

American

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Sanctions Against Iran Dissuading Overseas Investment, U.S. Says

By Stephen Kaufman
Staff Writer

Washington — The State Department says it is seeing increasing reluctance by international companies to put assets at risk by providing insurance or capital for projects associated with Iran following the recent tightening of sanctions against that nation. This reluctance, according to U.S. officials, “is having an effect” on the ground in Iran, and might be moving the Iranian government toward a serious dialogue that could address international concerns about Iran’s nuclear activities.

Assistant Secretary of State for Public Affairs P.J. Crowley told reporters August 3 that it is “getting increasingly difficult to do business in Iran” in the wake of sanctions imposed in June by U.N. Security Council Resolution 1929, and subsequent unilateral measures adopted by the European Union, Australia, Canada and the United States.

Companies and business sectors around the world that are concerned over their reputations do not want to “assume the risk of wondering” if a particular entity is actually a front company for the Iranian government, he said. As a result, the Obama administration is seeing “a reluctance to provide the insurance or the capital for various projects associated with Iran, and we believe that is having an effect.”

On August 3, the U.S. Treasury Department identified 21 more entities located in Iran's banking, insurance and investment, mining and engineering industries that it has determined to be either owned or controlled by the Iranian government. Entities so identified are prohibited from doing business with U.S. individuals or companies.

Treasury Department Under Secretary for Terrorism and Financial Intelligence Stuart Levey said in an August 3 press release that those identifications “will mitigate the risk that such entities pose to legitimate transactions.”

In addition, Special Adviser for Nonproliferation and Arms Control Robert Einhorn visited South Korea on August 2 and Japan on August 4 to urge both countries to help dissuade Iran’s nuclear proliferation activities by increasing their own punitive economic measures against Tehran.

“Japan imports a lot of oil from Iran, but the steps we are asking Japan to take would not interfere in any way with Japan's energy security [through] its imports of oil from Iran,” Einhorn said at an August 4 press conference in Tokyo, according to Agence France Presse (AFP).

AFP quoted Einhorn as saying he had told Japanese officials to “look at the measures already adopted by the European Union” and assured them that similar actions “would not adversely affect the economy of Japan.”

Crowley said August 3 that Einhorn and other U.S. officials are trying to ensure that the economic sanctions targeting North Korea and Iran because of their respective nuclear activities need to be “done effectively across the international community to have the effect that we want to and convince the leaders of Iran or North Korea to change course.”

“The cost of doing business for Iran is going up,” he said. “And we are encouraged by what we’re seeing.”

The Obama administration has pursued a dual-track policy toward Iran, combining economic pressure with a willingness to engage Iran in serious dialogue to address outstanding concerns, including its nuclear program.

Crowley said that after the recent imposition of additional economic sanctions, “we sense that there may well be a willingness on the part of Iran to enter into the kind of dialogue that we have long sought.”

He said that in recent public statements, Iran has indicated its willingness to follow up on the October 2009 meeting its officials held in Geneva with representatives from the United States, China, Russia, the United Kingdom, France (all permanent members of the U.N. Security Council) and Germany, collectively known as the P5+1.

“We’re willing to meet Iran any time, any place within the P5+1 to begin to address a series of issues, most significant to us, the nuclear issue,” Crowley said.

The United States would welcome a “sustained, detailed dialogue” with Iran, first to answer fundamental questions about Iranian nuclear activities, “and then begin to address any other areas of conflict between us,” he said.

However, “that’s not something that we’ve been able to do either recently or across the past 30 years,” Crowley said.

Global Supply Chain Gets Closer to U.S. Shores

By Stephanie Nall
Special Correspondent

Washington — When a Central American consumer buys a U.S. car, he is likely purchasing a vehicle that has a part or two manufactured in his own country.

U.S. carmakers for decades have purchased parts

manufactured in Mexico and countries in Asia. Today, with shipping rates going up and labor costs in China increasing, carmakers and some other manufacturers are looking to Central America and the Caribbean for suppliers.

GLOBAL SUPPLY CHAIN

A supply chain is the system of organizations, technology, activities and resources that are part of manufacturing a finished product starting from raw materials. Since the 1990s, supply chains have become increasingly global as low-cost technologies and transportation options enabled companies to transact business over long distances, reducing their costs and improving operational efficiencies. Today, supply sources, sub-assembly sites, final assembly plants, distribution centers and final customers are often dispersed among different countries.

Many companies try to diversify their manufacturing so a natural disaster or other disruption in any one country doesn't stop production. That is why they have moved some operations to – or bought items from – Vietnam instead of China, which has been the top global supplier in recent years.

Flexible supply chains allow companies to adjust to the ever-changing competitive environment by reconfiguring their supply networks. In the last several years, rising transportation costs, coupled with a desire to keep a lean inventory system, have made U.S. manufacturers look closer to home for new suppliers.

CENTRAL AMERICA ENTERS THE STAGE

U.S. automobile manufacturers, computer manufacturers and others have worked to streamline their supply chains by working with their suppliers to have supplier inventory centers close to their facilities to meet demanding manufacturing schedules, according to the Global Supply Chain Solution blog. This has been a boon to suppliers in Central America.

"No major manufacturing center is any closer to the U.S.," said Charlie Dominguez, vice president of Latin American sales for Crowley Liner Services, an ocean carrier serving trade lanes in the Americas. "It's only 48 hours by ship to a U.S. port – that's comparable to truck routes from Mexico."

Intel Corporation has a manufacturing facility in Costa Rica, and manufacturers of an increasing number of components for medical instruments and pharmaceuticals have moved into the Central American region.

The one item that has changed automakers' supply chain to the greatest degree is the wiring harness for

automobiles, according to Dominguez. Cars rely on a set of computers connected by a sophisticated wiring system to control the lights, audio, cruise control and other functions.

"It's not surprising that wiring harnesses, something very labor intensive, are made in Central America," said Charles D. Uthus, vice president of the American Automotive Policy Council, an industry group. "Fifteen years ago, they were made in Mexico, but as labor costs go up there, the work has migrated to a less expensive location."

The automotive industry still works on a "just-in-time" manufacturing system, Uthus said, which makes Central America attractive. Parts and supplies are brought to the factory just as they are needed to eliminate the costs of maintaining a warehouse. "It's a very lean manufacturing process that keeps inventory low. Proximity is very helpful in that process," Uthus said.

Dominguez said that with close-by suppliers, it's not just lower inventory that is important. "Speed to the market is key. And with parts nearby there is less exposure to [the possibility of] having something go wrong."

In the global supply chain, small-operation suppliers are thriving and becoming more efficient and competitive. Thanks to information technology, the smallest sub-assembler in an emerging-market economy has the same rapid access to market data and financing as the world's largest companies, according to a paper published by the financial services company Citigroup. The resulting efficiency eases the cross-border flow of goods and services.

In Central America, suppliers have become so reliable and efficient that "many of our customers don't even have their own warehouses there," Dominguez said.

His shipping company helps firms manage their supply chains by bringing in materials, tools and parts and storing them in its own warehouses. Then it trucks needed items daily to the manufacturing facilities and, on the return trip, hauls finished components back to the vessels for shipment to the United States. "The same synchronization required in an efficient assembly line in a plant is put to use in the supply chain," Dominguez said.

As Central American countries develop their manufacturing expertise and marketing, they in turn become better customers for U.S. goods.

Dominguez said two-way trade between the United States and Central American nations is rising. Central America weathered the financial crisis far better than the United States, as Central American economies never stopped

growing. U.S. manufactured goods are still in demand in the region.

U.S. Speeding Relief Aid to Flood-Stricken Pakistan

By Merle David Kellerhals Jr.
Staff Writer

Washington — The United States is rushing helicopters, hundreds of thousands of halal meals, mobile water treatment units, rescue boats, temporary shelters and other life-sustaining items to Pakistan in the aftermath of the worst monsoon flooding in nearly a century, says Secretary of State Hillary Rodham Clinton.

At an August 4 press briefing, Clinton said that “an estimated 1,500 people have lost their lives, but many more are missing.” Clinton also announced August 1 that the United States is providing \$10 million in humanitarian relief assistance to Pakistan.

“Thousands are trapped, and hundreds of thousands require emergency assistance,” she added at a joint briefing with Rajiv Shah, administrator of the U.S. Agency for International Development (USAID). USAID is coordinating the U.S. relief effort.

At the White House, President Obama sent his condolences to the families of the victims of the devastating floods, said Mike Hammer, a spokesman for the National Security Council. The president has been receiving regular briefings and updates on the crisis, he added.

Hammer said more U.S. aircraft will be made available to help deliver additional critical humanitarian assistance being sent now and in the days to come. Six additional U.S. helicopters arrived in Pakistan August 4 — four CH-47 Chinooks and two UH-60 Blackhawks — to assist the Pakistani government by delivering relief supplies and transporting people in need of urgent emergency assistance, according to the U.S. Embassy in Islamabad.

“In addition to announcing an initial amount of \$10 million in aid to meet urgent requirements for meals, shelter, clean water and other life-sustaining needs, the United States has provided over 460,000 meals, 12 prefabricated bridges, four rescue boats and mobile water treatment units to support the humanitarian effort,” Hammer added.

U.S. helicopters are assisting the Pakistani Interior Ministry’s rescue operations and have rescued more than 730 people and transported more than 11,000 pounds (4,990 kilograms) of aid to victims trapped in remote areas, Hammer said.

Relief has been coordinated closely with the Pakistani

government and Pakistan’s National Disaster Management Authority since the floods struck July 29.

“We’ve been working hard over the past year to build a partnership with the people of Pakistan,” Clinton said. “And this is an essential element of that partnership: reaching out and helping each other in times of need.”

Clinton also urged Americans to join the relief effort and send some much-needed help to the people of Pakistan. A special relief line has been set up so that U.S.-based contributors can send donations by cellular telephone. Callers can text the word “SWAT” to the number 50555.

In so doing, the caller makes a \$10 contribution that will help the U.N. High Commissioner for Refugees provide tents, clothing, food, clean drinking water and medicine to the Pakistani people displaced by the floods, Clinton said.

“I have seen firsthand the strength and resilience of the people of Pakistan,” Clinton said. “They have the capacity to come through this challenge and swiftly rebuild.”

Shah told reporters that USAID is working with U.S. civilian and military officials and that most of the United States government is mobilizing a broad range of resources to help Pakistan in some specific and critical ways.

“We’re doing it focused initially on assessment, search and rescue,” Shah said. “We’ve sent Zodiac [inflatable] boats, helicopters, specialist teams and worked with an NGO [nongovernmental organization] network that includes literally thousands of people on the ground, to be able to gather information in support of the overall relief.”

The United States is working with the World Food Programme and others to provide up to 150,000 families with two to three months of immediate food support and relief, Shah added.

“We’re providing water units that will reach more than 60,000 families immediately,” he said.

In addition, USAID is working to help provide a disease early-warning system to track and make sure there are no subsequent public health diseases of the kind that often spread during crises, he said. Assessments will also have to be made after floodwaters recede to determine the impact on infrastructure and assess rebuilding needs, he said.

Shah said medical supplies stored at a warehouse in Dubai are being used to restock health clinics and medical facilities in Pakistan as they are needed.

"We're already sending commodities and medicines and vaccines from that warehouse to Pakistan," said Shah, who is a medical doctor with extensive public health experience.

USAID already has several hundred staff working in Pakistan, but a broader civilian response will be mobilized from NGOs and U.N. partners for this emergency, he added.

Cell Phone Technology Can Empower the World's Poorest

By Stephen Kaufman
Staff Writer

Washington — Global cellular phone coverage has far outpaced the expansion of essential services such as water and electricity, as well as access to financial services. For this reason, "mobile money" is seen as a means to transform the notion of banking around the world, and broaden access to credit, insurance and secure savings that are desperately needed in the developing world as individuals seek to enhance their well-being and emerge from poverty.

The rapid proliferation of cellular phones around the world "has changed the course of human development," Under Secretary of State for Democracy and Global Affairs Maria Otero said August 2 at the State Department conference "Tech@State: Mobile Money and Financial Inclusion."

Yet, at the same time, 1.7 billion low-income cell phone users do not have a bank account. In effect, they "remain outside of the realm of economic opportunities that is represented by financial access," she said.

Through their phone connections, small business owners, farmers and others either living in rural areas or at the bottom end of the socio-economic pyramid are obtaining the ability to communicate instantly and transfer funds to individuals and institutions. The service provides a quick, secure and transparent means of performing transactions. The widespread dissemination of cellular phones also means that the relative few without a phone likely will have a close friend or relative they could turn to for the same purposes.

"Financial opportunity shouldn't be limited to those with traditional assets or credit stories that a bank can respect," Otero said. Microfinance efforts have shown that the poor are credit-worthy and pay back their loans despite not having assets or working capital. They have demonstrated both entrepreneurship and drive to succeed, she said.

"Microfinance has demonstrated how low-income men

and women are dignified by the opportunity to manage a business, build their business and make better economic decisions for their families," she said.

The conference brought financial, technology, development and other experts together to discuss the current and potential uses of mobile money, and how to solve existing problems and amend regulations to allow even greater participation.

Otero said the State Department, together with the Treasury Department and the U.S. Agency for International Development, can play a role in expanding mobile financial services around the world both as a convener of state, commercial and nonprofit entities, and by working with foreign governments to create more political will for effective regulatory practices.

While 5 billion of the world's 6.6 billion people have mobile phones, only about 1.6 billion have bank accounts. Of those, only 1 billion are fully served by traditional banks, according to Carol Realini, the chief executive officer of Obopay, a mobile payments company. She cited a "natural ceiling on banking," and pointed out that mobile money potentially could account for \$10 trillion in retail payments and \$400 billion in remittances sent from overseas friends and family,

"I think within five years, we are going to transform the planet," Realini said. "It has already started in some countries like Kenya and India, and what you're going to see is it's going to start to be a wildfire around the planet."

Shainoor Khoja of Afghanistan's Roshan cellular service provider highlighted the importance of mobile transactions in her country, where she said there are only 17 banks and 34 automated teller machines, which serve only 3 percent of the population. At the same time, an estimated 23 percent of Afghanistan's gross domestic product is given away in bribes.

"The alternative to mobile money in Afghanistan is cash," she said. People must carry around large amounts, sometimes in safes, and when employees are paid "they get shaken up by whomever wants to shake them up."

"In Afghanistan, 59 percent of the population complain that corruption and bribery is a bigger problem than jobs and security," Khoja said. Along with enabling secure and transparent transactions to reduce theft and corruption, mobile money also potentially could serve the illiterate in Afghanistan and elsewhere through voice recognition systems and programs that can read text messages out loud.

Menekse Gencer, the founder of mPay Connect, a

company that provides consulting services to clients interested in providing mobile payments services to their customers, said mobile money can also provide the foundation for food security.

She highlighted a “vicious cycle” that currently exists in some developing countries, where a drought or bad harvest will devastate farmers, who then need to focus whatever resources they have left toward providing for their immediate families, rather than working and reinvesting in seeds or other material to produce more output. As a result, the food supply shrinks and food prices rise, sometimes leading to health consequences like malnutrition or HIV/AIDS if individuals enter the sex trade to make ends meet.

Access to mobile financial services “is a very, very important foundation” for ending the cycle, Genser said.

In Kenya, where 70 percent of the population relies on agriculture for income, the Syngenta Foundation has been using mobile technology to insure small farmers against drought and other conditions. When the harvests are damaged or lost, subscribers automatically begin receiving insurance payments through their phones.

“Now, with this insurance, it enables them to invest back into their farming – into good seeds and fertilizers, which they couldn’t do before because essentially they were worried that if they put that money into investing in their farms, what happens if the droughts come and they can’t buy food?” Genser asked. “Suddenly, some of that vicious cycle ... is suddenly freed up through this microinsurance.”

Closing the conference, Caroline Mauldin, who works in Under Secretary Otero’s office, said the conference marked “the beginning of a conversation for us,” as the State Department seeks expertise and recommendations on how to expand access to mobile money around the world.

There is an “alignment of market forces and stars” that will push the mobile money industry forward, she said. And the Obama administration “cares very deeply about this work,” and how it can advance U.S. policy priorities such as food security, combating corruption and fighting global poverty, she said.

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