February 7, 2011

The Honorable Hillary R. Clinton
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20520

The Honorable Timothy Geithner
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Gary Locke
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

The Honorable Ron Kirk
United States Trade Representative
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

The Honorable Austan Goolsbee
Chairman
Council of Economic Advisers
1650 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Secretaries Clinton, Geithner and Locke, Ambassador Kirk, Chairman Bernanke and Chairman Goolsbee:

Recent calls to change the capital control rules in U.S. trade agreements and bilateral investment treaties (BITs) are counterproductive and unjustified on both policy and factual grounds. From a policy perspective, they would undermine the very policies the President is actively promoting: expanding U.S. exports; supporting and generating good-paying American jobs; and advancing broader national economic, foreign policy and national security objectives, such as the rule of law, anti-corruption disciplines, poverty reduction and political stability.

U.S. investment treaties and trade agreements already permit governments to take necessary action, including capital controls, to ensure the safety and soundness of their financial systems. That flexibility is more than sufficient to allow countries to take necessary actions to deal with a financial crisis. Moreover, the critics advocating these changes inaccurately characterize the United States as some sort of outlier in including these rules in their trade agreements and BITs. In fact, most Western European, Canadian and Japanese investment treaties (which are far more numerous than U.S. agreements) have long included similar provisions requiring the free flow of capital. Most of those agreements are not as flexible as U.S. trade agreements and BITs because they do not contain the prudential flexibility found in U.S. agreements.

Analysis and research by many noted academicians and experts have repeatedly found that the use of capital controls by developing countries slows development, reduces the efficiency and fairness of the financial system, discriminates against small- and medium-sized credit-constrained businesses by restricting the pool of capital, and creates an environment for politicizing decisions on access to capital. As a result, in many cases, capital controls work against the poorest of the poor in foreign countries.

The unrestricted use of capital controls and balance-of-payment restrictions by foreign governments would also have major adverse commercial effects on U.S. companies and American jobs, allowing other countries to restrict not only the flow of capital, but also goods and services imports. Particularly disturbing is that the critics' proposals would give license to foreign governments to erect unfair barriers against U.S. farm and manufactured goods and services.

Given all of these circumstances, we strongly urge you to reject these proposals to weaken U.S. investment standards. To do otherwise will undermine the Administration's efforts to ensure American competitiveness in the international economy and to spur export and job growth.

Respectfully,

John Endean
President
American Business Conference (ABC)

Cal Dooley
President and CEO
American Chemistry Council (ACC)

Jack Gerard
President and CEO
American Petroleum Institute (API)

John Engler
President
Business Roundtable

Bob Vastine
President
Coalition of Service Industries (CSI)

Calman J. Cohen
President
Emergency Committee for American Trade (ECAT)

Steve Bartlett
President and CEO
The Financial Services Roundtable

Jay Timmons
President and CEO
National Association of Manufacturers (NAM)

William A. Reinsch
President
National Foreign Trade Council (NFTC)

Matthew Shay
President and CEO
National Retail Federation (NRF)

Nancy McLernon
President and CEO
Organization for International Investment (OFII)

Sandy Kennedy
President
Retail Industry Leaders Association (RILA)

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President
United States Association of Importers of Textiles and Apparel (USA-ITA)

Peter M. Robinson
President and CEO
United States Council for International Business (USCIB)

Alexander C. Feldman
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US-ASEAN Business Council

Thomas J. Donohue
President and CEO
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Ron Somers
President
U.S.-India Business Council (USIBC)