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The United States of America on Global economic issues, with regards to the proposals of Forum for the 21st Century,

would like to thank Forum for the 21st Century for the initiative made to conduct the conference and to bring to the table the important actors of world trade and economy to respond to the issues which should dominate each country's agenda as they require to be taken very cautious approach, analysis and to be tackled properly in order to make current system not only further sustainable but also better functioning and bringing benefits for all involved.

Proposal 1

Forum for the 21st Century calls for quick finalization of the Doha Development Round. With the agriculture sector being one of the most problematic issues on the worldwide scale as well as in the Doha Development Agenda, the Forum sees the earliest possible agreement highly essential. By the year 2015, the tariff restrictions on agricultural products import from the developing countries should be lifted so that even the countries not being in the WTO's Generalized System of Preferences will have the access to the world agricultural markets without the current disadvantages. Already benefiting from extensive subsidies, agricultural production from developed countries holds twice the advantage on the world markets. As the world food prices soar, the suspension of subsidies and removing tariff restrictions must be gradually adopted in order to stop the steep increase in food price levels that endangers the already troublesome access to nutrition in the poorest regions of the world. Such an action would provide developing countries with vital incomes to spur their progress and at the same time cheaper food in developed countries. Moreover, according to research from organizations such as OECD, suspension of subsidies would greatly contribute to increase the world's GNP output.

Besides withdrawing from using free market-deforming instruments, the Forum calls for research activities to be carried out by participating countries in order to identify new means of aid to the countries suffering from the lack of food. The Forum expects the reports to be presented by the end of year 2013. Until the policies resulting from the research are adopted,





participating countries should direct the development aid into the technical assistance, mainly the irrigation facilities that will enable developing countries to raise their food sovereignty.

Standpoint of the USA

With regard to the first proposal of the Forum for the 21st Century, the U.S. would like to highlight 3 important issues:

Firstly, as was already mentioned in our first standpoint to this topic, the fact remains that the U.S. impose lower tariffs on agricultural products than any other developed or developing countries in the world. Therefore the U.S. agrees with the Forum, that lowering tariff restrictions is crucial in order to diminish the disadvantages of developing countries in terms of agricultural production.

Secondly, the U.S. would like to point out, that tariffs are probably not as big a problem as subsidies. U.S. proposes that agricultural subsidies shall be lowered, and this should happen fairly among all advanced economies, as not to let the European Union benefit from their current agricultural subsidies level.

In accordance with the long-term problem of unemployment in the U.S., we would propose gradual removal of the tariffs restrictions. This would leave some time space, in which the primary sector can undergo a deep restructuring and adjust to the changed conditions in the international trade.

Thirdly, as for the aids to the countries suffering from the lack of food, the U.S. would not proclaim a constant food aids, as these are seen to be means of destruction of the ability of developing countries to produce their own food. On the other hand, a food aid in a case of an emergency is considered an appropriate manner to help those in need.

The U.S. would like to remind, that the USAID participates already on improvement of water productivity and efficiency not only by supporting improved irrigation facilities. The U.S. think that efficient use of water could be increased also by:

- *establishing clear and appropriate rules for private sector productive water use, which should include "polluter pays" principles;*
- *strengthening the role of institutions tasked with enforcing regulations and protecting water quality; and,*
- *promoting the adoption of cleaner and more water-efficient production processes*

Concerning research activities to be carried out in order to identify new means of aid to the countries suffering from the lack of food, the U.S. support using Consultative Group on International Agricultural Research (CGIAR) and the Collaborative Research Support Programs (CRSPs) to expand access to knowledge through agricultural extension and advisory services.

Proposal 2

Of the main imbalances present in the world economy, the Forum finds China's long-term trade surpluses and, on the other hand, US trade deficits the most pressing one. Yuan, China's national currency is still considerably undervalued compared to US dollar as well as other ones. Taking this into consideration, it is apparent that China's exports hold unfair





advantage in the world trade. Moreover, the amount of Chinese monetary reserves in US dollars creates the unprecedented situation when the exchange rate of the main world reserve currency, that US dollar still remains, could be significantly influenced by the economic policy of China. Therefore, the Forum recommends that China, as well as other countries, namely Japan and South Korea; stop intervening in favor of keeping the exchange rates at artificially low levels and gradually level their present value with the real ones. This process should be finalized by the end of the year 2015 so that the domestic exporters will be given sufficient time for accommodation.

Standpoint of the USA

Firstly, the U.S. would like to emphasize that the growth driven by export and thus large trade and current account surpluses is not sustainable forever and therefore, we insist on changing this strategy to the one led by domestic demand. The appreciated yuan would on one hand decrease the U.S. trade deficit and on the other hand encourage Chinese enterprises to sell more to their domestic population. Additionally, letting Chinese currency to reflect the real value would contribute to more balanced global trade and finance flows.

The U.S. reiterates that China's lasting refusal to adjust its monetary policy and the consequences, such as making Chinese goods more competitive and increased unemployment in the U.S., arisen from this fact force the U.S. to act unilaterally and to pass the laws and acts that will address this behaving incompatible with the current world market.

Furthermore, the undervaluing of Chinese currency causes the interventions also of some other governments, e.g. Japan, Brazil, South Korea, in the driving down their currencies in order to be able to compete with Chinese goods. Therefore, the U.S. proposes that the countries undervaluing their currencies „could cooperate on kind of joint currency appreciation“ meaning that the country allowing its currency to appreciate would not lose from it in comparison with the others undervaluing its currency. Otherwise, the world might be witness of so called “competitive devaluation” which would really hinder world economy to recover as well as to function as such.

The U.S. also underscores the need for larger role played by the IMF in this issue which as being one of the main financial world institution should be more interested, watch and penalize these practices.

When letting yuan reflect the real market value, it would bring not only one but immediately at least two advantages for China. One for Beijing that would finally stop facing the critics by the world community for its carried out policies and one for the whole country that would stop being dependent on the export and world demand.

The U.S. will give its opinion on the year of finalization 2015 proposed by the Forum during the negotiations but the U.S. highlights that not only Chinese domestic exporters but also the U.S. and other world exporters suffering from the undervalued yuan should be taken into considerations.





Proposal 3

With its value falling due to its long-term depreciation, the unique position of US dollar slowly but steadily deteriorates. The Forum proposes that the use of the International Monetary Fund reserve currency shall be augmented. The Forum recommends the SDR currency basket to be composed of five to six currencies based on the respective countries' share in the world trade as well as the amount of their currency reserves that would provide stability in the times of general monetary instability. Both these prerequisites would amount to 50% of SDR's value (based on the weighted average). At the same time, it should be revaluated every two years in order to reflect the economic reality with no currency being granted an automatic share. It is clear that even the augmented use of SDR cannot completely replace traditional currency reserves. Taking this into account, the Forum suggests that the currencies of regional economic leaders were to be used more on the intra-regional level. Besides diversifying monetary reserves themselves, this would lower foreign exchange losses.

Standpoint of the USA

The U.S. sees many technical problems when using SDR as new international reserve currency as reserve currency must meet some requirements to be fully functional, effective and beneficial and currently there is no other available replacement which would offer such "credibility, legitimacy and capability" as U.S. dollar.

Firstly, supply has to respond demand and vice versa. Concerning the creation of new SDR depending on the decision of IMF, supply simply would not match demand as easily and appropriately as it can in case of dollar. Secondly, SDR can not be used in the market but only within IMF which means that country willing to exchange its SDR receives in return dollars.

The U.S. would like to highlight strong position of U.S. dollar by some facts. Most of countries hold their foreign-exchange reserves in U.S. dollar. Most of daily operations on foreign markets are conducted in U.S. dollars. The prices of many commodities are denominated in U.S. dollar. All these mentioned facts proves that the U.S. dollar is widely traded and linked with open markets. It provides confidence, liquidity which is derived from the largeness and significance of the U.S. economy.

Furthermore, to address the concerns about American according to some sayings enormous deficits the U.S. would like to reiterate the words of our presidents administration that "it is necessary to run large deficits in a time of economic crisis" to recover the economy.

As concerns regional currencies, the U.S. would point out the fact that many regions do not have at their disposals such strong currencies that could be used in trade among the countries and they would have to chose the use of either another region or again U.S. dollar. Moreover, the difficulties would arise also from trading between regions. Which currency would be used then?





Proposal 4

As the examples from the past showed, countries' currencies, and thus countries themselves, can become victims to speculative capital originating from uncontrolled sources, such as hedge funds. As means of protection, the Forum advises countries to adopt legal provisions limiting the flow of their currencies. The amount of currency that could be bought and sold by a single investor, with the exception of national banks and Greenfield investments, should be restricted to 0.5% of a country's monetary base per month and 4% per year. This kind of precaution will prevent the speculative attacks on currencies and so protect countries' economies on the whole.

Standpoint of the USA

The U.S. agrees that there is a clear need for stronger and stricter regulations of the currency flow but to what extent or which percentage should be decided solely by each government itself taking into considerations the uniqueness of the conditions of each country and thus, the country specific approach should be applied. However, being these regulations effective and bearing fruit, the international actions are needed as well. Each country is connected with the rest of the world and events in one country can strongly influence also other countries as was seen during the recent crisis.

As written in the Economic report of the President Barack Obama „the U.S. is addressing the issue of international regulatory standards by playing a strong leadership role in efforts to coordinate international financial policy through G20 and its newly established Financial Stability Board and the Basel Committee on Banking Supervision.“ Additionally, in order to protect the countries economies on the whole much more steps are needed to adopt and carried out. It asks for the wide range of the complementary measures which as a whole would bring the tangible and positive outcomes.

Furthermore, the restrictions in form of setting the concrete possible percentage would be against our determination to avoid financial protectionism.

Proposal 5

Similarly to the volume restriction of foreign exchange trade, the Forum calls for adoption of legal provisions in order to protect vulnerable countries against the outflow of speculative capital in form of portfolio investment. To ensure protection, the outflow should be restricted to 5% of country's GDP.

Standpoint of the USA

The U.S. reiterates as in the previous standpoint that in order to ensure protection of the particular economies, the strengthened surveillance over the capital flow or as quoted in the G20 Seoul Summit Document „strengthened global financial safety nets“ should be reached and used





as an effective tool for fighting against the unwilling capital flow in any forms.

The U.S. is of the opinion that this issue requires broader and deeper approach, studies and in the end also attention. The question of international capital flow concerns countries all over the world and to solve the problem with excessive possibly harmful capital flows is not doable only by setting the limiting percentage on the capital outflow. This kind of efforts were already seen in some countries, such as Brazil, India, China, Thailand, South Korea and others. However, in the end they were sanctioned by the IMF. Additionally, the U.S. also finds the calculation itself problematic as the percentage would be calculated from the value of GDP of the year 1 but would affect the capital flow value of the year 2. And the economy conditions of the year 1 and 2 can differ, so consequently what can be doable in the year 1 does not have to be possible in the year 2 and vice versa.

Proposal 6

To counterbalance drawbacks caused by the “brain drain” phenomenon, the Forum recommends the adoption of measures that would guarantee the return of funds invested in education of individuals who do not contribute to the gross domestic product. As a possible solution, the Forum proposes using remittances to help the least developed countries in their progress. Remittances frequently represent the key component of income for people living in the least developed countries. On the other hand, gathering resources for the improvement or construction of infrastructure presents a difficult challenge for countries. Utilizing remittances as a source of funds provides a unique option to hasten the development. As income from remittances is mostly used for consumption and not supplementing much-needed investments. Imposing a 12% tax on them could be an adequate way to gather required financial resources. New funds under the supervision of the World Bank would be created to guarantee effective use of money, with each country being in possession of one. Funds could be used only for projects improving country’s infrastructure (road network, construction of schools, sanitary facilities, research facilities etc.) that would create healthy and sustainable basis for future growth.

Standpoint of the USA

As it was already stated in the first standpoint, the U.S. with regard to the „brain drain“ phenomenon would oppose the proposal of the Forum considering returning funds invested in the education of an individual. One fact should be kept in mind, namely that U.S. along with European Union are the biggest contributors to the developing countries in many aspects – including education. Without this help, it is questionable if the education systems in those countries would reach the current level. Furthermore, as already stated, the U.S. encourage people to stay in their home countries and help improving the conditions, but it is not the emigrants to be blamed for leaving the developing country if the living conditions do not meet their expectations.

The solution to brain drain is to improve economic conditions in the source countries so that





higher education can be rewarded at home. As a practical matter, the U.S. requires many visitors who are pursuing research or higher education in the U.S. to return to their home countries for a specified period of time after completing their work in the U.S.

Secondly, as for the remittances issue, the U.S. doubt the willingness of the citizens from developing countries to impose a 12% tax on the remittances flowing to their home countries. The opinion of the U.S. is opposing especially with regard to the following:

The 12% tax on remittances would mean a double taxation on income which does not correspond with the double taxation treaties.

As it was correctly stated in the Forums' proposal, the majority of these remittances is used for consumption, sometimes being the sole source of money for poor families in developing countries. By decreasing this amount, also the living standard would be decreased. The U.S. question the fact, that even after creation of "investment funds from remittances" this would bring improvement to the living standard in the developing countries, as, again, these funds will be in the hands of the political leaders and powerful people of these countries, who might have already contributed to the situation improvement. It is not only the problem of the lack of money itself, but also of the leading powers.

Proposal 7

Forum for the 21st Century recommends that, in the global dispute over the sources of energy, greater space is given to scientists who oppose pessimistic scenarios concerning the depletion of conventional sources of energy. Existing scientific studies, which question the pessimistic scenario accepted worldwide without contradicting voices being heard, provide us with a different perspective regarding the future use of energy resources. Using financial resources and scientific capacities to further improve efficiency of already existing facilities is substantial. Funding the development of alternative sources of energy should be done based on both environmental and economic arguments.

Standpoint of the USA

The U.S. understands the importance of supporting alternative sources of energy. On the other hand, the U.S. keeps at disposal huge scientific and technological potential, which has not been exhausted yet. This can offer new and practically feasible access to energy.

Therefore the U.S. would support concentrating on still existing „conventional“ energy resources. As an example the U.S. would highlight the shale oil and gas revolution that is to be observed in the last decades. The new areas of Barnett Shale, as well as Bakken, Eagle Ford and Niobrara Shales brought huge reserves of Shale Gas and Oil, which can be subtracted by the means of horizontal drilling – this shows, that the technological improvements of already existing facilities are of a huge importance.

The U.S. thinks there is still space to explore and claim the conventional resources will still play an important role in the future energy supply. Therefore the U.S. suggests supporting





entrepreneurs to enter the oil and gas business as to provide inevitable capital, that shall be used for further exploration and technological improvements.

Proposal 8

The Forum suggests that the countries re-evaluate their spending on the economically ineffective energy sources and, by the end of the year 2012, prepare reports measuring the efficiency of the particular sources in their respective conditions. Based on these reports, the countries ought to ensure that the share of the most efficient energy source, except the ones producing greenhouse gases, will rise by at least 10% by the end of the year 2020. The Forum regards reopening the debate on the use of nuclear energy highly essential. To make nuclear energy even safer, creating a scientific team consisting of the world's best experts is advised to be done by the end of the year 2011 with its focus being to find environment-friendly way of disposal of the nuclear waste which remains one of the few negative sides to the nuclear energy.

Standpoint of the USA

The Annual Energy Outlook 2010 with Projections to 2035 of EIA¹ (Energy Information Administration) provides the information about most efficient energy resources, with the leading role of liquids 37% (oil and NGLs), followed by gas 24% and coal 23%. The nuclear energy 8% and the renewables 7% participate by almost the same percentage to the whole energy supply, expecting the renewables to hold a more significant position in the future. Furthermore, the U.S. expects that a small percentage of the total energy resources in the following 25 years shall be represented by biofuels as well.

It is obvious, that the U.S. most efficient energy resources are the conventional, which are considered as the ones producing greenhouse gases. As for the renewables, the U.S. are mostly using the biomass 52% (of the total renewables), followed by hydroelectric 34%, wind 7%, geothermal 5%, and solar 1%.

In order to support the proposal of the Forum to increase the use of the most effective non-greenhouse gases producing energy recourse, the U.S. would agree with supporting the biomass (but in the extent not affecting the food security) and hydropower.

As for the nuclear energy, this finds a huge support not only among the citizens of the U.S. but also among the political parties. In the year 2009, both Republicans and Democrats show their highest level of support for using nuclear energy since 2001. However, Republicans continue to be much more in favor of it than Democrats are, 71% to 52%. Considering the safety of nuclear energy, a majority of Americans, 56%, believe nuclear power plants are safe, but a substantial minority of 42% disagree.

Concerning the nuclear waste disposal, the United States Nuclear Regulatory Commission develops and implements policy for the regulation and safe management and disposal of spent fuel. Experts from this commission could be used for the purposes of creating the scientific team





The Model Conference Global Economic Issues

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Modelová konferencia Hospodárska sekcia

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of the world's best experts on nuclear waste disposal.

As for supporting nuclear energy in other countries, the U.S., with regard to the threat of nuclear weapons suggests, that nuclear energy shall be supported in case of supervision, which could prevent the nuclear power misuse.

