Global Engagement

The Chamber's Agenda to Help Americans Compete and Win in the Worldwide Economy

November 2008

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- The bipartisan trade deal reached on May 10, 2007, should be leveraged to ensure that trade agreements appropriately address concerns relating to labor and the environment.

Enforce Trade Agreements

- U.S. officials should place a high priority on enforcing trade agreements, and they should not hesitate to challenge clear violations of trade agreements by foreign governments as the trade rules and available evidence allow.
- The United States must live up to its own obligations under the WTO and other agreements because the benefits of our compliance far outweigh the costs.
- U.S. trade remedy law is an important tool to address unfair trade, but the rising use of antidumping and countervailing duties by our major trading partners means excessive reliance on these tools could impose real costs on U.S. business.

Renew Trade Negotiating Authority

- Trade negotiating authority is an indispensable tool for advancing U.S. economic and foreign policy interests, and no President should be without it.
- This authority should be structured to ensure that Congress plays an active role in establishing negotiating objectives, and the Executive Branch must engage in meaningful consultations with Congress.

Foster Development through Trade and Aid

- Congress should fund the international affairs budget at a robust level to ensure the federal government can meet today's diplomatic, humanitarian, and economic challenges.
- As a critical part of U.S. development assistance, trade capacity building programs should be funded at a significant level to help U.S. workers and companies tap the full benefits of international business opportunities.
- While reciprocal trade agreements offer greater benefits for U.S. workers, elected officials should work to enhance the benefits of unilateral trade preference programs through program reform.

Help Small Businesses to Export

- The United States should double expenditures on export promotion to expand the universe of companies that benefit from international trade.
- U.S. export promotion programs should center on America's small and medium-sized businesses, which account for the vast majority of all exporters.
- The capabilities of the Export-Import Bank to help small businesses export should be enhanced, especially in light of the recent credit crunch.

Assist Displaced Workers

- Federal training programs offered to displaced workers under Trade Adjustment Assistance should not be conditioned on trade being identified as the cause of job loss.
- Displaced workers and their families should be given greater flexibility to purchase health care plans that fit their needs rather than those imposed by a one-size-fits-all state mandate.
- Federal programs must be coordinated closely with the business community to match assistance and training with the needs of employers and to leverage the extensive investments in training already being made by business.

Protect Intellectual Property

- IP must be a priority for senior officials in the U.S. administration and for members of Congress, and federal agencies should receive the resources and authority they need to promote IP worldwide.
- U.S. officials must adopt a forward-leaning agenda to defend IP and innovation in multilateral and regional forums and act decisively against governments that undermine IP, e.g., by issuing compulsory licenses.
- Governments must work together to raise standards for the protection of IP in the Anti-Counterfeiting and Trade Agreement and by enforcing IP provisions in U.S. trade agreements.

Welcome Investment from Abroad

- U.S. officials' reviews of foreign investments should focus on tangible national security issues as laid out in U.S. law, thus safeguarding America's longstanding "open door" policy on international investment.
- The United States should encourage foreign governments to devise procedures to conduct national security reviews of foreign investments in a similarly focused, transparent, and effective manner.

Secure U.S. Investment Overseas

- The United States should vigorously defend the rule of law, sanctity of contracts, and respect for property rights as central to our international investment policy.
- The principle of national treatment should remain at the heart of U.S. investment protection instruments, including bilateral investment treaties (BITs).
- The United States should negotiate high-standards BITs with more countries around the world, in particular the large emerging markets that are playing a growing role in global economic growth.

Promote Global Regulatory Cooperation

- U.S. international economic policymakers should devise a strategy to fight "behind the border" barriers to trade and investment that arise from countries' divergent approaches to regulation, standards, and competition policy.
- U.S. officials should prevent regulatory differences from creating unwarranted barriers to trade and investment through permanent "dialogues" with their foreign counterparts (e.g., the Transatlantic Economic Council).
- Foreign governments should be encouraged to employ cost/benefit analysis as a regular part of their regulatory processes.

Advance Trade Facilitation

- The successful efforts within APEC to advance trade facilitation should continue and serve as a model for other world regions, such as Latin America, the Caribbean, and Central Asia, where trade transaction costs are relatively high.
- The nearly completed trade facilitation agreement in the Doha negotiations should be secured in a swift conclusion of the round or harvested in its own right.
- Governments should be encouraged to ratify and implement the World Customs Organization's revised Kyoto Convention as a tool to simplify and harmonize customs procedures.

Oppose Unilateral Economic Sanctions

- The United States should eschew the use of unilateral economic sanctions, which have proven to be ineffective in advancing U.S. foreign policy goals.
- A good place to start would be to lift the five-decade old embargo on Cuba, which has failed to bring democracy to the island and arguably helps prop up the regime.
- Even more pernicious are sanctions with extraterritorial reach, which undermine multilateral approaches to global security challenges and open the United States to counter-sanctions.

Adopt Talent-Oriented Immigration Policies

- Because so many advanced degrees awarded by U.S. universities go to foreign nationals, companies need the federal government to adopt a talent-oriented immigration policy to shore up their competitiveness.
- Current limits for H-1B visas and employment-based "green cards" should be significantly raised or re-formulated to fluctuate with market demand, and processing delays should be addressed.

Modernize Export Controls

- Officials overseeing export controls should build on measures to improve licensing processes begun in a series of presidential directives issued in January 2008.
- The Senate should ratify the recently concluded defense trade treaties with the United Kingdom and Australia to provide streamlined treatment of government-to-government programs.

Message from the Chamber

The United States faces a choice—to reach out and seize the benefits of international engagement, or retreat into isolationism. This choice is central to the competitiveness of the U.S. economy and the hopes of hardworking citizens pursuing the American Dream.

America has the most open economy and society in the world. Polls show many citizens are now questioning this openness, wondering whether the unfettered flow of goods, capital, and people helps or hurts the average family. While some are hurt and should be helped, the facts will show that the overwhelming majority of Americans derive great benefits from global engagement.

Total trade is now equivalent to more than a quarter of the nation's gross domestic product. One in five factory jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas. Ninety-seven percent of America's exporters are small businesses, not large, multinational corporations.

Imports help Americans too. They keep inflation low and expand the array of choices available for American families. Recent tariff reductions have increased the typical family's purchasing power by $1,300 to $2,000 per year.

Foreign companies have long invested in the U.S. marketplace because our markets are safe and profitable. Foreign companies directly employ more than five million Americans and millions more indirectly. Global capital has proven a lifeline to the U.S. economy in recent financial turbulence.

U.S. investment overseas benefits Americans as well. While making 70% of their investments here in the United States, American businesses also invest abroad, and overseas affiliates of U.S. companies have racked up annual sales of more than $4 trillion in recent years. Above and beyond exports, these sales generate profits, boosting stock prices, business expansion, and job creation back home.

The benefits of global engagement extend far beyond the exchange of trade and capital. Global engagement has also improved the state of the world, promoting peaceful exchange and lifting hundreds of millions of people out of poverty through more open markets and trade-generated growth.

Yet despite these facts, global engagement is under attack. It is important to understand why, to respond to such attacks, and to enact the positive reforms Americans need to win and prosper in the worldwide economy.

Without question, the competitive environment facing our workers and businesses is challenging. Many nations have followed our lead in reforming their economies, opening their markets, and investing in training and technology. Now they are competing with us for customers, capital, resources, and jobs—not only around the world but right here in our country.

In the face of this tough competition, we have a choice.

We can blame the competitors and attribute our own problems to the faults of others. We can retreat from the world and close our markets and borders in an effort to shield our workers and industries.

Or we can remake ourselves and provide our people and businesses with the skills and tools they need to succeed. We can heed the lessons of history which suggest that no nation has ever remained prosperous by walling itself off. We can do a better job ensuring that the opportunities of global commerce are extended to all.

The U.S. Chamber of Commerce is dedicated to ensuring that Americans make the right choice. Our aim in this publication is to make the case for the United States to reach out and seize the benefits of international engagement for all of America's workers, farmers, and companies.

We at the U.S. Chamber of Commerce invite you to consider the facts, reflect on what's at stake, and join us in a vigorous effort to knock down market barriers abroad, stay engaged in the world, and remove the impediments that make it harder for Americans to compete in the worldwide economy.

The path to success lies in openness and engagement, not in retreat and isolationism.

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I. The Case for Global Engagement

America cannot have a growing economy or lift the wages and incomes of our citizens unless we continue to reach beyond our borders and sell products, produce, and services to the 95% of the world's population that lives outside the United States.

In 2007, our exports to the world totaled $1.6 trillion, a 69% increase in 10 years. In the first half of 2008, exports have continued to expand with double-digit growth. Two-thirds of all exports are from our highly productive and efficient manufacturing sector. The United States exports about $200 billion in high-technology products and $500 billion in services. In 2008, U.S. agricultural exports are expected to top $100 billion for the first time in history.[1]

Trade sustains millions of American jobs. Approximately 57 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury. That's about 40% of the private sector workforce.

One in five factory jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.[2] We don't always notice the fact that millions of jobs depend on exports, but we certainly would if those jobs disappeared.

Recently, trade has been a bulwark for the U.S. economy as it has slowed and headed into recession. Over the year prior to the recent financial crisis, exports were generating nearly all U.S. economic growth.

The importance of trade is perhaps clearest among America's small businesses, which represent 97% of all U.S. exporters. These small and mid-sized firms generate nearly a third of all U.S. merchandise exports. While large companies still account for a majority of American exports, smaller companies nonetheless play a critical supporting role in trade.

In fact, the future for entrepreneurs in the trading arena is phenomenal. With advances in high-speed Internet technology and logistics services, small businesses now have extraordinary opportunities to reach foreign customers. The appetite for U.S. products and services stretches around the globe.

Due in large part to the success of the North American Free Trade Agreement (NAFTA), Canada and Mexico are our number one and number two export markets, buying more than a billion dollars in U.S. goods and services every day. They are followed by China, Japan, the United Kingdom, Germany, the Netherlands, South Korea, Singapore, and France.

States that are home to the nation's key seaports—including California, Texas, Florida, New York, and New Jersey—support millions of workers through transportation, logistics, and other services related to the processing of international commerce.

Even states that have been buffeted by economic difficulties can point to major compensating benefits through their involvement in trade. For instance, Michigan's approximately 600,000 manufacturing workers[3] are direct beneficiaries of NAFTA. Canada and Mexico purchased $31 billion in Michigan exports in 2007, 70% of the state's total.

Do the math for the United States as a whole, and NAFTA's benefits are clear. About 14 million Americans are employed in manufacturing. These workers produced $870 billion worth of exports in 2007. Canadians and Mexicans purchased $330 billion of U.S. manufactured goods in 2007.

In short, the NAFTA market brings export revenue of $24,000 for each and every American factory worker. Compare this to the salary of the average U.S. manufacturing worker—about $37,000. Manufacturers simply couldn't make their payroll without their booming sales to the markets right next door.

All these benefits underscore the value in knocking down unfair trade barriers in other countries through free trade agreements, vigorous enforcement of trade rules, and opening foreign markets through international accords negotiated under the World Trade Organization (WTO).

Imports help Americans too. Open markets, rapid economic growth, and a massive consumer economy help explain why imports have grown from $870 billion in 1997 to more than $1.95 trillion in 2007, a 125% increase.

Looking at the broad array of U.S. imports, the influx of affordable consumer goods, textile products, and cars has hurt some workers and communities. Those affected should be given the assistance and training they need to succeed in new careers. Yet, overall, our nation's appetite for imports has improved the performance of our economy and has greatly benefited American families by boosting choice, quality, and purchasing power.

For example, NAFTA and the Uruguay Round, which lowered barriers and tariffs regionally and around the globe, produced $1,300 to $2,000 in increased buying power for the typical family each year.[4] Further reducing global tariffs by one-third would mean an additional $2,500 a year in savings for the typical American family of four.[5]

Imports also directly support millions of American workers in shipping, port operations, logistics, transportation, wholesaling, and retailing and marketing.

Our energy needs alone make a compelling case for the nation's continued engagement around the world and our support for a smoothly functioning international trade marketplace. About two-thirds of all the crude oil America needs to run its cars, businesses, and homes is imported, as is much of the uranium needed to run and expand our nuclear power plants.

The interdependence of the world economy is plain to see in international markets for energy, food, and many other products. This interdependence has brought substantial benefits for Americans, and the best way to ensure these benefits continue is by keeping international trade and investment open and secure.

Americans must understand that our country receives tremendous benefits from international trade. Those who propose punitive tariffs and other measures—even when seeking to protect a domestic industry or punish a trading partner for not playing by the rules—are, in effect, proposing a tax increase on Americans.

And they are overlooking the potential for trade retaliation abroad—retaliation that could cost millions of their fellow Americans their livelihoods and jobs.

In the end, we cannot turn our back on world trade. It is an inevitable part of the world in the 21st century. To secure the benefits of trade, our elected leaders must prioritize initiatives to open foreign markets and sell more of our products overseas. Taking such steps will help grow jobs here at home.

American workers, companies, and farms are the most productive in the world. We must continue to expand our access to export markets—and that means keeping our own markets open and staying engaged in the global trading system.

II. The International Business Agenda

As we've argued, there is a compelling case for the United States to press ahead with a robust international business agenda centering on opening foreign markets and securing the benefits of global engagement. The U.S. Chamber has identified a number of priority items for this agenda. Above all, this international business agenda must focus on honing the global competitiveness of America's workers and companies.

Level the Playing Field for Trade

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy steep tariffs on U.S. exports, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. The average tariff applied to U.S. manufactured goods arriving in overseas markets is 7.5%, and the figure for U.S. agricultural exports is 17%.[6] These numbers often range much higher, particularly in emerging markets. No one wants to go into a basketball game down by a dozen points from the tip-off—but that's exactly what American exporters do every day. These barriers are particularly burdensome for America's small and medium-sized companies.

The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. Trade agreements should treat American manufacturers, service providers, farmers and ranchers the same as their foreign competitors. Indeed, America's elected leaders have a duty to look out for the trading interests of American citizens at least as carefully as those of our friends and allies overseas.

The good news is that America's trade agreements do a spectacular job creating a level playing field—and tremendous commercial gains are the proof in the pudding. In recent years, 40% of U.S. exports went to the 14 countries with which the United States has free trade agreements (FTAs) even though they represent just 7.5% of global GDP.[7] By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.

In the past decade, the United States has negotiated new FTAs with 14 countries around the globe: Australia, Bahrain, Chile, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Morocco, Nicaragua, Oman, Peru, and Singapore.

These agreements give U.S. business unprecedented access to growing markets with more than 150 million consumers. Because these trade deals eliminate tariffs and other barriers to U.S. exports, it's no surprise that American exports to these countries have been growing roughly twice as rapidly as our exports to other countries.

For those worried about the U.S. trade deficit, trade agreements are clearly the solution—not the problem. The United States is now running trade surpluses with nine of the ten countries with which it has entered into FTAs since 2004. The United States had trade deficits with six of these nine countries just a few years ago.[8]

Concerns about the inclusion of guarantees for worker rights and environmental protections have led to major changes in how the United States approaches trade agreements. On May 10, 2007, Democratic and Republican leaders in Congress reached a bipartisan agreement on how to address these issues. Subsequent modifications to a pending trade agreement with Peru paved the way for its approval in late 2007 by an overwhelming bipartisan majority. The U.S. Chamber strongly supported this breakthrough and believes it can be leveraged going forward.

For those who care about fairness in U.S. trade policy, additional high-standard trade agreements must be a priority. This means concluding the long-running Doha Development Agenda negotiations and approving the pending bilateral agreements with Colombia, Panama, and South Korea (see boxes). And it means negotiating more agreements to expand trade opportunities for American workers, farmers, and companies.

Chamber Recommendations

- In a world where foreign barriers to U.S. exports remain significant, the United States must pursue additional trade agreements to ensure a level playing field for American workers, farmers, and businesses.
- Near-term priorities include Congressional approval of the pending trade accords with Colombia, Panama, and South Korea and conclusion of the global Doha Development Agenda negotiations.
- The bipartisan trade deal reached on May 10, 2007, should be leveraged to ensure that trade agreements appropriately address concerns relating to labor and the environment.

Enforce Trade Agreements

Trade agreements hold little value for American business if they aren't enforced. The U.S. Chamber has long pressed for consistent and vigorous enforcement of trade agreements entered into by the United States. This includes the wide-ranging body of rules of the World Trade Organization (WTO) as well as bilateral and regional trade agreements.

These agreements provide U.S. workers, farmers, and businesses with assured access to overseas markets on terms that are clear and predictable. In addition to addressing tariffs and non-tariff barriers at national borders, these agreements also provide important guarantees for U.S. businesses operating inside foreign markets. Trade agreements provide critical protections for intellectual property, guarantee the rights of U.S. companies to bid for government contracts, and ensure that U.S. service providers receive national treatment (i.e., the same rights and responsibilities granted local firms). U.S. officials should place the highest priority on fulfilling these guarantees.

The United States has the right and responsibility to press other governments to live up to their commitments under trade agreements. Where governments fail to do so, the first recourse should be to engage them in direct talks. If consultations fail to bring full compliance, dispute settlement procedures established under the WTO and other accords offer avenues to ensure proper enforcement of trade agreements.

After the WTO was created in 1995, its new Dispute Settlement Body was deluged with cases from around the globe. The United States was one of many governments that brought a host of cases to Geneva in the late 1990s. Citing the smaller number of cases the United States has brought to the WTO in recent years, some critics have argued that U.S. officials responsible for enforcement have neglected their duties.

However, it's more useful to consider possible cases on their merits. The late 1990s presented a unique set of circumstances, and governments had prepared cases in anticipation of the launch of the WTO's novel dispute settlement procedures. Today, the growing body of WTO jurisprudence affords trade officials a better view of whether their complaints will be deemed to have merit in Geneva. Since bringing a case is slow, laborious, and expensive, fewer long-shot cases are being brought. By the same token, relatively obvious violations of WTO disciplines can be addressed in consultations, or under the threat that a case will be filed in Geneva.

This doesn't mean that U.S. officials should be complacent. In recent years, for instance, the United States has brought several cases against Chinese trade practices, and this action has borne some fruit. Going forward, trade officials should not hesitate to bring cases against foreign governments when WTO trade rules lend support and when they can marshal the evidence.

Of course, enforcement cuts both ways. The United States has not always lived up to its own obligations under trade agreements. For instance, dispute settlement panels under the WTO have determined that the United States unfairly subsidizes its cotton farmers, and NAFTA dispute settlement panels have ruled that the United States is violating its obligation to allow Mexican trucks to operate within the United States. In both cases, U.S. companies may face stiff retaliatory tariffs very soon.

The United States has so much to gain from participation in the rules-based international trading system that it flaunts these rules at its peril. Since the WTO was created in 1995, the United States has won and lost cases before dispute settlement panels on a number of occasions. The United States has almost always amended its laws or changed its practices to conform to adverse rulings. The exceptions, such as the cotton case, are few and recent, and they are arguably still being worked out.

For the long-term interests of the United States, it's critical that the United States continue to live by the rules of the international trading system. After all, the United States did more than any other country to write these rules, from the launch of the General Agreement on Tariffs and Trade in 1947 to the creation of the WTO in 1995. A host of studies shows the United States derives tremendous benefits from the open international trading system.

In fact, the United States should place a high priority on expanding the WTO's rules-based trading system. U.S. workers and companies would benefit by seeing major energy players such as Russia and the countries of Central Asia take on the obligations of membership in the WTO. They should accede as soon as they conclude negotiations to do so on terms that guarantee market access and the rule of law.

Finally, U.S. law also provides tools to address charges of unfair trading. The U.S. Chamber supports the judicious use of U.S. trade remedy law, which provides relief for U.S. producers facing competition from unfairly priced or subsidized imports. Such relief comes in the form of anti-dumping (AD) and countervailing duties (CVD).

However, trade officials should use trade remedies with caution. In recent years, foreign governments have increasingly employed the same kinds of AD and CVD duties as the United States—sometimes in a fast and loose way. Some argue the resulting proliferation of AD and CVD cases around the globe today is just as likely to undermine the competitive position of U.S. producers as such cases at home are to help (though the U.S. producers impacted are usually different).

This is why the U.S. Chamber has long argued that U.S. trade remedy law should be administered in a way that avoids any "unduly protectionist interpretation or implementation which would impair the healthy expansion of trade or invite damaging retaliation by other countries."[9] In the same vein, U.S. officials should press foreign governments to provide greater transparency in how they use trade remedies against U.S. firms.

In the final analysis, U.S. trade remedy laws have two core purposes. First, they protect U.S. businesses from unfairly traded goods and services. Second, they are a tool to help open foreign markets to U.S. goods and services. Policymakers must use these laws judiciously, bearing in mind the need for a level playing field and the danger of eliciting retaliation. They must also bear in mind that it is politically impossible to secure public support for opening foreign markets (which necessarily entails opening the U.S. market) unless we ensure that foreign goods and services are entering the U.S. market fairly.

Chamber Recommendations

- U.S. officials should place a high priority on enforcing trade agreements, and they should not hesitate to challenge clear violations of trade agreements by foreign governments as the trade rules and available evidence allow.
- The United States must live up to its own obligations under the WTO and other agreements because the benefits of our compliance far outweigh the costs.
- U.S. trade remedy law is an important tool to address unfair trade, but the rising use of antidumping and countervailing duties by our major trading partners means excessive reliance on these tools could impose real costs on U.S. business.

Renew Trade Negotiating Authority

To secure new market-opening trade agreements, Congress must renew the traditional trade negotiating authority that every President since Franklin Delano Roosevelt has enjoyed. Sometimes called "trade promotion authority" or "fast track," this trade negotiating authority gives the United States a seat at the table in international trade negotiations.

Trade negotiating authority is a historic compromise between these two branches of the federal government. The U.S. Constitution gives the Congress authority to regulate international commerce, but it gives the President authority to negotiate with foreign governments.

Trade negotiating authority permits the Executive Branch to negotiate agreements in consultation with the Congress; when an agreement is reached, Congress may approve or reject it, but not amend it. Without this negotiating authority, the United States will be left on the sidelines as other nations negotiate trade agreements without us—as happened after this authority lapsed between 1994 and 2003. Without trade negotiating authority, no foreign government will engage in serious trade negotiations with the United States, bilaterally or multilaterally in the WTO.

Already, Asia is awash in new trade deals, and the European Union is seeking far-reaching agreements with Korea, India, and Southeast Asia. More than 100 bilateral trade negotiations are currently underway among our trading partners without us. The United States cannot afford to stand still as foreign governments write the rules of international trade and our businesses lose their ability to compete and win around the world.

Trade negotiating authority must be structured to ensure that Congress plays an active role in negotiations. This authority should give Congress a voice in establishing negotiating objectives that is equal to that of the President. During negotiations, the Executive Branch should be required to engage in meaningful consultations with Congress. By approving this authority, Congress does not give up its right to review trade agreements carefully, and legislators have the final say in whether to accept or reject the resulting agreements.

However, if trade negotiating authority is not renewed, it will tie the President's hands and close the door to agreements that promise to open overseas markets and spur U.S. economic growth. Not only does this deny the President a critical tool in his diplomatic toolbox—it means American workers, farmers, and companies must continue to compete in foreign markets where their goods face steep tariffs.

Chamber Recommendations

- Trade negotiating authority is an indispensable tool for advancing U.S. economic and foreign policy interests, and no President should be without it.
- This authority should be structured to ensure that Congress plays an active role in establishing negotiating objectives, and the Executive Branch must engage in meaningful consultations with Congress.

Foster Development through Trade and Aid

With most of the world's population and economic growth squarely centered in the developing world, U.S. companies are increasingly reliant on emerging economies. Accordingly, the U.S. business community has lent growing support to a broad-based development agenda that fully leverages both trade and aid programs.

The U.S. Chamber strongly supports a robust international affairs budget, often referred to as the "Function 150" account. Representing a little more than 1% of the federal budget, the international affairs budget provides the U.S. government with the basic tools to meet the economic, diplomatic, and humanitarian challenges of the 21st century. The Chamber is a proud supporter of the U.S. Global Leadership Campaign, a broad-based national coalition of businesses, humanitarian organizations, and community leaders that advocates for a strong U.S. international affairs budget.

The international affairs budget is a critical tool, first and foremost, to ensure America's national security. Many programs funded by the international affairs budget prove the old adage that an ounce of prevention is worth a pound of cure. These initiatives are designed to stabilize weakened states, deter threats before they reach the United States, strengthen international anti-terrorism coalitions, combat weapons proliferation, and fight global crime and narcotics trafficking.

Second, the international affairs budget underscores America's humanitarian values. It does so by supporting global health initiatives, alleviating poverty around the world, and strengthening democratic institutions. This includes the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) to combat HIV/AIDS globally—a highly successful program the Chamber has supported from its inception.

Third, the international affairs budget plays a key role advancing U.S. economic interests overseas. This part of the federal budget helps increase economic opportunities through trade, promote U.S. business interests around the world, and create U.S. jobs through increased international trade and investment. It funds U.S.

export promotion agencies such as the Export-Import Bank and the Overseas Private Investment Corporation, advocacy overseas for U.S. businesses, and efforts to build safe, stable, and open international markets.

One area where the international affairs budget and the American trade agenda intersect is in programs dubbed "trade capacity building" or "aid for trade." Trade capacity building is development assistance that builds the necessary capacity—from improvements in infrastructure and customs administration to enforcement of labor and environmental laws—that will allow developing countries to take advantage of open markets.

The United States is the largest single-country donor of this kind of assistance, with more than $1.3 billion in trade capacity building funds appropriated annually. These funds are coordinated with other donors through the WTO, the network of U.S. trade agreements, and U.S. trade preference programs (see below). The U.S. Agency for International Development and the U.S. Trade and Development Agency play important roles here.

Trade capacity building is a priority for the U.S. business community, which believes success in this area is more likely when a true public-private partnership is in place. In Guatemala, for example, express delivery companies worked through CLADEC Guatemala, their local association, to help Guatemala's customs authorities retool their express clearance procedures.

The upshot was that clearance times were reduced from days to hours, with significant benefits for Guatemala's international competitiveness. The U.S. and Canadian governments and the World Bank and World Customs Organization provided technical assistance, but funding and a great deal of know-how came directly from the private sector and Guatemala's tax agency. Clearly, the best model for trade capacity building brings together government, business, and often academia to implement best practices.

Finally, it's worth noting the important role trade preference programs play in U.S. efforts to foster development globally. Approximately 150 developing countries around the world enjoy preferential access to the U.S. marketplace through trade preference programs, which continue to enjoy broad bipartisan support.

The largest of these programs is the three-decade old Generalized System of Preferences (GSP). Additional programs extend preferences to specific countries in Africa (the Africa Growth and Opportunity Act, or AGOA), the Andean region (the Andean Trade Preference Act, or ATPA), and the Caribbean (the Caribbean Basin Initiative, the Caribbean Basin Trade Partnership Act, and the Haitian Hemispheric Opportunity through Partnership Encouragement Act).

These trade preferences offer benefits to both developing economies and the United States. In the Andean region, for instance, ATPA has been perhaps the single most effective alternative development program, sustaining 1.5 million jobs in Colombia and Peru alone.[10] By providing local citizens with long-term alternatives to narcotics trafficking and illegal migration, ATPA has helped governments isolate violent extremist groups, restore economic growth, and increase investment in education, health, and infrastructure.

Moreover, trade preferences also boost the competitiveness of U.S. manufacturers and lower the cost of consumer goods for American families. According to a U.S. Chamber study, the three-decade old GSP program keeps U.S. manufacturers and their suppliers competitive. Approximately three-quarters of U.S. imports using GSP are raw materials, parts and components, or machinery and equipment used to manufacture goods in the United States.

Moving GSP imports from the docks to the retail shelves supports approximately 80,000 U.S. jobs, according to the U.S. Chamber's study. GSP is particularly important to U.S. small businesses, many of whom rely on the program's duty savings to compete with larger companies. American families also benefit directly from GSP: finished consumer goods sold by U.S. retailers account for about 25% of GSP imports. The products coming in under GSP generally do not compete with U.S.-made goods in any significant way.

Despite these successes, U.S. preference programs are in need of reform. Many of the world's poorest countries are currently left out of preference programs, and some existing programs exclude many countries' key export products. Short-term extensions of preferences and complex eligibility rules limit the benefits for U.S. importers and exporters in developing countries. The U.S. Chamber supports reforms to address these shortcomings. At the same time, we believe countries that fail to comply with GSP's conditions relating to respect for intellectual property should be denied its benefits.

In the long run, the American public has made clear its preference for fair trade based on reciprocal market openings. Bilateral and regional trade agreements can unleash growth and development in ways that unilateral trade preferences cannot. But while the United States pursues reciprocal trade accords, we should continue to secure the benefits of these longstanding preference programs.

Chamber Recommendations

- Congress should fund the international affairs budge at a robust level to ensure the federal government can meet today's diplomatic, humanitarian, and economic challenges.
- As a critical part of U.S. development assistance, trade capacity building programs should be funded at a significant level to help U.S. workers and companies tap the full benefits of international business opportunities.
- While reciprocal trade agreements offer greater benefits for U.S. workers, elected officials should work to enhance the benefits of unilateral trade preference programs through program reform.

Help Small Businesses to Export

The United States should also make it a priority to boost exports by America's small and medium-sized companies. As noted above, small business has long been recognized as a motor of job creation and innovation, but Americans tend to regard international trade as the domain of large multinationals.

Nonetheless, America's smaller companies are already making important contributions to U.S. exports. In 2006, for example, more than 239,000 small and medium-sized companies exported a total of $263 billion, representing nearly a third of all U.S. exports.

If more U.S. small businesses were able to seize export opportunities, the gains could be immense. In a sign that they may just need a little help, a recent World Bank study ("Export Promotion Agencies: What Works and What Doesn't") found that each dollar increase in export promotion expenditures brought a 40-fold increase in exports. The gains were especially large for countries that spend less than the average; as it happens, the United States spends just one-sixth of the international average helping its small businesses to export.

To address this need, the U.S. Chamber proposes a doubling in federal expenditures on export promotion, with a focus on small companies' exports. The federal government allocates just over $200 million annually to promote the exports of America's small and medium-sized companies. In addition, the capabilities of the Export-Import Bank to help small businesses export should be greatly enhanced, especially in light of the recent credit crunch.

Investing in the export potential of America's small businesses could bring dramatic gains. Today, American exports are surging, and a helping hand for U.S. smaller companies could spread those gains more broadly. Showing how smaller companies can gain from trade would also help build political support for international trade. By adding to the ranks of small businesses that see direct benefit in exporting, Americans will be able to see more clearly the possibilities offered by worldwide trade.

Chamber Recommendations

- The United States should double expenditures on export promotion to expand the universe of companies that benefit from international trade.
- U.S. export promotion programs should center on America's small and medium-sized businesses, which account for the vast majority of all exporters.
- The capabilities of the Export-Import Bank to help small businesses export should be enhanced, especially in light of the recent credit crunch.

Assist Displaced Workers

Even before the recent financial crisis, a multitude of opinion surveys confirmed that Americans regard their immediate economic future with anxiety. While many Americans enjoy the fruits of prosperity, economic statistics confirm that more than a few have suffered declining incomes and job insecurity.

The U.S. Chamber believes America's long-term competitiveness depends on the creation of high-quality, well-paying jobs. For our workers to be competitive, government and business should collaborate to provide training for the higher-end service and manufacturing jobs that increasingly characterize today's U.S. economy. For our companies to remain competitive, they require access to a diverse, educated, skilled, and mobile workforce.

To meet these twin goals, the United States needs a strategy to help dislocated workers adapt to the challenges presented by a global economy. The U.S. business community is committed doing its part. Business is already making a major contribution: the American Society for Training & Development estimates that U.S. businesses and private organizations spent nearly $130 billion on employee learning and development in 2006, or more than $1,000 per worker.[11] While these programs and their funding levels need to be constantly reassessed, this level of investment underscores the commitment of American business.

With regard to the role of government, the Trade Adjustment Assistance (TAA) program was created by President Kennedy in 1962 to provide income support and training benefits to workers who lost their jobs due to competition from imports. The main objective of the program over the years was to extend unemployment compensation benefits through a trade readjustment allowance and provide job training for dislocated workers.

However, the program has its problems. First, it rests on the flawed proposition that trade plays a major role in job loss. In fact, less than 3% of layoffs of 50 or more people between 1996 and 2004 were attributable to import competition or overseas relocation, according to survey data from the U.S. Bureau of Labor Statistics.[12]

Research shows this vast and continuous turnover in the U.S. job market is principally driven by technological innovation (especially information technologies), changes in consumer taste, and domestic competition.[13] Together, these factors are vastly more significant than trade as explanations for this "churn" in the job market.

The U.S. Chamber recommends that a number of changes to the program be made as part of its modernization and possible expansion. First, efforts to identify layoffs deemed the result of import competition or production shifting overseas—and on that basis determine eligibility for TAA benefits—skew benefits unfairly toward a small minority of displaced workers.

These efforts miss the point of such assistance programs, and the unhelpful and misleading effort to tie job losses to trade should be abandoned. A modernized program to succeed TAA should be renamed to reflect this change.

Congress and the administration should consider extending federal training programs under TAA to more workers. In particular, eligibility should be extended to workers who lose their jobs when a firm consolidates production among domestic plants as part of a company-wide response to global competition. The proposal by Senate Finance Committee Chairman Max Baucus to make TAA benefits available to services workers, who account for more than 80% of the U.S. workforce, arises from similar concerns.

More limited changes could be made that already enjoy broad support. At present, displaced workers are eligible for TAA benefits if they lose their jobs due to production shifts to some foreign countries—but not to others. This makes no sense. Workers dislocated due to production shifting overseas should be eligible for TAA benefits without regard to the country to which jobs may be relocated.

Finally, workers who lose their jobs often face the added challenge of losing their health care. Workers and their families should be given greater flexibility to purchase health care plans that fit their needs rather than those imposed by a one-size-fits-all state mandate. The tax code should not punish Americans buying health insurance on their own by taxing them at a higher rate than those who buy it through their employer.

In the end, the answer to a worker losing his job at a typewriter factory is not to force the factory to keep making typewriters. It's to make sure that workers can move from a 20th century job to a 21st century job without turning their lives upside down, and a modernized TAA program can help reach this goal.

Chamber Recommendations

- Federal training programs offered to displaced workers under Trade Adjustment Assistance should not be conditioned on trade being identified as the cause of job loss.
- Displaced workers and their families should be given greater flexibility to purchase health care plans that fit their needs rather than those imposed by a one-size-fits-all state mandate.
- Federal programs must be coordinated closely with the business community to match assistance and training with the needs of employers and to leverage the extensive investments in training already being made by business.

Protect Intellectual Property

Intellectual property (IP) is the economic currency of the 21st century. It drives innovation, job creation, and America's global competitiveness. Effectively applied and adequately protected, IP can save lives and help solve society's most pressing problems.

IP provides the incentives and resources for the world's most innovative minds to develop cures for deadly diseases, productivity-enhancing software, safe and plentiful food supplies, and clean energy technologies.

IP rights also promote the arts and enhance our cultural life. Movies, music, and books created and copyrighted by American artists and writers are seen, heard, and read every day in every country. Businesses that rely on IP employ more than five million American jobs.

Despite its fundamental importance to economic prosperity and human progress, IP is under attack across the world. Two serious threats confront it. The first comes from criminals who have built a $600 billion global criminal enterprise of counterfeiting and piracy that destroys jobs, undermines innovation, and endangers consumers.

The second threat comes from a growing movement of anti-IP activists drawn from universities, foundations, NGOs, ideologically-driven interest groups, and even governments. These activists promote the idea that IP rights should not be recognized and that protecting IP impedes progress and hurts the poor. They are spending tens of millions of dollars annually to transform this ideology into governmental and multinational policy.

As the world's innovation leader, the United States already pays a high price for the lax protection of IP rights—$250 billion in theft, 750,000 forfeited American jobs, squandered tax revenues for government, lost exports for our companies and workers, and less capital for future innovations. As developing nations begin to generate their own high-value IP products, a shared interest in better protecting IP is emerging throughout the global economy.

However, we cannot wait for this happen or expect it to develop the right way. The United States must continue to play a leadership role internationally by establishing pro-IP policies at home and pressing the global community of nations to do the same.
To ensure the United States remains a world leader in innovation, U.S. officials and business leaders must make IP a priority by speaking about it often before domestic and foreign audiences. Having the right people in key IP positions is an imperative at the White House, the Office of the U.S. Trade Representative, the U.S. Patent and Trademark Office, and the Departments of State, Commerce, and Justice.

These agencies must receive the resources and authority they need to defend IP in the United States and abroad. Given efforts by activists worldwide to undermine IP, U.S. officials must adopt a forward-leaning agenda to promote IP and innovation in multilateral forums such as the World Intellectual Property Organization, World Trade Organization, World Health Organization, and regional forums such as APEC. U.S. officials should act quickly and decisively against governments that undermine IP, e.g., by issuing compulsory licenses.

Another priority is to conclude the ongoing negotiations for a commercially meaningful Anti-Counterfeiting and Trade Agreement, known as ACTA. Such an agreement would strengthen enforcement, improve legal frameworks, enhance international cooperation, and develop best practices for combating counterfeiting and piracy. U.S. officials should also place a high priority on full enforcement of IP provisions in U.S. trade agreements.

Above all, defenders of IP must educate key audiences around the globe about this vital issue. Success will depend on a close working relationship between the business community, Congress, the administration, and other allies, such as organized labor. Nothing less than America's competitiveness is at stake.

Chamber Recommendations

- IP must be a priority for senior officials in the U.S. administration and for members of Congress, and federal agencies should receive the resources and authority they need to promote IP worldwide.
- U.S. officials must adopt a forward-leaning agenda to defend IP and innovation in multilateral and regional forums and act decisively against governments that undermine IP, e.g., by issuing compulsory licenses.
- Governments must work together to raise standards for the protection of IP in the Anti-Counterfeiting and Trade Agreement and by enforcing IP provisions in U.S. trade agreements.

Welcome Investment from Abroad

In the 21st century, investment capital moves across national borders as never before. Americans derive great value on both sides of the investment equation. By 2007, the total stock of foreign direct investment (FDI) in the United States totaled $2.1 trillion.

Investments by foreign companies in our country have created more than 5.3 million American jobs. This number does not include the millions of people who work for companies that supply parts and materials to foreign-owned firms.

Moreover, studies have found that foreign employers pay wages averaging 15% higher than wages paid by U.S. companies. Average annual compensation at foreign-owned firms typically exceeds $68,000. It's impressive to note that U.S. affiliates of foreign companies spent $34 billion on research and development and $160 billion on plants and equipment in 2007.[14]

Coupled with home-grown capital and ingenuity, these investments give the United States extraordinary access to cutting-edge technology and productivity tools. Which foreign employers create the most jobs in the United States? Two-thirds of these investments come from developed countries, principally the United Kingdom, Japan, Canada, the Netherlands, Germany, France, and Switzerland.

Recognizing that the United States benefits tremendously from international investment, what can Washington do to ensure that the goose that lays the golden eggs continues to produce?

In 2007, Congress approved the Foreign Investment and National Security Act (FINSA). It reaffirms the U.S. "open door" policy toward international investment, ensuring the President's authority to block a foreign acquisition of a U.S. company when tangible national security issues are at stake. It restores certainty to the federal government's process for reviewing foreign acquisitions of U.S. firms, which is managed by the interagency Committee on Foreign Investment in the United States (CFIUS).

The U.S. Chamber applauded Congressional approval of FINSA, and we believe it's a good law. It strikes the right balance by limiting reviews to national security considerations, and it should be given a chance to work.

The U.S. Chamber has no higher priority than national security, and it is entirely appropriate for foreign investment in the United States that affects national security to be subject to special review by appropriate government agencies. Through a rigorous and circumspect review that focuses only a true security issues, the United States can help ensure that the benefits of foreign investment in the United States continue to flow to American workers.

On a related note, a number of countries around the world have been considering the establishment of formal procedures to review national security concerns relating to inward foreign investment. FINSA has been hailed as a model of balance that other countries might usefully consider. The U.S. Chamber is committed to working with foreign governments to help them adopt a similarly focused, transparent, and effective approach to national security reviews of foreign investment.

Chamber Recommendations

- U.S. officials' reviews of foreign investments should focus on tangible national security issues as laid out in U.S. law, thus safeguarding America's longstanding "open door" policy on international investment.
- The United States should encourage foreign governments to devise procedures to conduct national security reviews of foreign investments in a similarly focused, transparent, and effective manner.

Secure U.S. Investment Overseas

Americans also derive important benefits from U.S. investment abroad. The primary means by which U.S. firms deliver goods and services to foreign customers is by investing abroad and creating a foreign affiliate. Many workers hired by American companies abroad work for these affiliates to service local markets.

All told, these affiliates generate substantial earnings for American companies. Their sales totaled $4.7 trillion in 2006[15]—a sum more than triple the export earnings of U.S. companies ($1.4 trillion in 2006). These earnings help provide American companies with a growing pool of capital to help their companies grow, innovate, and create better jobs at home.

A common myth is that overseas hiring by U.S. corporations is all about finding cheap labor. While the search for affordable labor drives some investment decisions, 70% of U.S. direct investment abroad is concentrated in highly developed countries. Europe—a region not known for low wages—is home to more than half of all U.S. direct investment overseas.[16]

Even with significant investments overseas, about 70% of American business investment (including employment and capital expenditures) occurs right here in the United States—not in other countries. About 85% of all research and development by U.S. multinationals is conducted in the United States.[17]

It is true that some foreign workers are hired to produce low-cost goods that are shipped back to value-conscious American consumers. However, in developing economies, U.S. factories and facilities often stand out as models and contribute to raising local labor and environmental standards. Workers at these facilities routinely make more than they ever had the opportunity to earn in the past. U.S. companies active in the developing world are major contributors to social and charitable initiatives.

With lower value products being produced overseas, Americans can focus on high technology, high-value manufactured products, and a broad range of professional and business services. In other words, America's position in the global economy helps us to create and preserve high-skill, high-wage jobs.

The U.S. Chamber is committed to ensuring strong protection of U.S. investments overseas. The rule of law, sanctity of contracts, and respect for property rights are the touchstones of respect for international investment—and the United States should fight for these principles in markets around the globe.

One critical mechanism for extending protections to U.S. investors overseas and improving their access to foreign markets is the U.S. bilateral investment treaty (BIT) program, which has enjoyed bipartisan support throughout its existence. Over the past quarter century, the United States has concluded BITs with more than 40 countries, and similar provisions to protect investments are included in bilateral trade agreements.[18] Over time, U.S. BITs have evolved to offer a high standard of protection for investors, as seen in the current U.S. "model BIT."

Bilateral investment treaties provide a level playing field for investors by advancing the principle of "national treatment." Embraced by Democratic and Republican administrations for more than two decades, this principle gives U.S. investors overseas and foreign investors in the United States the same rights, privileges, and responsibilities as domestic investors with limited exceptions (e.g., for national security). Respect for this principle is critical to job-creating investments and efficient global capital markets. The principle of national treatment should not be compromised directly or indirectly (for instance, through changes in U.S. tax policy) in ways that would create advantages or disadvantages for companies based on whether they are headquartered in the United States or elsewhere.

BITs also provide recourse to the law in the event of nationalization and guarantee transparency with respect to investment-related laws and regulations. These treaties serve as a positive admonition to governments to avoid arbitrary actions in commercial disputes lest the case wind up before an international arbitration panel.

Looking forward, the U.S. Chamber strongly supports negotiating BITs with China, India, and Vietnam, and when circumstances permit with additional large economies such as Brazil and Russia. As other countries around the globe pursue their own BITs, decision-makers in Washington should be wary of how these may place U.S. companies at a competitive disadvantage should the U.S. lag in its own negotiations. In addition, where countries are not yet ready for a full-scale BIT, the United States should continue to help interested partners to build their own capacity to protect investments through Trade and Investment Framework Agreements (TIFAs), which help prepare countries for BIT negotiations.

In the end, BITs and other measures to protect investment are vital, but the underlying principles of the rule of law, sanctity of contracts, and respect for property rights are even more so. Their protection should always be at the fore of American international economic policy, even in countries where formal investment protection agreements remain a distant goal.

Chamber Recommendations

- The United States should vigorously defend the rule of law, sanctity of contracts, and respect for property rights as central to our international investment policy.
- The principle of national treatment should remain at the heart of U.S. investment protection instruments, including bilateral investment treaties (BITs).
- The United States should negotiate high-standards BITs with more countries around the world, in particular the large emerging markets that are playing a growing role in global economic growth.

Promote Global Regulatory Cooperation

While trade agreements are powerful tools for opening overseas markets, there are some barriers they can't easily overcome. A wide variety of non-tariff obstacles make competing in multiple markets around the world a significant challenge. Among these challenges are diverse regulations, standards, and rules on competition policy that vary widely from country to country.

For big businesses operating in a large number of international markets, the sheer number and variety of complex, burdensome, and sometimes conflicting regulations can pose a major challenge. However, regulations are an especially critical problem for small and medium-sized companies, as compliance costs can be so great that it keeps them from expanding overseas.

Ernst & Young's 2008 report on *Strategic Business Risk—the Top 10 Risks for Business* confirms that regulation and compliance is the number-one risk facing global businesses. The report contends that "compliance challenges are particularly strong in highly regulated industries such as banking, insurance, pharma, and biotech, where the regulatory burden is increasing fast, and where firms are feeling pressure to demonstrate a return on investment for long-term risk management initiatives."[19]

There is a powerful case to be made for increased cooperation between regulators around the world. It isn't just that conflicts between regulatory authorities may be rising; rather, companies' global growth is exposing them to more and more regulators.

Too often, regulators overseas act without conducting a proper cost/benefit analysis. Sometimes, alternatives are overlooked that could have achieved the desired outcome without imposing heavy costs on workers and companies.

In other cases, countries' regulatory practices are intentionally designed to put foreign companies at a disadvantage or to side-step commitments made in international agreements. Whether by design or without ill intent, regulations that distort markets can have a pernicious impact on U.S. companies trying to compete in markets around the globe.

Addressing these challenges is also about fulfilling regulatory mandates to protect consumers, investors, or the environment. In today's "flat" world, problems don't always fit squarely into one jurisdiction. In the future, regulators will be obliged to cooperate more closely simply to fulfill their mandate.

U.S. officials must acknowledge the growing challenge regulatory frameworks around the world present to the competitiveness of American workers and companies. Greater international regulatory engagement will help U.S. companies compete in foreign markets and meet the high standard of protection Americans have come to expect.

Specifically, the next Administration should redefine the international role and responsibility of U.S. regulatory agencies. Many of these agencies were created decades ago when international trade and investment were much more limited. As a result, a patchwork of international offices of regulatory agencies carries out its work without a central strategy. Remedying this oversight should strengthen regulators' enforcement capabilities through greater international cooperation, but it should also help overcome the burdens described above.

The United States should also deepen commitments to U.S. regulatory dialogues with key trading partners. These include the Transatlantic Economic Council (with the European Union), the North American Security and Prosperity Partnership (with Canada and Mexico), and the U.S.-China Joint Commission on Commercial Trade and the Strategic Economic Dialogue with China.

These are good frameworks for addressing existing and emerging regulatory challenges. If they didn't already exist, they would have to be invented. U.S. officials should also consider creating similar dialogues with India and Brazil, and his Administration should aggressively pursue a range of mutual recognition agreements with foreign regulators.

Finally, the next Administration should examine the nexus between the benefits of a global trading system and the competitive nature of any single market. Issues related to trade concerning investment, competition policy, standards, intellectual property, state-owned enterprises and subsidies are rapidly converging into a troubling mix of non-tariff barriers. The recently rebranded Market Access and Industrial Competitiveness office within the Office of the United States Trade Representative should be expanded to address these issues. To carry out this cross-cutting mandate, this office will need senior political leadership to coordinate these issues within the inter-agency process.

Chamber Recommendations

- U.S. international economic policymakers should devise a strategy to fight "behind the border" barriers to trade and investment that arise from countries' divergent approaches to regulation, standards, and competition policy.
- U.S. officials should prevent regulatory differences from creating unwarranted barriers to trade and investment through permanent "dialogues" with their foreign counterparts (e.g., the Transatlantic Economic Council).
- Foreign governments should be encouraged to employ cost/benefit analysis as a regular part of their regulatory processes.

Advance Trade Facilitation

Around the globe, trade facilitation is increasingly seen as a top priority. Often referred to as the "plumbing" of international trade, trade facilitation consists of reforms to make the movement of merchandise from one country to another faster, cheaper, and more reliable.

As international trade grows relative to GDP, the efficiency of trade logistics becomes more important. Rising competition and falling tariffs in markets around the globe have laid bare the cost of inefficient customs and ports. In fact, studies have shown that inefficient trade logistics in many developing countries adds anywhere from 5% to 25% to the cost of trade.

A country's competitiveness in world markets can advance notably with a focus on trade facilitation. Singapore, for example, has been identified by the World Bank as a world champions in this realm: it takes just four documents, $400 dollars, and an average of five days for a shipping container to clear Singaporean customs. In Chad, by contrast, the same exercise takes over 100 days and costs approximately $5,500.[20]

According to a recent World Bank report entitled "Connecting to Compete: Trade Logistics in the Global Economy," trade facilitation runs the gamut from "customs procedures, logistics costs, and infrastructure quality to the ability to track and trace shipments, timeliness in reaching destination, and the competence of the domestic logistics industry."

While the trade facilitation agenda has traditionally focused on customs and infrastructure, the "Connecting to Compete" report suggests that liberalizing services markets is equally important. High quality, competitive private services such as trucking, warehousing, and customs brokerage make supply chains more robust and reliable, which in turn contributes to greater investment and more export opportunities.

The business community has come to regard trade facilitation as a top priority. Over the past 15 years, the Asia-Pacific Economic Cooperation (APEC) forum has made good on trade facilitation promises and allowed its 21 member economies to secure the benefits of increased trade. APEC launched its Trade Facilitation Action Plan in 2002, setting specific, outcome-tied goals. The APEC economies met their target of a 5% reduction in transaction costs in just three years and are currently working to achieve another five 5% reduction.

Latin American and Caribbean nations are pursuing similar goals. The Association of American Chambers of Commerce in Latin America (AACCLA), a Chamber affiliate, found that 92% of regional business leaders responding to a survey rated trade facilitation reforms as either very important or important—beating out all other responses.

In the WTO's Doha Development Agenda negotiations, trade facilitation is the negotiating group that has seen the most progress. While trade facilitation can bring great benefits if adopted unilaterally, the global, rules-based model of a WTO agreement offers the advantages of certainty, stability, and a common approach.

Specific reforms that major trading companies have identified include greater use of information technologies and electronic delivery of customs information; harmonizing data requirements for export and import declarations; reviewing the bond guarantee requirements on goods released from customs early; and expediting clearance for low-risk imports.

The U.S. Chamber believes trade facilitation should advance on multiple tracks. APEC's work should continue, and it should be emulated by other world regions, such as Latin America, the Caribbean, and Central Asia. The nearly completed trade facilitation agreement achieved in the Doha negotiations should either be secured in a swift conclusion of the round, or it should be harvested in its own right.

One additional place to focus is ratification and implementation of the World Customs Organization's revised Kyoto Convention, which is recognized as an international standard by the global customs community. The convention provides for the simplification and harmonization of customs procedures. Seeing more countries ratify and fully implement this agreement is an important goal.

Increasingly, big trade agreements are difficult to conclude and slow to arrive. Trade facilitation offers a big potential payoff that with an attractive immediacy. It should be a top priority in the years ahead.

Chamber Recommendations

- The successful efforts within APEC to advance trade facilitation should continue and serve as a model for other world regions, such as Latin America, the Caribbean, and Central Asia, where trade transaction costs are relatively high.
- The nearly completed trade facilitation agreement in the Doha negotiations should be secured in a swift conclusion of the round or harvested in its own right.
- Governments should be encouraged to ratify and implement the World Customs Organization's revised Kyoto Convention as a tool to simplify and harmonize customs procedures.

Oppose Unilateral Economic Sanctions

During the past few decades, Congress and the Executive Branch have repeatedly imposed unilateral economic sanctions on a variety of countries in the pursuit of foreign policy goals. With so few positive results—and so many unintended consequences—it's time for a fresh look at U.S. sanctions policy.

Unilateral sanctions cover a range of policy tools from import bans and embargoes to restrictions on U.S. investment and expatriate activity overseas. All too often, unilateral sanctions have been imposed for ill-defined purposes or with little consideration of their real impact. Rather than altering the behavior of foreign governments, these sanctions have often damaged U.S. economic interests at home and overseas. Consistently, U.S. unilateral economic sanctions create a vacuum that is quickly filled by companies from Asia, Europe, or elsewhere in the Americas.

Over the past 30 years, some sanctions legislation has imposed restrictions on commercial activity in an extraterritorial fashion that incites economic, diplomatic, and legal conflicts with our allies. In the past, U.S. laws imposing restrictions on the activities of European subsidiaries of U.S. multinationals have met with intense resistance from European governments. While the United States eventually lifted the restrictions, the damage to its foreign policy goals had been done.

Not only do such moves undermine efforts to build a consensus for multilateral action, they make the United States more vulnerable to international commercial complaints. They can also damage U.S. leadership by greatly expanding the universe of entities subject to counter-sanctions to include insurers, creditors, and foreign subsidiaries.

There is no better example of the ineffectiveness of U.S. unilateral sanctions than Washington's policy toward Cuba. Implemented in October 1960 to pressure Fidel Castro to democratize, the Cuban embargo made a martyr out of a tyrant and actually has helped prop up the current regime. No one seriously argues that the Cuban dictatorship could have withstood five decades of free trade, free markets, and free enterprise, powered by its own entrepreneurial citizens.

While the current isolation of Cuba has far outlasted its original purpose, U.S. policies impose real costs. For American businesses, the U.S. International Trade Commission estimated in 2001 that the Cuba embargo cost U.S. exporters up to $1.2 billion annually in lost sales. Business and farm groups along the U.S. Gulf coast rightly regard Cuba as a natural market, and some still remember their lucrative sales to the Cuban market in the years before the embargo.

A comprehensive review of U.S. unilateral economic sanctions is overdue. From the five-decade old embargo on Cuba to proposals for extraterritorial sanctions on other countries, unilateral sanctions bring a host of unintended and unhelpful consequences. It's time to put an end to these damaging policies.

Chamber Recommendations

- The United States should eschew the use of unilateral economic sanctions, which have proven to be ineffective in advancing U.S. foreign policy goals.
- A good place to start would be to lift the five-decade old embargo on Cuba, which has failed to bring democracy to the island and arguably helps prop up the regime.
- Even more pernicious are sanctions with extraterritorial reach, which undermine multilateral approaches to global security challenges and open the United States to counter-sanctions.

Adopt Talent-Oriented Immigration Policies

Faced with fierce international competition to devise the products and services of tomorrow, companies are constantly seeking access to workers with cutting edge skills. While many of the world's top scientists, researchers, and engineers are U.S. citizens, others are not.

Most advanced degrees awarded by U.S. universities in science, technology, engineering and mathematics are to foreign nationals. The National Science Board estimates that the number of U.S. citizens qualified for science and engineering jobs will be level "at best" if current trends continue.

The U.S. Chamber recognizes that America's economic progress depends on world-class education and job training (a critical important topic beyond the scope of this publication). As a nation of immigrants, it's also critical to have a secure and efficient immigration system that welcomes highly educated and talented professionals to our nation.

The status quo is not working. Current limits for H-1B visas (for highly skilled workers) and backlogs in the employment-based "green card" program bar U.S. employers from hiring and retaining many foreign nationals who graduate from U.S. universities. The H-1B cap for fiscal year 2007 was reached six months before the fiscal year even began, marking the third consecutive year the cap was reached before the start of the fiscal year. Tremendous backlogs continue to plague the employment-based green card system, forcing thousands of highly trained and sought-after professionals to remain in legal and professional limbo for years.

The foreign competition for these highly educated professionals is intense, and if U.S. employers are unable to use this talent, our foreign competitors will. The U.S. scientific, engineering and health communities cannot hope to maintain their present position of international leadership if they are unable to hire and retain highly educated foreign talent.

America has always prospered by welcoming the best and the brightest from around the world. In the last 15 years, foreign nationals have started 25 percent of U.S. venture capital-backed public companies, adding significant value to the American economy. Highly educated foreign-born professionals are one of

America's greatest competitive advantages, and we must not shut the door on these talented minds.

The U.S. Chamber is advocating strongly for the continuation and expansion of both temporary and permanent visa programs for highly skilled workers as well as programs to help employers access the talent necessary to compete in the worldwide economy. In this vein, the H-1B cap should be significantly raised, or re-formulated to fluctuate with market demand, so that companies are able to respond adequately to real-world demands. The employment-based green card cap also needs to be raised to reflect demand.

Just as important, processing delays and backlogs undermine companies' ability to use employment-based visas to retain the talent that they need. Congress should increase the number of permanent visas granted for employment-based immigration to alleviate these unnecessary backlogs. The U.S. Chamber also supports the continued use of the L visa program for intra-company transfers, which is an important tool for employers to be able move key employees for work and training.

Chamber Recommendations

- Because so many advanced degrees awarded by U.S. universities go to foreign nationals, companies need the federal government to adopt a talent-oriented immigration policy to shore up their competitiveness.
- Current limits for H-1B visas and employment-based "green cards" should be significantly raised or re-formulated to fluctuate with market demand, and processing delays should be addressed.

Modernize Export Controls

U.S. national and economic security is more dependent than ever on its technological leadership. Export controls primarily affect high-technology industries, which employ nearly four million workers today. These industries account for nearly a third of all U.S. exports of manufactured goods.

Unfortunately, U.S. export control policy has not kept pace with global security challenges or the international marketplace. Therefore, modernizing U.S. export control policies is a top priority for the U.S. Chamber from a national security and global competitiveness perspective.

There is broad agreement that the next Administration's approach to defense trade issues must ensure that the United States can identify and safeguard sensitive and militarily critical technologies; facilitate deployment of technologies to support cooperation and interoperability with allies; and maintain U.S. technological leadership and industrial competitiveness.

Some important changes are in the works to improve the system, and the U.S. Chamber believes these will also shorten the time it takes to process export licenses. On January 22, 2008, the White House issued directives to the Departments of State and Commerce, instructing them to improve their licensing processes. The U.S. Chamber encourages the next administration to continue this important work and is committed to helping implement these modifications.

Still, the current problems cannot be resolved solely by increasing personnel or agency resources, especially as the licensing caseload continues to grow at an estimated 8-10% annually, now totaling more than 80,000 licensing requests every year (e.g., for goods, services and also for technical data sharing with overseas partners and allies).

In addition, the recently negotiated bilateral defense trade treaties with two of our closest allies—the United Kingdom and Australia—establish frameworks for streamlined treatment of government-to-government programs. Comparable concepts could be used to eliminate the need for licensing for certain non-sensitive components of a collaborative U.S. defense or security program, or at least reduce the number of licenses required for those program activities that are predictable and repeatable.

The U.S. Chamber—on its own and in conjunction with the Coalition on Security and Competitiveness—hopes to work with the next Administration to secure further improvements in U.S. export control policy and practice.

Chamber Recommendations

- Officials overseeing export controls should build on measures to improve licensing processes begun in a series of presidential directives issued in January 2008.
- The Senate should ratify the recently concluded defense trade treaties with the United Kingdom and Australia to provide streamlined treatment of government-to-government programs.

TEXT BOX: Approve the Trade Accords with Colombia, Panama, and South Korea

Before considering any new initiatives, the new Administration and Congress must look first to the pending trade agreements with Colombia, Panama and Korea. A recent analysis by the U.S. Chamber determined that these accords would provide an immediate boost for American workers, farmers and companies worth an estimated $42 billion within five years.

They are all worthy partners. Colombia is the second largest Spanish-speaking country in the world. It's also our closest ally in South America, and our trade partnership has already proven to be the best "alternative development" program ever used in the war on drugs. The agreement will help Colombians lock in the gains of the past decade, which has seen violence fall to its lowest level in a generation.

Similarly, the agreement with Panama will strengthen the century-old U.S.-Panama partnership. The United States is either origin or destination for two-thirds of shipping through the Panama Canal, which is undergoing a massive expansion. The trade agreement will help Americans and Panamanians get even more benefits from these longstanding ties.

South Korea, with a trillion-dollar economy, is already America's seventh-largest trading partner. From passenger aircraft and soybeans to insurance and consumer electronics, South Korean consumers have shown a strong preference for American goods and services, and nearly 17,000 small and medium-sized U.S. companies already export to South Korea. The agreement also confirms our commitment to work together to address the security challenges of North Korea's nuclear program.

Most importantly, these are "fair trade" agreements that promise a level playing field for American workers and farmers. Many Americans don't know that the U.S. market is already wide open to imports from these countries, with most imports from Colombia, Panama, and South Korea entering our market duty free. But these countries impose tariffs on U.S. products that often soar into the double digits.

For American workers and farmers, that simply isn't fair. It's like starting a basketball game down ten points from the tip off. These agreements would level the playing field by eliminating the three countries' tariffs on U.S. goods and services. Given that most U.S. exporters are small businesses, they will be the firms who benefit the most from this "tax cut."

Finally, it's worth recalling the grand bargain that shaped these agreements. In 2007, the new Democratic majority in Congress sought additional protections for labor rights and the environment in these agreements. The result was the bipartisan trade deal reached on May 10, 2007, which was incorporated into the three accords. This breakthrough led Congress to approve a trade agreement with Peru by a massive two-to-one bipartisan majority. The trade agreements with Colombia, South Korea, and Panama include those same guarantees for worker rights and environmental protection. Those concerned about worker rights and the environment can take “yes” for an answer and support these agreements.

Delaying approval of these agreements only means American workers and farmers will continue to face steep tariffs in these important markets—taxes, in fact, paid into those countries’ treasuries. Trade agreements remain a critical tool for boosting American competitiveness.

TEXT BOX: Promote the Trans-Pacific Partnership Agreement

U.S. participation in the Trans-Pacific Strategic Economic Partnership Agreement (TPP) agreement may prove a critical avenue for American companies to expand their trade and investment opportunities in the vibrant Asia-Pacific region. The United States has joined trade talks with this grouping which includes Singapore, New Zealand, Chile, and Brunei, all of which are members of the Asia-Pacific Economic Cooperation (APEC) grouping that collectively contributes 60% of American exports.

The TPP is expected to evolve gradually into the Free Trade Area of the Asia-Pacific, including all 21 APEC member economies. U.S. participation in the launch of these talks could potentially lead to a high-standard agreement which will ensure that U.S. business interests are protected as the agreement grows. It will also ensure that high standards for trade liberalization in such areas as intellectual property, standards, labor, and the environment are adopted.

Asia-Pacific nations have negotiated over 150 preferential trade agreements between themselves and their trading partners, most of which do not include the United States. The TPP provides a vehicle to ensure that the United States can remain actively engaged in the region. Three other important trading nations — Australia, Vietnam, and Peru — are expected to join the TPP talks.

TEXT BOX: Rescue the Doha Development Agenda

Following World War II, America's Greatest Generation, working with friends and allies overseas, built institutions they hoped would secure a peaceful, prosperous world for their children. The United Nations, the World Bank, and other international councils were founded on these high hopes.

None of these have succeeded as spectacularly as the institutions created to foster and expand global trade: The General Agreement on Tariffs and Trade and its successor, the WTO. Nine multilateral negotiating rounds have increased world trade from $80 billion in 1947 to more than $17 trillion today, allowing incomes to rise in country after country.

The latest global negotiating round is the Doha Development Agenda (DDA). Launched in November 2001, it represents a once in a lifetime opportunity to unlock the world's economic potential and inject new vibrancy into the global trading system. While some progress has been achieved since the talks began, new U.S. leadership will be required to bring the DDA to a successful conclusion.

The aim of the current Round is to ensure that both developed and developing countries share in the economic gains resulting from global trade liberalization. The Center for Global Development estimates that a successful conclusion could lift 500 million people out of poverty, increase the income of developing nations about $200 billion annually and cut global poverty by 25 percent over 15 years.

The potential gains for the United States are compelling as well. A one-third reduction in international trade barriers—as the DDA proposes—could raise the income of the average American family by additional $2,500 a year. More importantly, a successful Round would help level the playing field so that American workers, manufacturers, farmers, and service providers can continue to compete and win in international markets.

The United States must be bold in its approach to the liberalization of trade in manufactured goods, services and agricultural products in the Round. While the United States cannot lead alone, only bold actions will spur our trading partners—especially emerging powers such as China, India, and Brazil—to negotiate in good faith and provide the DDA with an opportunity to conclude the Round swiftly.

Since the Doha Round was first launched, one of the key stumbling blocks has been excessive farm subsidies in developed countries, particularly the United States. Recent food shortages and price fluctuations only underscore the need to maintain open markets and reduce these distortions. The U.S. Chamber supports reductions in U.S. agricultural subsidies, and we believe that the next President and Congress should push for responsible reform of our agricultural programs.

The U.S. Chamber will remain steadfast in its pursuit to an ambitious, balanced and comprehensive Doha agreement. The United States should recommit itself to achieving a successful outcome to the DDA for the benefit of Americans and people around the globe.

TEXT BOX: Free Trade in "Green" Technologies

At a time of rising international concern about climate change, it's surprising that many countries around the world regularly slap tariffs as high as 70% on imports of certain environmental goods. These trade barriers impede access to cutting-edge technologies and impede progress toward reducing emissions of carbon dioxide and other greenhouse gases. A recent World Bank study on climate and clean energy technologies suggests that by removing tariffs and non-tariff barriers to key technologies, trade could increase by an additional 7-14% annually.

In a proposal that could help more countries adopt "green" technologies, the United States has championed a proposal to slash tariffs and other barriers to trade in environmental goods and services. This proposal would place priority action on eliminating barriers to trade in technologies that can help reduce output of carbon dioxide and a range of pollutants. The U.S. Chamber believes that this proposal could contribute in a meaningful way to climate change efforts by eliminating trade barriers and creating green jobs.

TEXT BOX: Bolster U.S. Leadership in APEC

In 2011, the United States will host a summit for the 21 leaders of the Asia-Pacific Economic Cooperation forum. This summit will give the United States an opportunity to strengthen U.S. leadership in APEC and help revitalize the grouping to promote economic growth around the Pacific rim.

The 21-economy organization encompasses 2.7 billion consumers, over half of global GDP, 60% of U.S. exports, and roughly 50% of world trade. American exports to this region are booming, but the United States is gradually losing market share as countries in Asia increase trade among themselves. The lack of strong U.S. leadership and the weakness of APEC has allowed alternative groupings (such as the East Asia Summit) to dilute U.S. influence in the region.

The United States will have an opportunity to boost U.S. leadership in APEC in the run-up to the summit in the United States. To enhance American leadership in this grouping, the U.S. government will need to strengthen its commitment to the organization, provide more funding through the State Department, and more actively engage the U.S. business community as it prepares to host the summit.

TEXT BOX: Revive a "Big Emerging Markets" Strategy

In 1995, the Clinton Administration launched an effort to expand commercial opportunities for U.S. workers and companies in the most dynamic and rapidly growing markets in the world. The Big Emerging Markets (BEMs) Initiative focused on ten key export markets. Today, U.S. officials should reconstitute a BEMs initiative that focuses on maximizing opportunities and addressing challenges in key markets around the world.

The U.S. Chamber recommends that an updated BEMs initiative should include Brazil, Russia, India, and China, which are commonly referred to as the BRIC economies; the 10-country Association of Southeast Asian Nations (ASEAN) market; the six-country Gulf Cooperation Council (GCC) market; and South Africa and Turkey. U.S. merchandise exports to these markets accounted for more than $200 billion in 2007.

A new BEMs initiative should leverage existing trade policy tools. In some cases, existing models for bilateral economic dialogues (e.g., the Strategic Economic Dialogue with China, the Transatlantic Economic Council) or CEO forums such as those in place with Brazil and India may be appropriate. Elsewhere, negotiations to enter into Trade and Investment Framework Agreements (TIFAs) may be useful, and in some of these cases a free trade agreement may make sense as a long-term goal.

Given the growing importance of these markets to U.S. exports, we believe that the Administration should give a revised BEMs initiative a prominent place in our national export strategy.

U.S. Chamber of Commerce
International Division

The U.S. Chamber of Commerce is the world's largest business federation, representing more than 3 million businesses of every size, sector, and region. The Chamber promotes international business opportunities for our members and champions private enterprise, free markets, and a level playing field for U.S. business around the globe.

The Chamber is located directly across Lafayette Park from the White House. We maintain a professional staff of more than 500 policy experts, lobbyists, lawyers, and communicators. The International Division has a staff of more than 70 policy experts and advocates based in Washington, D.C., as well as in Athens, Beijing, Berlin, Brussels, Moscow, New Delhi, Seoul, Shanghai, and São Paulo. Key assets also include:

American Chambers Abroad—The Chamber Federation includes 112 American Chambers of Commerce in 99 countries grouped together in four regional groups: the Association of American Chambers of Commerce in Latin America (AACCLA), the Asia-Pacific Council of American Chambers of Commerce (APCAC), the European Council of American Chambers of Commerce (ECACC), and the Middle East Council of American Chambers of Commerce (MECACC).

Business Councils—The Chamber provides additional commercial advocacy through its business councils focused on Bahrain, Brazil, Hong Kong, India, Korea, Pakistan, and the United Arab Emirates. It also hosts a Space Enterprise Council devoted to space commerce advocacy.

Center for International Private Enterprise—CIPE is a Chamber affiliate that helps emerging-market nations develop the free market practices and democratic institutions they need to succeed in the global economy.

TradeRoots—TradeRoots is the nation's only sustained grassroots trade education program supporting open trade legislation and helping chambers, communities, and governors assist small and medium-size companies expand into the global marketplace.

[1] Unless otherwise indicated, trade and investment statistics in this report are from the U.S. Department of Commerce.
[2] U.S. Department of Commerce and U.S. Department of Agriculture, respectively.
[3] Bureau of Labor Statistics, U.S. Department of Labor.
[4] Office of the U.S. Trade Representative.
[5] "Trade and the American Economy: The Case for Trade Promotion Authority," Council of Economic Advisers, the White House, February 12, 2002.
[6] U.S. Department of Commerce and U.S. Department of Agriculture, respectively.
[7] U.S. Department of Commerce.
[8] Analysis by the U.S. Chamber of Commerce based on U.S. Department of Commerce data.
[9] Policy Declarations (endorsed by the Board of Directors), U.S. Chamber of Commerce.
[10] Estimates provided by the embassies of Colombia and Peru in Washington, D.C.
[11] American Society for Training & Development, State of the Industry Report 2007.
[12] Economic Report of the President, February 2006.
[13] Ibid.
[14] Organization for International Investment.
[15] Raymond J. Mataloni, Jr., "U.S. Multinational Companies — Operations in 2006," Bureau of Economic Analysis, U.S. Department of Commerce, November 2008.
[16] Ibid.
[17] Ibid.
[18] U.S. Department of State.
[19] "Strategic Business Risk: 2008—the Top 10 Risks for Business," Ernst & Young, 2007.
[20] "Doing Business," The World Bank.