lowerdollar SBA 7(a) loans going to small businesses and entrepreneurs in underserved communities through CDFis.

c. More underwriters are needed at Ex-Im Bank and these underwriters need increased authority to speed up the process. In addition, Ex-Im Bank needs to increase its marketing efforts; it should send a strong message to U.S. exporters that export credit insurance is a very effective marketing tool. Exporters can offer longer payment terms without increasing their risk of non-payment. The expected result would be increased U.S. competitiveness and increased exports.

1. ***<u>Challenge: Lack of support for Young Small Businesses.</u>*** Companies in business for less than 3 years are statistically best at job-creation but they also have the highest rate of failure. It is during this start-up stage that SMEs could benefit most from programs designed to support their development and growth, however the opposite is often true-young SMEs. Lack the internal resources (staffing and time) to determine what if any programs are available to them and typically face more difficulty in accessing credit. A specific disadvantage of young firms is that they cannot point to credit histories which help facilitate access to debt financing; young companies would also lack to a greater extent the profitability and collateral typically expected by banks before establishing credit for a company.

<u>Recommendations:</u>

a. Establish formal "incubator" programs at the Federal government level that specialize in working with young SMEs to fund the working capital and export finance needs during the start-up process. The programs could be designed along the lines of existing programs at State level that assist SMEs for up to a five-year period or until they become "bankable" on their own. These programs match SMEs to lenders, assist with SBA or Ex-Im Bank applications, and largely deliver credit decisions based on the merits of the underlying export transactions, not the perceived risk of default on the part of the borrower. These programs also offer funding for deals that are considered too small or not profitable enough for traditional bank lenders.

b. It is equally important to develop the leadership of these young businesses and we therefore encourage a partnership of the SBA with Community Colleges and their trade associations to provide the infrastructure for broader utilization of the Young Entrepreneurship Programs (YEPs). YEPs provide a support structure for young new business owners-in accessing business support services, coaching, and partnering with private organizations whose mission it is to provide start-up capital and funding to young entrepreneurs. To strengthen results YEP should add a priority focus on business owners who have particular focus on international markets. Incubators are a perfect example of a private-sector resource that helps develop sustainable small businesses. The SBA provides a comprehensive program and website portal under the domain of Entrepreneurial Development to enhance the skills and knowledge of the younger entrepreneur and small business operator and needs to engage higher education institutions, business associations and other local partners in promoting these excellent web tools and online training modules.

c. We must work to create stable and predictable programs, with higher priority given to companies that have exports and international markets as part of their business plans. While we commend the Administration's efforts towards supporting innovation and entrepreneurship with the launching of the "Startup America" program in January 2011, we believe that more could be done and that more immediate help is needed. The $50 million in funding for grants to Small Business Development Centers (SBDCs) included in the Small Business Jobs Act of 2010 is also a welcome initiative, however, this represents one-time- only funding while most (almost 70 percent) OECD programs geared to support SMEs last for more than five years as it is recognized that stable and predictable programs are essential to long-term success.

III. Regulatory and Cost Burden

1. ***<u>Challenge: Cumbersome export compliance policies/procedures</u>*.** Analysis suggests that, due to its "fixed-cost" nature, the cost burden of regulations can be disproportionately greater on SMEs vis-à-vis the financial impact on larger firms, as smaller firms tend to have less capacity to navigate through the complexities of regulatory and bureaucratic networks. The regulatory burden and the asymmetric impact of fixed costs were recurring concerns at every Roundtable conducted thus far; they place SMEs at a competitive disadvantage in relation to larger firms and increase the risk of non-compliance. Significant steps have already been taken by the Administration to define a process and formulate a vision for a reformed U.S. export control system with a Single Control List, Single Primary Enforcement Coordination Agency, Single Information Technology (IT) System, and Single Licensing Agency. We commend your leadership in launching this effort and recognize that reform of this nature cannot be rushed. However, if SMEs are to achieve their expected contribution towards meeting the NEI goal of doubling exports they will need assistance in dealing with the regulatory burden, even if this assistance is provided as incremental steps.

<u>Recommendations:</u>

a. Expedite Export Control and Regulatory Reform Initiatives. To the extent that it is possible, a formalized timeline and milestones should be developed for completion of the Reform process, so that progress can be measured against this timeline and additional resources allocated towards this effort if the milestones are not met when expected.

b. All efforts should be made to create a centralized resource where small businesses would be able to find guidance on all matters related to exporting including international trade regulations. We recognize that steps have been taken under the TPCC to make Export.gov the single portal to service U.S. companies in all matters of exporting, as well as better utilization of the U.S. Export Assistance Center. We commend you on incremental successes such as consolidating lists of all proscribed parties regardless of the agency that regulates them under this portal. However, if these efforts are not known, they are useless. What's called for is an expansive advertising, outreach and communications campaign to advertise to small businesses that Export.gov is the place to go for guidance and support. Agreements should be reached with the most-utilized Search Engine services so that any query initiated in the U.S. with the keyword "export" returns Export.gov as the top-ranked site for assistance in this area.

c. SMEs also need to be better educated about the export control process. We suggest that the Small Business Development Centers (SBDCs) together with the SBA and the Bureau of Industry and Security (BIS) become more actively engaged in this educational endeavor.

The SBDCs are already in touch with the base of smaller newer exporters who are the ones in most need of this assistance. If the U.S. successfully reforms its export control program, an estimated 340,O00 new jobs could be created and exports could increase by $60 billion when considering only market share losses where goods and technologies are widely available from other countries (in other words, without compromising any National Security concerns).

2. ***Challenge: Cost of IP registration, maintenance and enforcement is prohibitive (or SMEs.*** The initial costs to register trademarks, patents and other forms of Intellectual Property are inordinately high for SMEs. SMEs typically limit their registration and maintenance of IP to countries of their highest sales or where they feel most vulnerable, thereby either bypassing or exposing themselves in other markets. Some SMEs take the risk and sell in "unprotected" markets while others forego many markets due to this cost and risk. In addition to registering and maintaining marks and patents, SMEs also are often in a weak position to enforce or challenge infringements to their IP.

Recommendation:

Work within the World Trade Organization and within trade agreements to improve the simplicity, speed and cost of registering and maintaining all IP. We recommend a program be started to reduce the cost to SMEs and/or provide financing for registration of all IP. We recommend increased SME targeted marketing and outreach of the Patent Prosecution Highway, a program led by the U.S. Patent and Trademark Office and international partners that provides companies with an avenue to rapidly build their IPR portfolios in multiple jurisdictions at significantly lower prosecution costs. We encourage the USTR, the Overseas Private Investment Corp. ‹OPIC), or other appropriate trade agencies of the U.S. Government to introduce an insurance-type policy that SMEs could purchase and tap for potential legal and related costs in cases of IP infringement.

3. ***Challenge: Rules of Origin are complex and inconsistent, making it difficult for SMEs to be export compliant and/or take advantage of FTAs.*** SMEs do not have the staff to manage or the leverage with suppliers to gain proper origin information from their respective supply chains. Many SMEs are in the difficult position of being knowingly or unknowingly non---compliant in terms of certifying origin of parts contained in their export shipments. Furthermore, rules of origin can differ from country to country and from FTA to FTA in terms of content, methodology, and which party is responsible for certifying. With penalties including fines, revoking of export rights, and potential criminal charges, many small business owners believe exporting, for this reason alone, is not worth the risk.

Recommendation:
We recommend that the Administration review rules of origin and related procedures in U.S. FTAs with a view to simplifying and harmonizing these rules. Addressing these differences would also go a long way in being able to simplify the message to the exporting community of how rules of origin apply. We also recommend that penalt1es be more commensurate to the size of exporter.

Mr. President, by definition, Small and Medium-sized Enterprises often lack the resources available to large businesses, therefore while the issues affecting SMEs could be said to impact businesses large and small, they do so in an unequal manner, as the burdens of exporting can and do have a disproportionate effect on SMEs. It is therefore critical that as specific programs are rolled out under the NEl, special consideration needs to be given to easing the burden on SMEs so they can unlock their full export potential.[1]

Sincerely,

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

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,

America's industrial sector is poised to meet your goal of doubling U.S. exports by 2015. Our bricks and mortar are in place and supply chains stand ready, but our industrial production is only running at 75% of its capacity. To close this gap, we are respectfully submitting recommendations for two key areas of workforce development for your consideration: a) the need to build our pool of skilled trade workers for increased use in U.S. manufacturing; and b) the need to provide greater advanced training to American workers in science, technology, engineering, and math (STEM) skills.

Due to a major education/skills gap, we cannot fill job openings for a wide range of high- skill occupations because too many workers lack the fundamental and/or advanced skills needed for these positions. For example, a recent study by the Manpower Group of Milwaukee found that 52% of employers report they cannot match job openings with available labor due to insufficient education, skills and training. Bold, immediate action is needed and we urge you to consider the recommendations set forth below as a starting point.

I. Challenge: America Must Upgrade Basic Education and Expand High Skills Training: The nation's high school drop-out rate creates workers who cannot easily meet minimum job skills. Indeed, in today's job market, a lack of a high school degree greatly increases your chance of unemployment. According to the Bureau of Labor Statistics (BLS), currently, 13.8% of individuals 25 years or older without a high school degree are jobless, compared with 9.6% of those with a high school diploma. In addition, even those with high school degrees often need better basic skills, especially reading, math and science. America's employers depend on our public education system to produce graduates with these fundamentals, which we must improve. We can build upon these skills, but a solid foundation is essential.

Recommendation #1: Make High School Completion a Top-Tier Priority. Federal, state and local educators must partner with state and local governments, and local business and community leaders to make effective education reforms a top priority. Broad collaboration is needed to enhance success in high school and to ensure that a high school diploma reflects basic mastery of reading, math, and science. Additionally, high schools need to include course offerings and career counseling that serve and assist high school students that elect not to pursue the college track. Students need to learn that there are options to college and that well-paying jobs capable of supporting a middle-class family are available to those who choose to learn a skilled trade. Reforms are needed to ensure that these realities are reflected in our nation's education polices. *(See Appendix).*

Recommendation #2: ***Utilize Time-Tested Skill Training Models in Manufacturing.*** The apprenticeship training model used in the U.S. construction industry is a highly effective and completely self-funded approach to post-high school skills training. Apprenticeships provide workers with core employment-related skills including communication and problem solving skills, as well as training on how to deal with a diverse set of on-the-job demands. Moreover, since apprenticeships are demand-driven, they help ensure employees are trained in skills for jobs that are immediately available. In countries such as Germany, between 50% and 70% of all young people participate in apprenticeships, a key factor which has helped it maintain an advanced manufacturing sector. However, in the U.S. only about 5% of all new entrants participate in apprenticeships. Extending apprenticeships not only in manufacturing, but also to fields such as education and health could help prepare new entrances for critical jobs in our economy. *(See Appendix).*

Recommendation #3: Expand Specialized Training Programs for Veterans: The current jobless rate for post-9/11 veterans is 12.1%.; this rate climbs to 20.9% for veterans in this group under age 24, according to BLS. America's veterans should be given immediate, preferred access to education and training programs that value skills obtained in the military and use them to jump- start entrance into the manufacturing workforce. Those who serve in our active military and who are transitioning to civilian life have earned the right to our assistance unlike any other population. We join the Administration in recognizing the potential role of veterans as employees and applaud the recent launching of the *Veteran Gold Card, My Next Move for Veterans* and the *Veterans Job Bank.* Programs such as the United Association's *Veterans in Piping* can facilitate training and employment of veterans in record time and should be expanded and replicated in other industries. The PEC is willing to work with the Secretaries of Defense, Labor and Veterans Affairs to expand these programs to help transition veterans to gainful non- military employment. *(See Appendix).*

II. Challenge: Refocus Community Colleges and Bolster STEM Skill Education & Training: Community colleges must be encouraged to re-focus part of their efforts toward enhancing the worth of terminal degrees. Understanding that the core role of community colleges may vary from state to state, they are still uniquely suited to play an effective national role in facilitating and convening local educational partners, employers and labor organizations to identify the skill sets needed in their respective local communities to help workers prepare for the 21st Century workforce.

Recommendation #4: Boost Workforce Readiness Programs at Community Colleges: Federal programs can encourage community colleges to engage employers so that the skills provided in the classroom reflect those needed in the workplace. *(See Appendix).*

Recommendation # 5: Develop a Coordinated and Comprehensive Plan to Expand STEM Training: America lacks capacity in critical STEM skills training when compared to our global competitors. This is one of the most essential areas of workforce development confronting the U.S. today and major public and private resources must be focused on prioritizing and growing education and training for workers within the STEM field skills. Educational and training efforts for STEM can positively impact our nation's ability to compete in international markets and remain a leading force in the world economy. There are a number of plans to promote STEM training and education throughout the nation, such as *Change The Equation*, and the PEC stands ready to work with other committees, such as the Manufacturing Council and the Jobs Council, to ensure there is a comprehensive and coordinated approach to this vital issue.

Mr. President, American industry wants to see your plan to increase U.S. exports become a historical success. We also believe your vision and our needs are aligned. We stand ready to work with you to identify and replicate successful pilot programs and encourage prioritization of government and private-sector education and training efforts that get Americans back to work.[1]

Sincerely,

Jim McNerney

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

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 President's Export Council (PEC) believes that the modernization of our export control regime is a vital component of an improved regulatory network that will enhance and advance US national security interests while also ensuring a level playing field for US industry. We applaud your leadership in launching the Export Control Reform (ECR) initiative and for renewing visible public support for the ECR through the transition and departures of Secretaries Locke and Gates and commend the Administration on the progress made to date.

It is our belief that US national security interests should drive and inform any policy decisions related to ECR. We also believe that a more efficient and transparent regulatory framework will have a secondary but important effect, namely an increase in export activity that will help to create jobs and strengthen U.S. industry.

In our letter of September 16, 2010, we made the recommendation that your Administration consult with this Council and its Subcommittee on Export administration (PECSEA) on matters related to the ECR. We are encouraged by the adoption of this recommendation and are glad to inform you that we have had meaningful dialogue and support from your Administration, in particular from the Bureau of Industry and Security, including the convening of a successful PECSEA field hearing held in Miami, FL in September 2011. We gained critical insight during this hearing on the impact of the current regulatory environment on industry, as well as the expected impact of implementing some parts of ECR, including potential relief for small- and medium-sized enterprises (SMEs). This insight has informed the recommendations that we detail to follow.

1. Completion of the USML/CCL Review. This is a complex and challenging process but one that could have the most dramatic impact on reforming the system by reducing the regulatory burden and documentation required of exporters. From industry's perspective, this migration represents a fundamental change to the way that export controls are understood and practiced, and would enhance US national security interests by serving the goal of a "smaller yard with higher fences." A significant amount of progress has been made in creating the regulatory framework to implement ECR through the creation of the "600 Series" in the Commerce Control List (CCL) and rewriting categories of the US Munitions List (USML). A critical part of completing this review is the formal 38(f) Notification process to the Congress of the proposed items to be removed from existing USML categories. The PEC believes that the Administration at the highest levels should set a firm goal of notifying the preponderance of USML categories to the Congress no later than March 31, 2012.

2. Regulatory Clarity and Harmonization of Definitions. The export regulatory network is in many ways the result of decades of compromises and arrangements that have led, in many cases, to ambiguity and excessive complexity. It is our view that the overly complex nature of the existing regulations across the multiple agencies that have jurisdiction over various types of exports has created an "interpretive burden" which is dramatically higher than the licensing burden itself; the time, energy and resources that companies (particularly SMEs) must dedicate to determine whether a license is required far exceeds the resources expended in the application process itself. This lack of clarity also exacerbates the complexity of the compliance burden both for the enforcing regulatory agencies as well as for exporters. The Administration should continue to provide clear guidelines to regulatory drafters and propose a clear vision for how the regulations should be streamlined, including (as appropriate) the harmonization and/or clarification of key definitions in the existing regulations.

3. Single IT System. There has been a great deal of attention on the "four singles" the Administration initially proposed as the framework for the ECR initiative. While we believe that the Administration should continue to move forward on the overall long-term effort, we are of the view that it should focus its near-term efforts on establishing a single IT system, to include a common license application process across the US Government (USG), including the Departments of Commerce, State and Defense. This will streamline and introduce commonality between the agencies and will help set the stage for a common portal through which exporters can access the system for licensing and compliance. While there appears to be a clear pathway towards this goal among the Departments of Commerce, State and Defense, we further suggest that a more focused, interagency effort could be dedicated to this goal with a specific, measurable timetable for completion identified and agreed upon by all the relevant agencies.

4. Outreach and Education. While this has been a common thread in many of our previous recommendations, we feel that it is worth another mention as the successful implementation of ECR will depend heavily on a successful educational campaign. During the PECSEA Miami field hearing we heard testimony from many companies that illustrated this point as the evolution of the regulatory network will inevitably result in new rules being implemented in parallel and as replacement to existing regulations. The continued development of the BIS web site as a portal for online training and one-stop location for information on export control issues will be critical, as would a well organized outreach campaign to provide interested stakeholders, including key government agencies such as Customs and Border Protection (CBP), the immediate support and accurate information required to update internal processes and controls to implement and comply with the new regulations. A good example of a successful outreach campaign to the exporting community by the Department of Commerce may be found in the implementation of the electronic Automated Export System (AES) to replace the paper filing of Shipper's Export Declarations (SEDs) by the Census Bureau.

5. Trusted Exporter Program. The Administration should explore alternative mechanisms to authorize exports that require a license today, such as a Trusted Exporter Program (TEP).

A TEP would provide incentives for exporters to invest in their compliance programs, in exchange for an easier path to exports for their products and technologies. It would also allow USG to prioritize scarce resources on higher risk transactions with an audit mechanism in place to ensure compliance of participants in the program. The advantage of such a program is that it is scalable and could benefit small and large exporters alike. A good example already exists on the inbound side with programs such as CBP's Customs and Trade Partnership Against Terrorism (C-TPAT), which provides an easier path to imports for companies that voluntarily agree to implement internal processes and to be audited by CBP on the efficacy of these processes in deterring the introduction of contraband via US commerce. A TEP also is ideally suited to deal with the "deemed exports" issues that are a particular struggle to understand and address properly for Academia.

These recommendations share a common underlying trend; increased compliance by an informed and educated public as a result of a streamlined regulatory network. Informed compliance and the ability to focus limited enforcement resources on the most critical exports and highest risk exporters would certainly advance our national security interests.

It is the view of the PECSEA that none of the above may be achieved without the proper continuity of political support and purpose by all branches of USG involved in the reform process. It is equally critical that there be continued collaboration between the Administration and key congressional oversight committees to work on areas of mutual interest and develop an agreed-upon path forward for export reforms. It is also our opinion that to accomplish these reforms and to implement them successfully, the Administration needs to make the right investments and commit sufficient resources to the lead Agencies. The Department of Commerce, in particular, will need to have the right level of personnel and resources to ensure a smooth transition for licensing items transferred from the USML to the CCL, to transition to a single IT system, and to lead a successful and proactive outreach initiative with US industry.[1]

Sincerely,

Jim McNerney

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

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.

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,

As we continue to work together to meet the National Export Initiative (NEI) goal of doubling exports by the end of2014, we urge you to engage in an initiative to expand both the product coverage and the geographic scope of the Information Technology Agreement (ITA). In September, 2010, the private sector members of the President's Export Council (PEC) called for the negotiation and implementation of bilateral, regional, and multilateral trade agreements as an integral part of achieving the NEI's objectives. Expansion of the ITA, one of the most successful multilateral trade agreements in recent years, would yield immediate and substantial benefits for the U.S. economy.

The U.S. information and communications technology (ICT) sector is an innovative and competitive industry that provides jobs for hundreds of thousands of American workers. From 1996, when the ITA was signed, to 2008, total ITA product trade has increased more than 10 percent annually, from $1.2 trillion to $4.0 trillion. However, the ITA has not been updated to include new products since it was originally signed in 1996. In the intervening 15 years, the remarkable innovations of American companies have been hampered and even penalized in global markets. Older, less productive technologies benefit from duty-free treatment while innovative products face global import barriers. In addition, convergence in the ICT industry as the result of remarkable innovations that often bring many technology functions into one product has created uncertainty with respect to product categorization that further impedes exports.

An expanded ITA would provide certainty around areas of product convergence in addition to rewarding U.S. innovation. Preliminary industry studies indicate that an expanded ITA could remove tariffs on an additional $800 billion in global ICT trade, with over $122 billion in U.S. ICT trade affected. Removal of existing barriers would provide an immediate boost to U.S. exports and further the NEI goal of doubling exports.

The following are a set of public policy recommendations to ensure that America's innovative ICT industry has access to global markets:

1. <u>Launch negotiations to expand the product coverage of the ITA in a manner that is targeted and focused on ICT products</u>. In order to achieve ITA expansion rapidly to provide the short-term boost the U.S. economy needs, we encourage you to focus negotiations on ICT products or parts and components predominantly used in ICT, consistent with the parameters of the original ITA.

2. Focus ITA expansion negotiations on tariffs. While the ICT industry—like so many global industries—faces numerous and growing non-tariff barriers we encourage the Administration to focus the ITA expansion negotiations on tariff reductions only. Limiting the scope of these negotiations to tariffs only decreases the complexity of the negotiations and allows for a timely update of the Agreement.
3. Ensure that innovations will be covered by the ITA. We encourage you to negotiate an expanded ITA that is sufficiently broad or includes automatic mechanisms that would ensure that new products will be covered as the ICT industry continues to innovate and evolve. It has been 15 years since the original ITA was signed, and in that time, international trade rules have failed to include and reward the tremendous innovation that has occurred. Updating the agreement to match the status of the current day without providing a mechanism to prevent this issue from re-emerging immediately as the industry continues to innovate would provide a partial solution at best. Negotiations to expand the ITA provide an opportunity to create a 21st century agreement that reflects the rapid pace of technological advancement.
4. Work with our trading partners to expand the geographic scope of the ITA. Only 73 of the 153 members of the World Trade Organization are currently members of the ITA. Notably absent are large emerging markets such as Mexico and Brazil. We urge the Administration to work with these countries to bring them into the ITA as soon as possible.
5. Require membership of the ITA as a condition of WTO accession. We support the Administration's policy of requiring membership of the ITA as a condition of accession to the WTO and urge you to continue that policy, particularly with respect to Russia.

ITA expansion would provide a significant boost to a competitive and innovative sector of the American economy that supports hundreds of thousands of American jobs. A targeted effort focused on reducing tariffs on ICT products and expanding the geographic scope of the Agreement is the kind of short-term initiative that could provide immediate benefits to American exports and jobs, furthering the ongoing effort to double U.S. exports by the end of2014. We look forward to working with you make this goal a reality. [1]

Sincerely,

Jim McNerney

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

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

June 6, 2012

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

Dear Mr. President,

As stated in our letter of November 16, 2011, the PEC believes that the modernization of our export control regime is a vital component of an improved regulatory network that will enhance and advance US national security interests while also ensuring a level playing field for US industry. We recognize that your Administration has been a strong proponent of reforming the • current export control system with specific measures aimed at making the current processes more effective and efficient in safeguarding our national security and keeping the United States competitive, and applaud the continuity of purpose in keeping export control reform as a top policy priority through various changes at the Cabinet level in key agencies. Your continued commitment and support for the reform initiative has already delivered tangible regulatory and policy improvements.

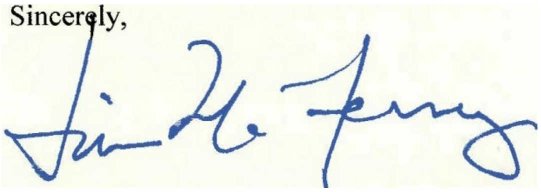
The Administration has achieved important milestones toward the goal of establishing a 21st century regulatory network that focuses public resources on areas that pose the highest risks to our national security interests. A few highlights include the Strategic Trade Authorization (STA) license exception implemented by the Department of Commerce (DOC), and the proposed creation of the "600 series", which establishes a framework of controls under the DOC for items transferred from the U.S. Munitions List (USML) to the Commerce Control List (CCL). There has also been significant progress toward the clarification and harmonization of key terms and definitions used by the various agencies involved in regulating and enforcing U.S. export control policy; when completed, these clarifications will support a more efficient and streamlined export control process that will reduce the "interpretive" burden for exporters, particularly for small and medium-sized enterprises (SMEs). Finally, there are two other areas where progress should be noted. The first is the issuance of the "1248 Report" required under the National Defense Authorization Act of 2010. This report lays the groundwork for returning jurisdiction of certain communications satellites, parts and components, to the DOC. The PEC supports the findings and policy recommendations of the report. The second area with notable progress is the Technology Release process overseen by the Department of Defense (DOD). This was an issue addressed in a previous recommendation and we are pleased to note that the Deputy Secretary of Defense signed a policy memorandum directing organizational changes to the technology release process that should help increase transparency and predictability in the process.

As significant as the achievements may be, there remain important steps to overcome. Some of these steps have been addressed in previous recommendations, mainly the completion of the review necessary to migrate items from the USML to the CCL, and the accompanying Notifications to the Congress under Section 38(f) of the Arms Export Control Act. The PEC had previously recommended to you that the predominance of the items on the USML proposed for transfer to the CCL be notified to the Congress by the end of March, 2012. We continue to believe, Mr. President, that this particular action is at the heart of your reform initiative and urge you, in consultation with the Congress, to proceed with the required Notifications for the completed categories that have been briefed to the Congress. In particular, the PEC is interested in the status of rules (proposed and not yet proposed) that have the largest impact on commercial industry, such as USML Categories VIII, XI, and XII. We also believe that developing a single IT system and a well-organized outreach and education program is an important step to reducing the regulatory burden on SMEs and help them begin or increase their export activity. We respectfully resubmit these concerns for your consideration and look forward to receiving an update on these matters at our next scheduled meeting, should you deem it feasible and practical.

Some of the concerns are more recent, such as the Department of State's (DOS) proposed International Traffic in Arms Regulations revision for arms brokering. This proposed change is so sweeping in its scope and jurisdictional reach that we are concerned it could have unintended consequences contrary to the Administration's efforts at export control reform, and it could impose significant and disproportionate burdens on the small business community. DOS is in receipt of voluminous written commentary from the defense, aerospace and high-tech communities, among others, so our comments here shall be brief. In short, it is the PEC's view that, as currently drafted, the proposed brokering regulation would result in an extraordinary expansion of regulatory authority in how it defines an arms "broker" as well as what constitutes "brokering activities". We further believe that the broad extraterritorial reach of the proposed rule will have a negative impact on competitiveness and has the potential to create additional compliance burdens for industry that do not exist today. We recommend that DOS seriously consider some of the aforementioned industry commentary before the revisions are finalized, and to the extent possible, we remain committed to providing additional private sector insight should this be deemed appropriate.

Through your leadership, the Administration has made significant progress on the Export Control Reform Initiative. We appreciate the strong support provided by the Administration, and in particular the DOC's Bureau of Industry and Security, to the activities undertaken by our Subcommittee on Export Administration. We congratulate you once again on the achievements to date and look forward to the successful completion of the reform initiative.

Sincerely,



Jim McNerney

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THE PRESIDENT'S EXPORT COUNCIL

WASHINGTON, D.C. 20230

June 6, 2012

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

Dear Mr. President,

We have worked closely with you to help realize the enormous potential of the travel industry to help achieve your goal of doubling U.S. exports in the next few years. We appreciate the important steps you have taken to improve the U.S. visa process and urge further reforms to build on this progress.

Spending by international travelers is a significant U.S. export that contributes positively to America's trade balance-and while great progress has been made in the past year or two, there remain even more opportunities for our economy. Larry Summers, former director of the National Economic Council, told the PEC last year that "the easiest way to increase exports and close the trade gap is by increasing international travel to the United States."

Over the past two years, the travel industry has far outpaced the rest of the economy in job creation. The industry has recovered more than half of its jobs lost during the recession; since the employment recovery began in early 2010, the industry has increased employment by 260,000. In 2011, travel exports grew by 14 percent, with international visitors responsible for one of every seven dollars spent in the U.S.

The Department of State has undertaken initiatives that have substantially reduced wait times for nonimmigrant visas at our busiest posts. By adding over 100 visa adjudicators in China and Brazil this year, adding interview windows and extending service hours, the State Department has significantly expanded its capacity to issue visas. In addition, the State Department has created a new pilot program that permits interview waivers for certain qualified low-risk visa renewal applicants and announced it will open two new consulates in Brazil by 2014. Taken together, these steps reflect a determination to tailor security safeguards to the actual degree of risk, rather than to rely on a one-size-fits-all approach.

Executive Order 13597 significantly complements these management reforms through promoting collaboration of the Departments of Commerce, State, Interior and Homeland Security and directing the development of a National Travel and Tourism Strategy. We support the Executive Order’s commitment to increase non-immigrant visa processing capacity in China and Brazil by 40 percent in 2012 and to ensure that 80 percent of non-immigrant visa applicants are interviewed within three weeks. We also support the goal of expanding the Visa Waiver Program (VWP).

Despite the progress that has been made, additional steps could help to further realize the potential of the travel industry to contribute to U.S. exports. In particular, we wish to highlight a few key objectives:

Lower Visa Wait Times

U.S. consulates have experienced surges in visa demand, which have led to lengthy wait times for visa applicants to interview with a consular officer. This problem was evident in parts of Brazil last year, where some people waited over 100 days for a visa appointment. The reforms implemented by U.S. consular officials in recent months in Brazil are working and will pay significant dividends in terms of both bureaucratic efficiency and public diplomacy. Having made such strides, however, it is critical to stay a step ahead of demand for U.S. visas around the world.

Today 35 percent of overseas visitors to the United States require an entry visa. According to the Department of Commerce, by 2020 that number is expected to rise to 51 percent. We should plan for this growth in demand to prevent backlogs from developing in the future. Now is the time to raise further our standards; toward that end, we specifically propose that you establish a two-week visa interview wait time benchmark for all non-immigrant visas, recognizing that resource and security considerations and the need to ensure provision of consular services to U.S. citizens may require specific exceptions. Setting this goal will help to ensure that the progress made is sustained in the future.

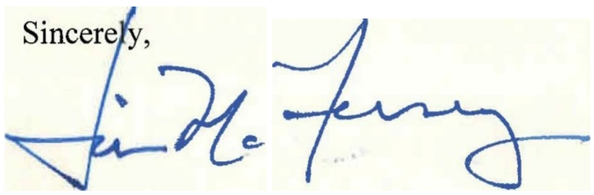
Expand the Visa Waiver Program

Bipartisan legislation is currently before Congress that would amend the qualification criteria for the Visa Waiver Program (VWP) and restore authority for the Secretary of Homeland Security to designate new VWP nations with visa refusal rates fewer than ten percent. We urge the Administration to continue to work with Congress to move legislation forward this year. We welcome your nomination of Taiwan for VWP and your commitment to work with Poland, Croatia, and Brazil to meet the requirements of the program and to continue your discussions with Chile.

Negotiate Longer Term Visas

The U.S. has ten-year visa reciprocity terms with a number of countries, including Brazil and India. However, with other countries, including China, the U.S. provides only one-year multiple-entry visas. Visa validity is governed by reciprocal treatment of U.S. citizens, and we encourage you to continue negotiating for longer visa validity. This would allow us to grant longer validity periods for Chinese nationals which, in turn, would reduce the visa workload of U.S. consulates in China and allow them to process U.S. visas more efficiently. The economic benefits would far outweigh any costs and, properly managed, would not reduce U.S. security.

Once again, Mr. President, we appreciate your work to promote international visitation and the economic stimulus it will yield. We look forward to continuing to work with you toward achieving your export objectives for the United States.



Jim McNerney

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THE PRESIDENT'S EXPORT COUNCIL

WASHINGTON, D.C. 20230

June 6, 2012

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

Dear Mr. President,

We applaud you for the initiative at last year's U.S.-EU Summit to establish a High Level Working Group on Jobs and Growth, with the goal of identifying policies to increase U.S.-EU trade and investment. We urge you to take the critical next step, in consultation with the private sector, to move forward quickly to define and launch a comprehensive and ambitious Transatlantic Partnership (TAP) negotiation. A TAP initiative should incorporate all of the 21st century trade commitments already identified by the PEC in its March 11, 2011, letter as a starting point.

A Transatlantic Partnership will deliver real economic value. Approximately half of U.S. manufacturing foreign direct investment is in Europe, totaling $268 billion in 2009. Manufacturing sales by majority-owned U.S. companies' affiliates in Europe total almost $1.4 trillion and EU investment in the U.S. supported 3.6 million jobs in 2010. Additionally, U.S. and EU services sectors are closely interlinked and would benefit from the elimination of existing barriers. Despite the overwhelming size of the trade and investment relationship, bilateral trade is handicapped by existing tariffs and other barriers to trade and investment. The gains from removing these barriers would be a significant boost to both the American and European economies. Additionally, an U.S.-EU initiative has unprecedented public support- including from the American and European business communities, legislators, European heads of state, and civil society.

The TAP must be a broad and ambitious negotiation that is comprehensive in scope. We see great potential for expansion in U.S.-EU bilateral job growth, trade, and investment through an agreement that includes:

- Elimination of industrial and agricultural goods tariffs, which will especially reduce the cost of intra-company trade.

- Full liberalization of the services trade, including distribution.

- Strong protections for intellectual property rights (IPR) and cooperation on enforcement of IPR.

- A comprehensive approach to regulatory barriers to trade in goods, including:
    - Establishing a risk-based approach for regulations, based on the principles of sound science, risk management, risk assessment, and transparency.

  - Harmonizing, eliminating, or establishing mutual recognition to address duplicative or redundant technical regulations, standards, and conformity assessment procedures.

  - Developing principles for regulatory actions and a coherent U.S.-EU process for new regulations.

- Enhanced investment protection that fully opens the transatlantic market to U.S. and European investors.

- Common principles to competition policy and new rules for the behavior of state-owned enterprises acting in the commercial arena.

- Cooperation on border security, including consistent and intelligent monitoring of cargo facilities and ports and the facilitation of legitimate business travelers.

- Trade facilitation measures to promote the development of efficient supply chains.

- Expanded coverage of government procurement beyond the recent WTO agreement.

- Provisions to encourage the development of innovative, growth-creating technologies and business models, particularly in the digital field, by eliminating barriers to digital trade and e-commerce.

- Solutions to issues surrounding privacy, data protection, cybersecurity and global data flows.

- Mutual recognition of an approach that will enhance respect for the environment by taking into account the full lifecycle of manufactured products, including packaging, recycling, and reuse.

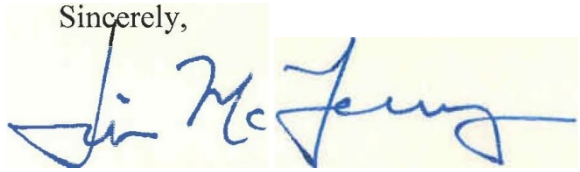
Another long term benefit of these negotiations would be a reenergized U.S.-EU partnership to better engage with third countries on the economic ground rules underpinning the multilateral system. Efforts to open transatlantic markets and lift and align transatlantic standards and regulatory regimes, where appropriate, can drive broader international cooperation. The stronger our bilateral convergence, the greater the likelihood of making tangible progress in opening third markets and ensuring a rules-based approach.

A revitalized U.S.-EU partnership can promote the development of non-discriminatory international standards. Given the size and scope of the transatlantic economy, standards negotiated by the U.S. and EU can become the benchmark for inclusive regional and ultimately global models, reducing the likelihood of more stringent, protectionist requirements or discriminatory industrial and regulatory policies for products and services. This is an opportune moment for such an agenda.

An ambitious TAP negotiation requires a commitment to high standards and a comprehensive agenda aligned with industry and USG international priorities.

The PEC will continue to work closely with both the U.S. and EU business communities to develop more detailed recommendations, including sectoral approaches. We urge your Administration to work closely with the European Commission and leading Member States to launch these negotiations before the end of 2012.[1]

Sincerely,



Jim McNerney

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[1] Please note this letter was prepared by the private sector appointed members of the PEC.

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

June 6, 2012

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

Dear Mr. President,

We congratulate your Administration for supporting a WTO accession package for the Russian Federation based on strong commercial considerations. Following our letter of December 9, 2010, we welcome your Administration's efforts to work in concert with the business community and the United States Congress in a timely and determined manner to graduate Russia from application of the Jackson-Vanik amendment and extend Permanent Normal Trade Relations (PNTR) to Russia.

As you know, Russia will join the WTO this summer -- irrespective of any action by the United States Congress. However, in order for U.S. firms, farmers, ranchers and others to benefit fully from Russia's WTO Membership, U.S. parties must have PNTR to defend their rights in the Russian market. The United States does not lower one tariff line or open its market in any fashion as a result of Russia's WTO accession-- rather, the WTO accession has required Russia to bind its tariffs and open its markets to become a WTO member, and Jackson-Vanik graduation and PNTR status simply ensure U.S. industries will enjoy the same benefits from those commitments as our global competitors.

Graduating Russia from Jackson-Vanik will provide significant benefits to the U.S. economy. Russia is the ninth largest economy in the world, with an economic growth rate in the four percent range and more than $320 billion in imports annually. American firms are well-positioned to increase exports to Russia (currently at $11 billion) and our share of Russia's import market; U.S. companies account for only 4.5 percent of Russia's imports, while Europe holds a 40 percent share and China holds a 16 percent share. We can increase our share of Russia's market, but only if we have PNTR so that U.S. firms have the same market access as firms from other countries.

We would like to highlight a few of the sector opportunities in Russia for U.S. exporters:

Information Communications Technology: As its invitation to the WTO was unveiled, Russia reconfirmed its commitment to join the WTO's Information Technology Agreement, which ensures that IT products and telecommunications equipment will enter Russia duty-free. The telecommunication sector will also be further liberalized and allow more flexibility on foreign direct investment.

Intellectual Property Rights: Russia must comply with all of the obligations of the WTO TRIPS Agreement and its Protocol of Accession, which sets out minimum requirements for protecting and enforcing intellectual property rights.

Industrial Exports: Russia's average tariff for industrial goods will decline to approximately seven percent from the current average tariff of ten percent.

Agriculture: Russia imported more than $30 billion of agricultural goods in 2011. Upon accession, average tariff rates on farm goods will drop from 13.2 percent to 10.8 percent. In addition, Russia’s accession brings commitments to abide by the disciplines of the WTO Agreement on Sanitary and Phytosanitary Measures.

Automotive Sector: Sales of autos are expected to reach 2.8 million units in Russia in 2012, and it will be the largest car market in Europe by 2015. In 2011, U.S. motor vehicle exports to Russia hit a peak of nearly $1 billion, and that figure is expected to significantly increase in 2012.

Environmental and Energy Services: Russia is the third largest energy-consuming country in the world, and investment in energy efficiency is a priority for the Russian government. Additionally, it is estimated Russia will need to spend $450 billion to upgrade or build infrastructure for water and sanitation, and the United States has been a top supplier of water treatment equipment to Russia in recent years.

Services: Russia is undertaking legally enforceable market access commitments covering audio-visual, distribution, express delivery, energy, and financial services (including insurance, banking, and securities). Its commitments provide for 100 percent foreign ownership of banks and non-life insurance firms.

Any delay in granting PNTR status to Russia could place American companies and workers at a significant competitive disadvantage to our foreign competitors when Russia joins the WTO this summer. We urge you to work closely with the Congress to provide PNTR prior to Russia's WTO ratification so that American companies and workers do not lose out on significant economic opportunities in the Russian market. We are fully committed to working closely with your Administration and the Congress to achieve a successful vote on PNTR prior to Russia's WTO ratification and to secure these benefits for American manufacturers, service providers, farmers, ranchers and others.

Sincerely,

Jim McNerney

Please note this letter was prepared by the private sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL

WASHINGTON, D.C. 20230

June 6, 2012

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

Dear Mr. President,

We welcome the addition of the Chair of the National Governors Association and the President of the United States Conference of Mayors to the PEC and note the Memorandum of Intent signed by the International Trade Administration and the State International Development Organization, both excellent steps toward formalizing the coordination of efforts to advance goals set out in the National Export Initiative.

State, local and federal trade and export promotion agencies share similar goals. For example, just as the U.S. Commercial Service promotes U.S. exports, with a particular focus on small and medium- sized enterprises (SMEs), many state export promotion agencies are also focused on helping SMEs export. In this climate of fiscal austerity, efficient use of resources is more important than ever.
Better communication and coordination across all levels of government can minimize redundancy and optimize the effectiveness of trade promotion initiatives. We recommend the following to improve cooperation across all levels of government:

<u>Use States and Local Areas as Testing Grounds for Federal Initiatives</u>
State and local-level initiatives are exceptional opportunities to inform potential federal programs and test concepts and projects on a small scale without dedicating the resources required for a nationwide effort. These state and local projects can help identify high-performing programs with the potential for nationwide implementation.

<u>Improve Understanding of SME Needs and Opportunities</u>
State and local governments are geographically, culturally, and economically closer to the businesses in their respective jurisdictions than the federal government, and they have strong communication infrastructures. As a result, state and local governments often have a better understanding of the needs of local firms, particularly small businesses. Through more intensive and formalized information sharing, which can be facilitated by local U.S. Export Assistant Centers, the federal government can gain a better understanding of SMEs nationwide. Better data and qualitative information about potential exporters could help federal authorities reach a wider constituency to provide information about available federal programs and resources to help SMEs grow exports and create jobs.

Eliminate Redundancy

The U.S. economy is the collection of its sub-national economic regions. Those regions are competing in international markets for trade and investment. While competition exists, local, state and federal governments share common goals for exporting and attracting investment. Improved intergovernmental collaboration could diminish duplicative efforts and bring down the costs of export promotion. The PEC recommends stronger intergovernmental collaboration and information sharing about trade missions and trade shows and expositions to help ensure better coordination.

Highlight the Importance of Trade Promotion and Trade Promotion Tools

The importance of state and local government trade missions is often not fully understood by the public, making it is difficult for state and local elected officials to sustain broad public support for trade and foreign direct investment promotion efforts. The federal government can mitigate the misperceptions of trade missions by elevating the importance of trade and investment promotion efforts and by partnering with state and local officials to educate the public about the benefits of promoting American businesses and products globally. The Trade Policy Coordinating Committee should also provide state and local officials with up-to-date information about trade shows and trade missions.

Create Individualized State and Local Export Plans

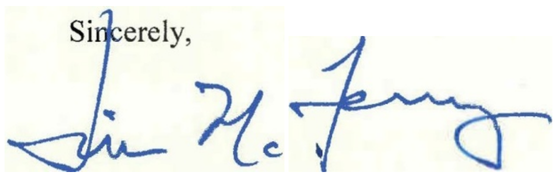
Developing customized models, toolkits, and practice guides to address specific state and local needs can help overcome specific hurdles to increasing exports. For example, Brookings Institution and the U.S. Department of Commerce's International Trade Administration (ITA) partnered to create the Metropolitan Export Initiative. The PEC encourages the Administration to work with Brookings and ITA to analyze the results of the pilot initiatives and to create a sustainable program for individual metropolitan areas to develop export strategies that fully take advantage of their individualized assets and optimize communication and interaction between state, local, and federal authorities.

In addition, the PEC encourages the Administration to continue to work closely with state and local government organizations like the United States Conference of Mayors, which has a Metro Exports and Ports Task Force to promote local export strategies, export promotion partnerships among local labor, educational, and business institutions, and coordinated national and regional freight policies, and the National Governors Association, which has undertaken a year-long comprehensive initiative to provide governors state-of-practice tools and action-based strategies to generate job growth, promote entrepreneurial activity, and expand trade and investment in the states.

Cooperation among federal, state, and local governments has already provided some successes. For example, in Washington State, a national leader in exports, close cooperation between federal and state authorities has helped local businesses access federal grants and educational opportunities while allowing federal authorities to develop working relationships with local companies. Another partnership between the federal government and states, the

State Trade and Export Promotion Pilot Grant Program (STEP), has helped grow the number of small businesses that export and the value of exports from the small business sector.

Growing American exports is critical to promoting economic growth, creating jobs, and ensuring America's preeminence on the global stage. Private industry and government agencies at every level must work together to achieve the goal to double our nation's exports by the end of2014.[1]



Jim McNerney

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