





Woodrow Wilson  
International  
Center  
for Scholars



THE  
**A**mbassador's  
Changing  
Mission:

COMMERCIAL DIPLOMACY IN THE 21ST CENTURY

Co-editors Carolyn M. Gretzinger and Kent H. Hughes

SEPTEMBER 2005

## Council of American Ambassadors

The Council of American Ambassadors is a nonprofit, nonpartisan association of more than 200 former and incumbent non-career United States Ambassadors that supports the role of the Ambassador and the country team in carrying out U.S. foreign policy. In this connection, it provides advice and assistance to the Department of State, as appropriate, and endeavors to educate the public on foreign policy issues affecting the national interest.

## The Woodrow Wilson International Center for Scholars

The Woodrow Wilson International Center for Scholars is the living, national memorial to President Wilson established by Congress in 1968 and headquartered in Washington, D.C. The Center establishes and maintains a neutral forum for free, open and informed dialogue. It is a nonpartisan institution, supported by public and private funds and engaged in the study of national and world affairs.

### Photo Credits:

"Portrait of Benjamin Franklin," The portrait of Benjamin Franklin was painted in London when Franklin was 60 years old. It was commissioned and paid for by Robert Alexander, of the house of William Alexander and Sons, Edinburgh, who was a great admirer of Franklin. The painting was commissioned to commemorate a property claim dispute, in which Franklin was the referee and Mr. Alexander was victorious. Franklin is depicted reading one of Alexander's property deeds. The bust of Isaac Newton whose gaze is directed toward Franklin invokes the greatest English voice of Reason. (Source: The White House, 1962) © Corbis

"Woodrow Wilson After Signing Peace Treaty," President Woodrow Wilson, Georges Clemenceau and David Lloyd George are shown after the signing of the Peace Treaty. Ca. 1920 © Bettmann/Corbis

"President Bush Signs CAFTA-DR Trade Bill," President George W. Bush signs the Central America Free Trade Agreement (CAFTA) during a ceremony in the East Room of the White House in Washington, D.C. on August 2, 2005. The agreement, between the United States and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, removes trade barriers and opens up the region to American goods and services. © Ron Sachs/CNP/Corbis

# C CONTENTS

<b>1</b>	<b>PREFACE</b>
<b>3</b>	<b>EXECUTIVE SUMMARY</b>
<b>5</b>	<b>INTRODUCTION</b>
<b>8</b>	<b>PANEL ONE</b> Commercial Diplomacy and Promoting U.S. Commercial Interests Around the World
<b>19</b>	<b>PANEL TWO</b> Commercial Diplomacy and Serving National Security and Foreign Policy Objectives
<b>26</b>	<b>ANNEX ONE</b> National Security Decision Directive (NSDD)-38: Staffing at Diplomatic Missions and Their Overseas Constituent Posts
<b>28</b>	<b>ANNEX TWO</b> The Charles E. Cobb, Jr. Award for Initiative and Success in Trade Development
<b>30</b>	<b>ANNEX THREE</b> Forum Panelists and Commentators

# P PREFACE

The Council of American Ambassadors (CAA) and the Woodrow Wilson International Center for Scholars (WWC) worked closely together in designing and holding an April 11, 2005, conference focused on the challenges of conducting commercial diplomacy in the 21st century.

We looked at two different but often complementary strands of commercial diplomacy: the overseas advocacy of U.S. economic interests and the use of economic tools in the pursuit of broader foreign policy objectives. In the 21st century, American prosperity and American leadership will increasingly be tied to the successful exercise of commercial diplomacy in both senses of the word.

From the start, we had hoped that the conference would generate proposals to enhance the ability of the ambassador to conduct 21st century commercial diplomacy. We are delighted to report that the April 11 conference generated a series of actionable recommendations that are contained in our report on the conference. They will, we hope, prove useful in clarifying the choices facing policy makers in the executive and legislative branches of our government.

Our conference on commercial diplomacy was the first collaboration between the CAA and the WWC. The Council of American Ambassadors is composed of former, non-career ambassadors who excelled in different realms of private life and went on to ably represent their country overseas. The Woodrow Wilson Center is the living memorial to our 28th president, an American leader who, in many ways, continues to define America's approach to international relations. As we hoped, we proved to be effective partners.

While critical for the nation's future, commercial diplomacy is only one aspect of the many challenges facing an ambassador and the country. With the two institutions' shared interests in foreign policy, the challenges of globalization and the long-term strength of America, we hope that there will be many more opportunities for collaboration.

**Bruce S. Gelb**

*President, Council of American  
Ambassadors*

*President, The Wilson Council*

**Kent H. Hughes, Ph.D.**

*Director, Program on Science,  
Technology, and the Global  
Economy (STAGE)*

*Woodrow Wilson International  
Center for Scholars*

# E

 EXECUTIVE SUMMARY

Commercial diplomacy is essential to America's foreign policy goals and long-term economic strength.

To this end, the Council of American Ambassadors and the Science, Technology, America and the Global Economy Program of the Woodrow Wilson International Center for Scholars co-sponsored a Forum entitled "The Ambassador's Changing Mission: Commercial Diplomacy in the 21st Century - Economic Strength and Foreign Policy." The program consisted of two panels of leading experts whose experiences span the past 35 years of trade, diplomacy and commercial advocacy. The panelists explored the role the ambassador plays as a key proponent of commercial interests and as a catalyst in employing commercial diplomacy in the pursuit of long-term foreign policy goals. They also discussed institutional challenges, the importance of training and the adequacy of resources and outlined pragmatic recommendations that policy makers may adopt to enhance the ambassador's ability to support commercial diplomacy as an integral part of America's foreign policy.

Diplomacy and foreign policy have been inextricably linked to America's commercial interests, and the ambassador has been a leading advocate of these interests overseas since the earliest days of the Republic. Over the past two hundred years, as commercial diplomatic activities have grown and become more complex, so has the role of the ambassador. As a result, it is important to analyze this role, how it has evolved, and the challenges facing the ambassador in his/her practice of commercial diplomacy.

We have made progress over the past 25 years, but we will have to do even better in the face of the global challenges of the 21st century. To strengthen

the conduct of American commercial diplomacy, the panelists suggested:

- Clarifying National Security Decision Directive (NSDD)-38, which gives the Chief of Mission (ambassador) control of the size, composition and mandate of overseas full-time mission staffing for all U.S. government agencies;
- Elevating and strengthening the Trade Promotion Coordinating Committee;
- Utilizing incentive based rewards, such as the Charles E. Cobb, Jr. Award for Initiative and Success in Trade Development;
- Enhancing the Deputy Chief of Mission's role vis-à-vis commercial diplomacy;
- Opening more ambassadorships to Economic and Commercial Officers;
- Strengthening and expanding training and educational opportunities for ambassadors, Foreign Service Officers and Foreign Commercial Service Officers;
- Granting additional flexibility to government agencies supporting exports to determine the national interest in specific cases;
- Expanding the constituency for commercial diplomacy;
- Devoting adequate resources to commercial diplomacy;
- Improving the coordination of activities related to commercial diplomacy across all levels of government.

Given that commercial diplomacy plays a vital role in the conduct of American foreign policy and that economic strength is one of the pillars of America's national security, it is vitally important that policy makers constantly reassess commercial diplomatic practices and identify ways to enhance the United States government's ability to conduct commercial diplomacy. These recommendations are a continuance of this effort and are intended to promote further discussion and evaluation of future policy positions that the congress and the administration should adopt.

## I INTRODUCTION

The Council of American Ambassadors and the Science, Technology, America and the Global Economy Program of the Woodrow Wilson International Center for Scholars co-sponsored a Forum entitled "The Ambassador's Changing Mission: Commercial Diplomacy in the 21st Century ~ Economic Strength and Foreign Policy." The purpose of the April 11, 2005, event was to highlight the current state of the art of commercial diplomacy in the United States and to identify challenges currently facing practitioners of commercial diplomacy and the areas in which positive change can take place.

The program consisted of two panels of leading experts whose experiences span the past 35 years of trade, diplomacy and commercial advocacy. A commentary by a former U.S. ambassador and a question and answer session followed each panel discussion. The first panel explored the growing importance and complexity of commercial diplomacy—representing and advocating America's economic interests abroad. A second panel examined the ways in which commercial diplomacy has been used to achieve national security and foreign policy goals.

The ambassador and the embassy staff are the official representatives of the United States government on foreign soil. They are responsible for conducting foreign policy and maintaining official relations with host governments. In this paper, we will investigate the role of the ambassador both as the primary proponent of commercial interests in country and as the catalyst in linking commercial diplomacy with broader foreign policy goals. We will consider institutional challenges, the importance of training and the ade-

quacy of resources and outline pragmatic recommendations that policy makers may adopt to ensure that commercial diplomacy remains an integral part of America's foreign policy.

As Europe and Japan recovered from World War II and emerged as major economic competitors, the U.S. congress began to call on the executive branch to increase its efforts at promoting U.S. economic interests overseas. In 1979, President Carter responded by establishing the Foreign Commercial Service in the Department of Commerce. In the 1980s, President Reagan adopted a more forceful international economic policy that included efforts to adjust the international value of the dollar and open overseas markets to American products.

The Administration of President George H.W. Bush recognized the importance of linking business advocacy with America's foreign policy goals. In 1989, Deputy Secretary of State Lawrence S. Eagleburger announced a "Bill of Rights for American Business" that recommitted the U.S. foreign policy establishment to working with U.S. business to advance shared interests. Eagleburger's policy recognized that much work remained to be done to bring to fruition the commercial diplomacy changes launched by the Carter Administration in 1979. The "Bill of Rights" set the groundwork for the reemergence of commercial diplomacy as a part of our national security policy in the 1990s. By Executive Order, President George H.W. Bush created the Trade Promotion Coordinating Committee to improve the ability of export-oriented agencies to work toward a common goal.

After the disintegration of the U.S.S.R. in 1991, policy makers began to focus on commercial policy, as an effective tool for addressing the challenges related to bringing the former Soviet bloc countries into the economic mainstream. Privatization and investment schemes flooded Eastern Europe. President Clinton completed the Uruguay Round of trade negotiations, successfully steered the North American Free Trade Agreement through the congress, and played a lead role in bringing China into the World Trade Organization. The Clinton administration combined its efforts to open foreign markets with an aggressive export promotion policy.

However, following the terrorist attacks of September 11, 2001, the national security policy of the United States returned to a defense first posture. In every debate ranging from export licensing to border security, the administration has focused on national security issues, which not

only resulted in less emphasis on commercial diplomacy overall but have often hurt U.S. commercial interests. At the same time, the administration and policy makers throughout the government recognized that economic growth, free trade, and commercial diplomacy had significant roles to play in "extending the peace" and in creating free and open societies around the world.

As America begins her journey into the 21st century, her diplomatic corps, and particularly her ambassadors, must be fully prepared to ensure that commercial diplomacy remains at the forefront of America's diplomatic efforts. Throughout this paper, we will consider commercial diplomacy in two different, but complementary ways. We will emphasize the ambassador's role in representing U.S. commercial interests abroad—interests that range from making a major sale to state owned or influenced institutions, to facilitating foreign direct investment, to urging the protection of intellectual property. We also will explore the role commercial diplomacy has played in achieving long-term U.S. foreign policy goals. By encouraging U.S. trade and investment, the ambassador may help cement an alliance, stabilize a region, encourage peace negotiations, or help establish the rule of law. Both roles are important to the national interest, and both make considerable demands on an ambassador's skills, time and creativity.

# P

## PANEL ONE

### Commercial Diplomacy and Promoting U.S. Commercial Interests Around the World

The first panel considered the role of the ambassador and the embassy in promoting U.S. commercial interests. Ambassador Stuart E. Eizenstat served as the moderator, and participants included Jerry K. Mitchell, a former Deputy Director General of the Commercial Service and Commercial Officer posted in Mexico, Korea and Belgium; Dr. Peter Watson, who served as President and CEO of the Overseas Private Investment Corporation (OPIC); and Virginia A. Weil, who is a Senior Advisor to the Business Council for International Understanding (BCIU). Additionally, Carl Spielvogel provided commentary drawing on his experience as a former U.S. Ambassador to the Slovak Republic.

Under Ambassador Eizenstat's guidance, the panel discussion centered on three areas. First, panelists examined various definitions of commercial diplomacy. Second, they considered the ambassador's role in commercial diplomacy and provided examples of his/her efforts in this area. Third, they highlighted several challenges that confront the ambassador and other practitioners of commercial diplomacy.

#### COMMERCIAL DIPLOMACY DEFINED

Commercial diplomacy can mean many different things to many different people, but at its core, commercial diplomacy is the official government support for U.S. companies and economic interests in the host country.

Some might define commercial diplomacy as the active role that government agencies may play in the promotion of American goods and services abroad. In this context, anything from export promotion schemes to trade missions highlighting goods and services, to even direct sales pitches by senior government officials to foreign dignitaries can be defined as commercial diplomacy.

Others may see commercial diplomacy as the ongoing negotiating process designed to remove barriers, both tariff and non-tariff, that restrict trade between nations at the bilateral and the multilateral level. And some consider commercial diplomacy to encompass programs that promote transparency and corporate governance, protect intellectual property rights and strengthen the rule of law as well as those development assistance projects designed to ameliorate suffering, encourage education and develop human and capital infrastructure.

Jerry Mitchell maintained that commercial diplomacy covers all of the above. Consequently, the ambassador must do more than simply advocate on behalf of U.S. companies. He/She must help to facilitate the liberalization of global trade by communicating host country concerns to Washington and by encouraging economic reform and development programs that enable the host country to become an attractive destination for U.S. goods, services and investments.

#### THE ROLE OF THE AMBASSADOR IN COMMERCIAL DIPLOMACY

Stuart Eizenstat recalled that 30 years ago, it was considered radical for American diplomats to deal with commercial affairs. As a Carter Administration official, he was present in 1979 when the Foreign Commercial Service was transferred from the State Department to the Commerce Department on the theory that the State Department was simply not interested in commercial matters and never would be. This attitude was reflected in embassy staffs at that time as Lionel Olmer, a former Under Secretary of Commerce for International Trade, describes:

...[T]here were over 2,000 civil servants employed by Commerce to promote exports who were based in 47 cities in the United States and

about a hundred countries. They were unfocused, inadequately compensated, and, especially abroad, ordinarily had to function under the disdainful eye of U.S. embassy staff that little valued commercial work. Even with access to key foreign government officials and businessmen internationally and domestically, their utility was being hamstrung by Washington politics.<sup>1</sup>

However, by the time that Eizenstat served as U.S. Ambassador to the European Union under President Clinton, the world—and the role of the ambassador—had changed. His ambassadorial agenda was filled with commercial issues that included: dealing with EU standards that were keeping U.S. products out of the EU, lobbying the EU competition bureau on issues arising from the McDonnell-Douglas merger with Boeing, trying to obtain EU approval on a restructuring of the U.S. aluminum industry, working with the European Commission and Parliament on questions related to the EU Customs Union with Turkey, and liaising with the EU Committee of the American Chamber of Commerce and European business interests.

Mitchell added that most of the priority items on today's U.S.-Mexico agenda are tied to commercial and economic issues. For example, U.S. domestic security concerns impact cross-border trade and one of the primary causes of illegal immigration is the lack of economic opportunity in Mexico and Central America. When he served as the Commercial Officer at the U.S. Embassy in Mexico, the Partnership for Prosperity, a project designed to spread the benefits of the North American Free Trade Agreement to more people in Mexico and stem migration at the same time, was the overarching framework. The ambassador had the lead role in carrying out the Partnership, that enabled him and his staff, which includes representatives from the many government agencies housed within the embassy, i.e. the U.S. Trade Representative's Office, the U.S. Customs Service and the Overseas Private Investment Corporation (OPIC), among others to work together in furthering U.S. interests in Mexico.

Watson concurred and pointed out that the level of commitment of ambassadors and their staffs and the administration in Washington is critical to the successful prosecution of commercial diplomacy. He explained that early in President George W. Bush's first term, there was a commitment from all parties to ensure that OPIC focused on those countries and companies

that otherwise would not get support. As a result, the U.S. was able to achieve an OPIC agreement with Mexico and within six months of concluding the agreement, over \$60 million in U.S. investment poured into the country. Similarly, in sub-Saharan Africa, Watson reported that OPIC facilitated investment grew from \$85 million to \$1.9 billion between 2001 and today.

Carl Spielvogel, who served as the U.S. Ambassador to the Slovak Republic under President Clinton, also understands that the ambassador's commercial role is very important. He cited a specific case in which U.S. commercial diplomacy helped to set the stage for a remarkable turnaround in that country's economy. When he arrived at post in 1998, interest rates hovered near 30 percent, the koruna was falling and the unemployment rate was 30 percent. Slovakia's largest steel mill, located in the city of Kosice near the border with the Ukraine, was bankrupt and near closing. Its 17,000 employees were in danger of losing their jobs. Ambassador Spielvogel and his embassy team intervened with U.S. Steel. Subsequently, the American firm not only bought the mill but also built around it an industrial park that has attracted many diverse businesses. Today, Slovakia is the largest manufacturer of automobiles in Central Europe, and steel produced by the mill helped to realize this achievement.

## CHALLENGES

Although U.S. ambassadors can point to success stories in commercial diplomacy such as those cited above, they, their embassy staffs and others involved with commercial diplomacy still face a number of challenges. These include:

- Managing and coordinating the diverse government agencies represented in today's embassies;
- Coordinating among the government agencies in Washington involved in commercial diplomacy;
- Articulating a clear and coordinated vision for commercial diplomacy within the embassy and in Washington;
- Providing more opportunities for Economic and Commercial Officers to achieve ambassadorial rank;

- Evaluating and recognizing achievement in commercial diplomacy;
- Expanding business-related training for ambassadors and Foreign Service Officers;
- Ensuring adequate levels of funding for agencies involved in commercial diplomacy;
- Clearly identifying the U.S. national interest.

### **Managing and Coordinating the Diverse Government Agencies Represented in Today's Embassies**

In addition to his/her traditional responsibilities as the President's personal representative in a foreign country or organization, today's ambassador also has major managerial responsibilities. As embassy and post staffing levels have changed over the years, so have the management complexities of an embassy. Today's embassy staffs host representatives from a number of different agencies, including: Agriculture, State, Commerce, Defense, Labor, CIA, FBI, DEA, Treasury and Homeland Security. These representatives receive their orders and tasks directly from their superiors in Washington. Consequently, the ambassador, who must manage all of the personnel in the embassy, has a real challenge in ensuring that he/she is kept abreast of instructions originating in various agencies in Washington.

### **Coordinating Among the Government Agencies in Washington Involved in Commercial Diplomacy**

In theory, the Washington-based Trade Promotion Coordinating Committee (TPCC), a federal government interagency task force chaired by the Secretary of Commerce, is responsible for coordinating the practice of trade policy and commercial diplomacy. However, recommendations of the TPCC do not always reach the post. Vicki Weil noted that while the TPCC has been a very good organization for policy coordination to avoid duplication of effort, it lacks the teeth to ensure that its recommendations are followed.

Watson added that within congress there has not been a priority on ensuring coordination among the agencies involved in commercial diplomacy. There are different areas of jurisdiction on the Hill, including the House International Relations and the Senate Banking Committees. Further, while

TPCC is the one instance where all of the agencies involved in commercial diplomacy are brought together to testify on the Hill, it is called only once a year. Watson felt that this effort should be increased and enhanced.

### **Articulating a Clear Vision for Commercial Diplomacy within the Embassy and in Washington**

Mitchell believes that ambassadors and their country teams have an obligation to develop a clear and coordinated vision for commercial diplomacy at their posts because Washington does not always put out a vision for U.S. commercial diplomacy for particular countries. In Mexico, where he was posted, Mitchell observed that although Washington developed the Partnership for Prosperity, the framework for the U.S.-Mexico agenda, it was left to the ambassador and the embassy to articulate it.

Moreover, it was felt that the President's National Security Decision Directive-38 (see Annex), which delineates ambassadorial responsibilities, does not adequately emphasize the ambassador's role in commercial diplomacy. Panelists called for a strengthening of the text to assert the ambassador's key role in this area.

In addition to the ambassador's commercial diplomacy role, both Mitchell and Weil spoke to the importance of placing more responsibility for commercial diplomacy in the hands of the Deputy Chief of Mission. Mitchell indicated that the DCM can be a stimulating force in bringing together all of the different agencies at post and insist that they coordinate. He cited his experience at the U.S. embassy in Mexico where the DCM chaired weekly meetings that not only included representatives of the agencies directly involved in commercial diplomacy but also those from the embassy's political, public diplomacy and science and technology sections, USAID, the EPA, and the Foreign Agriculture Service. These sessions greatly facilitated their ability to implement effectively the vision set forth by the ambassador.

Weil added that several years ago the State Department issued a directive to DCMs to coordinate the country team in developing a strategic commercial plan for the embassy. Although she indicated that the implementation of the directive worked reasonably well for a while, she believes that it needs to be continued with a lot more force.

### **Providing More Opportunities for Economic and Commercial Officers to Reach Ambassadorial Rank**

Prior to the Clinton Administration not a single Commercial or Economic Officer had been appointed an ambassador. According to Eizenstat, President Clinton nominated the first Commercial Officer, George Mu, to be an ambassador, and President George W. Bush dispatched Charles Ries to Greece. Among other postings, Ries had served as the Economic Officer at the U.S. Embassy in London. While President Bush and President Clinton before him have begun to promote diplomats who followed the economic track, more progress in this area needs to be made.

### **Evaluating and Recognizing Achievement in Commercial Diplomacy**

Increased attention must be placed on measuring ambassadors' and Foreign Service Officers' achievements in the field of commercial diplomacy. Eizenstat noted that when he was Ambassador to the EU, much of his success as an ambassador was measured in commercial terms. Watson suggested that commercial diplomacy metrics should be included in the evaluation process for job performance and future promotion potential of all Foreign Service Officers. Incentive-based award programs, such as the Charles E. Cobb, Jr. Award for Initiative and Success in Trade Development (see Annex), should be expanded to highlight achievements in commercial diplomacy.

### **Expanding Business-related Training Opportunities**

To enable Foreign Service Officers and ambassadors to better carry out commercial diplomacy, the panelists felt that more opportunities for business-related training were needed to complement the existing efforts at the National Foreign Affairs Training Center. Weil noted that officers often need to be sensitized as to what their powers and responsibilities vis-à-vis commercial diplomacy actually are. In addition, the lack of understanding of how businesses operate can often hinder officers from helping to level the playing field. Training sessions conducted by corporate and other private sector professionals and opportunities for Commercial and Economic Officers to pursue short-term "internships" with corporations can help to address these concerns.

### **Ensuring Adequate Levels of Funding for Agencies Involved in Commercial Diplomacy**

Certain agencies within an embassy, such as those involved with security, are extremely well funded year after year. By comparison, commercial diplomacy-related agencies increasingly are not. Mitchell pointed out that security and commercial diplomacy are related since the successful pursuit of commercial diplomacy can enhance security. Given their importance in furthering U.S. foreign and commercial policy, the agencies involved in commercial diplomacy should have the resources they need to carry out their work effectively.

### **Clearly Identifying the U.S. National Interest**

With modern multinational companies producing products on a global scale, the ambassador and the embassy staff often have a difficult time evaluating whether or not to facilitate the business needs of a company. Eizenstat noted that often an ambassador may be called upon to favor one American company over another in a trade dispute with the host country. Watson expressed frustration with rules that prohibit OPIC from providing assistance to U.S. companies in which foreign companies had invested. He explained that although Siemens is a German company, it has more employees and more gross profit in the United States than anywhere else in the world. Audience members raised the opposite concern, noting that policy makers also must look at the assistance offered by foreign governments to their home-based multinationals that may not be available to U.S.-based multinationals. Watson noted that while place of incorporation is a "bright line test," the economic nexus also should be considered.

### **SUMMARY**

Successful commercial diplomacy depends on clear coordination within the embassy and in Washington. Additionally, ambassadors must articulate a vision for commercial diplomacy at post. Enhancing career opportunities for Economic and Commercial Officers and expanding business-related training for ambassadors and other officers are keys to managing future commercial diplomacy challenges. Sufficient resources for agencies involved in commercial diplomacy also must be provided.

## PANEL I: RECOMMENDATIONS

### A. Washington

- Amplify National Security Decision Directive-38 to emphasize the role of the ambassador in commercial diplomacy.
- Strengthen and elevate the Trade Promotion Coordinating Committee (TPCC) to enhance interagency cooperation at the Washington level. The administration and the congress should create a mechanism through which the TPCC may direct agencies to take certain actions. Steps should be taken to ensure that such a mechanism is used to facilitate the practice of commercial diplomacy and that the mechanism itself does not become an additional barrier.
- Increase the frequency that the TPCC is called to testify on Capitol Hill.
- Devote adequate resources to the agencies involved in commercial diplomacy. The congress must recognize that, as in business, it often costs money to make money, and that successful commercial diplomacy and economic leadership will continue to be shortchanged if the congress does not devote adequate resources to commercial diplomatic activities.

### B. Main State and Overseas Embassies

- Ensure that commercial diplomacy is high on the list of the embassy's mission objectives. The ambassador should articulate the vision and set the tone for commercial diplomacy at post and tie it to the national, regional and multilateral policy initiatives of Washington.
- Enhance the role of the Deputy Chiefs of Mission (DCM) in commercial diplomacy work by creating at every embassy a commercial diplomacy committee chaired by the DCM within the embassy and by strengthening the directive for the DCM to coordinate the development of a strategic commercial plan for each embassy. If the ambassador is the CEO of the embassy, the DCM should effectively be the COO.

- Strengthen communications and reporting flows within the embassy and TPCC framework to ensure that the ambassador and the DCM are aware of and fully briefed on the commercial diplomacy activities of all embassy agencies and departments with activities in the host country. NSDD-38 could be the vehicle for implementing this recommendation.
- Conduct an annual survey of best practices in commercial diplomacy at each post.
- Develop appropriate metrics and include a section on every officer's personnel evaluation regarding his/her performance in the area of commercial diplomacy. Emphasize in performance evaluation interviews that the officer's actions therein will weigh equally as important in promotion decisions as his/her other responsibilities.
- Expand the number of incentive programs such as the Charles E. Cobb, Jr. Award for Initiative and Success in Trade Development, which is granted annually to both an ambassador, who is a career Foreign Service Officer and a non-ambassador career Foreign Service Officer for their outstanding work in promoting U.S. commercial interests. Given that five of the ambassador recipients have been promoted to assistant secretary levels or above, the State Department and the congress should explore additional ways in which to work with the private sector to offer more incentive-based rewards.
- Review the pipeline of future ambassadorial candidates to ensure that career Foreign Service Officers suggested to the White House as ambassadorial candidates represent a balance of the political, economic, management, consular, and public diplomacy cones, as well as draw extensively from the Foreign Commercial Service and USAID.
- Ensure that the majority of Foreign Service Officers who are on a path to becoming ambassador are well-rounded and have proven experience in aspects of both the economic and the political cones.

### C. Training and Continuing Education

- Provide an overview of the key levers of commercial diplomacy to both

career and non-career ambassadors before they leave on their assignments. Prior to departure, ambassadors should be introduced to high-level contacts within the Foreign Commercial Service, the Export-Import Bank, OPIC, and other agencies, as well as to the Under Secretary of State for Economic, Business and Agricultural Affairs. They should be briefed on the tools that these agencies provide and should have access on a continuing basis to case studies and best practices.

- Expand training opportunities for Commercial and Economic Officers by establishing training and development programs with leading business education programs such as the Harvard Business School, and expand existing programs offering corporate internships for mid-career officers.
- Team with private sector groups to develop additional opportunities for career economic and commercial officers to serve as Diplomat-in-Residence chairs at leading universities throughout the country.
- Utilize the knowledge and experience of the business community in the Ambassadorial Seminar. State should arrange guest lectures from private sector firms and utilize case studies and role-playing to develop a deeper understanding of issues and challenges faced by U.S. businesses.
- Improve the quality of Foreign Commercial Service Officers by expanding training opportunities and reducing barriers to mid-career entry to the Foreign Commercial Service. Requirements, such as formal language training, while important, should not serve as a barrier to otherwise qualified individuals being recruited into the Commercial Service.

## NOTE

1. Oliver, Lionel H., Commentary appearing in *American Economic Policy in the 1980s*, edited by Martin Feldstein, National Bureau of Economic Research, p. 659.

# P PANEL TWO

## Commercial Diplomacy and Serving National Security and Foreign Policy Objectives

The second panel explored the use of commercial diplomacy to achieve broader foreign policy goals. Dr. Peter Watson, who participated on the previous panel, moderated the second discussion between Charles E. Cobb, Jr., former Under Secretary of Commerce and U.S. Ambassador to Iceland, Robert D. Hormats, currently Vice Chairman of Goldman Sachs (International) and a former Deputy U.S. Trade Representative; Dr. Kent H. Hughes, Director of the Science, Technology, America and the Global Economy Program of the Woodrow Wilson Center; and Sebastian Mallaby, Editorial Writer and Columnist for *The Washington Post*. Alfred H. Kingon, a former Assistant to the President and Secretary of the Cabinet and former U.S. Ambassador to the European Union, provided commentary.

The panelists had a wide-ranging discussion covering the strategic role that commercial diplomacy plays in America's foreign and national security policy and the challenges that stem from utilizing both the economic and the political power of the United States to advance national objectives. They also discussed the importance of building a strong constituency within the congress and among the public for commercial diplomacy.

As background, President Bush's National Security Policy, which was published in September 2002, outlines the current administration's vision for national security. Significant in that it is the first national security policy written in the post-September 11 environment, the policy seeks to "ignite a new era of global economic growth through free markets and free trade."

The President's strategy adopts a three-pronged approach to national security: defending the peace, preserving the peace and extending the peace. In this strategy, economic security and commercial diplomacy fit squarely within the concept of "extending the peace," which the President outlined in his speech at West Point on June 1, 2002:

Our Nation's cause has always been larger than our Nation's defense. We fight, as we always fight, for a just peace—a peace that favors liberty. We will defend the peace against the threats from terrorists and tyrants. We will preserve the peace by building good relations among the great powers. And we will extend the peace by encouraging free and open societies on every continent.

The security threats faced by the United States in the post-September 11 world are real, and the initial policy responses to the attacks by U.S. diplomats around the world are to be applauded. However, as the United States approaches the fourth anniversary of 9/11, policy makers both inside and outside of the government must place much greater emphasis on policy options that will enable the United States to "extend the peace" by linking commercial diplomacy with long-term foreign policy goals.

Ambassador Cobb opened the panel discussion by indicating that the Free Trade Area of the Americas (FTAA) and the Central American Free Trade Agreement (CAFTA) efforts go beyond trade and reflect a broader integration of hemispheric policy objectives. Cobb stated that these agreements not only enhance trade but enable the U.S. to achieve key foreign policy goals, such as combating drug trafficking and terrorism in the hemisphere. Arguments against these types of agreements often ignore the larger benefits that they bring to U.S. national security.

Robert D. Hormats, who participated in the panel by conference call, cited three historic examples wherein commercial diplomacy played a strategic role. The first relates to the U.S. opening to China. Hormats stated that many of the most important signals sent to the Chinese were commercial and economic, such as the policy that allowed Americans to import \$100 worth of Chinese goods provided the goods came through Hong Kong. These initial steps in the commercial arena eventually led to progress in developing and strengthening the overall U.S. relationship with China.

The second example of how national security and national political arrangements are related to and interact with economics is the European Union. Hormats explained that the current EU evolved from the European Coal and Steel Community and the European Common Market, both frameworks based on trading relationships. These commercial links eventually led to integration in the political, foreign policy and other realms.

The Middle East represents the third example where economic issues are tied to the U.S.'s broader foreign policy goals. Hormats cited the success of the qualified investment zones established in Jordan in providing the underpinning for additional steps toward peace and stability in the region.

Panelists also identified instances where commercial diplomacy may conflict with foreign policy and national security objectives. Sebastian Mallaby noted that while synergies exist between the commercial and security sides, trade offs also may be significant. For instance, during the 1990s, America's relationship with Japan shifted from an emphasis on the military-security relationship to one focused on trade and economics. As a result, when several incidents involving Japanese school girls and U.S. soldiers based in Japan came to light, the Japanese policy establishment, which would have normally leapt to the defense of the U.S.-Japan security arrangement, did not.

Mallaby also suggested that ambassadors must be careful about too explicitly linking U.S. interests to specific U.S. companies. Thus, it is important to separate diplomacy from an individual corporation's interest and instead focus diplomatic efforts on programs to expand the rule of law and promote transparency, etc. Mallaby favors a broader approach as advanced through the Millennium Challenge Corporation. General and multilateral routes, according to Mallaby, inoculate U.S. policy from criticism.

Dr. Hughes remarked that the United States often sacrifices its overseas economic interests in favor of foreign policy goals. Where specific companies or industries suffer as a result, the United States must think of compensating initiatives to maintain its long-term economic strength. Hughes also commented that the growing U.S. commitment to global development will lead the ambassador to work more closely with USAID, other countries' foreign assistance ministries and international development institutions to carry out his/her duties.

Ambassador Kingon emphasized that the ambassador will play a bigger and bigger role in commercial and economic policy because it is the under-

pinning of foreign policy. He illustrated his point by relating an anecdote from the mid-1980s in which Deng Xiaoping of the People's Republic of China remarked that he "would win" because he was liberalizing the economy, while Gorbachev "would lose" in Russia because he was reforming politically. Today China is a growing power, and Russia is struggling. As China, India, and other rapidly developing countries continue to grow, ambassadors will be at the forefront of American policy responses to this changing global reality.

## CHALLENGES

Ultimately, the support for and success of commercial diplomacy depends on the active support from the beneficiaries of commercial diplomacy. Jerry Mitchell asked the panelists to identify the best way to build a constituency in the congress and in the administration, given the important role commercial diplomacy plays in overall national security policy.

Practitioners of commercial diplomacy and the business community must work together to articulate both the challenges faced in and the successes won in this field. When it comes to trade advocacy, Hormats stressed that for many trading partners, such as Germany or France, there will be only one company for their respective governments to back, and therefore those countries have a very focused constituency. However, for the United States, there are often several companies competing for the same contract, which makes it more difficult to build a focused constituency for trade advocacy efforts.

With an increasing array of international issues, the solution advocated by one group may not be favored by another. This can often hamper the State Department, because it must look at the issues in their totality. From currency issues to enforcement of trade agreements, Hormats stressed that the policy approach taken on one issue will affect the policy options on another. Mallaby added that as market access to the least developed countries gains importance in trade talks, the politics surrounding the negotiations become more complex.

Additional follow up questions reflected the challenge of lobbying the congress in support of commercial diplomacy, especially when trade agreements and other commercial diplomatic tools are offered as part of larger for-

eign policy agendas. Despite the hemispheric importance of CAFTA and of the FTAA, specific issues, such as sugar quotas and labor rights, may make enactment of trade agreements difficult. Additionally, the administration may often be required to make concessions that do not promote greater national economic objectives in order to enact trade agreements.

Panelists and audience members cited the Africa Growth and Opportunity Act (AGOA), which attracted bipartisan and diverse support in the congress, as a good example of commercial diplomacy being tied to foreign policy. AGOA included the whole range of commercial diplomatic tools including trade and market access, rule of law and transparency, and other foreign policy goals and objectives. AGOA was supported by the Clinton Administration and has been carried forward by the Bush Administration, but it is worth noting that the larger business community focused more of their lobbying energies on China's accession to the WTO than they did on trade with Africa. In addition, adoption of AGOA came at the cost of more complex rules of origin procedures and managed textile trade.

Hormats highlighted the impact of smaller trade agreements on the constituency for commercial diplomacy when he commented that small bilateral trade agreements are often proposed more for foreign policy goals than for commercial significance. They create larger challenges because aspects of the agreements are not well organized. It is often tougher to mobilize political support for the small, bilateral agreements because their commercial benefit is not that significant. In addition, the political capital required to enact these bills might dilute supporters' influence with the congress on broader issues. Rules of origin for products have become increasingly complex because there is not a single standard rule. Rather, many agreements have their own definitions and standards.

## SUMMARY

Commercial diplomacy is a central element of the national security and the foreign policy of the United States. Ambassadors must be aware of the challenges that arise when commercial diplomatic goals may conflict with national security goals or vice versa. Effective commercial diplomacy requires an engaged constituency domestically, but policy makers must also be aware of the limits of the constituency.

## PANEL II: RECOMMENDATIONS

### A. Define National Interest and Coordinate with Foreign Policy

- Conduct a review of OPIC rules that prohibit the agency from extending support to U.S. companies in which foreign companies have invested. OPIC should be allowed to adopt the same rules as the Foreign Commercial Service in dealing with U.S.-based multinational companies.
- Promote a broader dialogue between the administration and the congress and the public to establish a better understanding of the challenges of defining the national interest in an age where production processes are global.
- Ensure coordination at the embassy level of the activities of USAID and of the Commerce, Treasury and Justice Departments to support development policies including the establishment of the rule of law and functioning markets. Embassies need to establish links to the aid and investment activities of international development agencies to support greater investment in the infrastructure and institutions that create the conditions for long-term growth and the successful exercise of commercial diplomacy.
- Focus and balance the resources available for commercial diplomacy with not only the foreign policy goals of the United States but also the domestic political situation in the United States.

### B. Constituency

- Establish a multi-sectoral trade advocacy caucus in the congress. The American business community should work with supporters of commercial diplomacy on the Hill to build a broader awareness of the importance of commercial diplomacy.
- Expand TPCC reporting requirements to include more than just the House International Relations Committee and the Senate Banking Committee. The annual report of the TPCC should be transmitted to the House Government Reform and Oversight Committee, the Senate Government Reform Committee, the House Ways and Means Committee, the Senate Finance Committee, the House Small Business

Committee and the Senate Committee on Small Business & Entrepreneurship and the Financial Services Committee and the Senate Foreign Relations Committee.

- Broaden the yearly domestic tour program for American ambassadors to promote commercial diplomacy throughout the United States. State should continue to work with the Department of Commerce as well as the congress to identify key areas and constituencies to reach.

## CONCLUSION

Two hundred years ago, the United States was a young nation responsible primarily for its own security in a world dominated by the ebb and flow of political fortunes in Europe. Today, economically and politically, we find ourselves at the center of most major international policy discussions.

Our ability to continue to provide this global leadership depends critically on the strength of the U.S. economy. From relations with the mature countries of Western Europe to the emerging democracies of the former Soviet bloc, our interests and the diverse challenges we face, focus increasingly on the economic and the commercial. As a result, commercial diplomacy is at once a vital element in building America's strength while also contributing to America's commitment to "extend the peace."

In Asia, we have over sixty years of post-World War II engagement that has seen former enemies emerge as economic powers and the ability of commerce and trade to open doors that were once shut by Cold War tensions. In Africa, trade and commerce are essential building blocks for self-sufficiency, and in Central and South America, trade and investment are important tools for shoring up fledgling democracies and consolidating the gains of the 1990s.

The end of the Cold War, the development of global economic trends and post-9/11 realities have brought about an evolution in our policies. For example, our concept of national security has grown. In terms of commercial diplomacy, while the U.S. has made some progress, our trading partners have refined their commercial diplomacy and taken it to a very high level. To meet this challenge, the U.S. will need to put greater emphasis on commercial diplomacy and constantly seek improvements in its execution.

# A ANNEX ONE

## **National Security Decision Directive (NSDD)-38: Staffing at Diplomatic Missions and Their Overseas Constituent Posts**

June 2, 1982

*Released by the Office of Rightsizing the U.S. Government (USG) Overseas Presence, April 26, 2005*

**T**his directive supersedes the directive of October 14, 1974, and subsequent directives governing the Monitoring Overseas Direct Employment (MODE) system.

In accordance with my [President Ronald Reagan] letter to Chiefs of Mission, and the memorandum of September 22, 1981, conveying it to heads of Executive Departments and Agencies, all agencies with staffs operating under the authority of Chiefs of Mission will ensure that, in coordination with the Department of State, the Chiefs of Missions' approval is sought on any proposed changes in the size, composition, or mandate of such staff elements. Departments and agencies wishing to initiate changes should transmit their proposals to Chiefs of Missions in consultation with the Department of State. In the event the Secretary of State or his designee is unable promptly to resolve to the satisfaction of the parties concerned any dispute which may arise between Chiefs of Mission and Agency Heads or his designee, the Secretary of State and the other Agency Head concerned will present the differing views for me for decision through the Assistant to the President for National Security Affairs. Formal acknowledgement of changes

approved by Chiefs of Mission or determined by me shall be transmitted to diplomatic missions by the Department of State.

Overseas staffing of elements with U.S. diplomatic missions abroad shall conform to decisions reached in accordance with the above procedures and decisions made through the budgetary process.

Departments and agencies will keep the Department of State informed as to current and projected overseas staffing authorizations for each diplomatic post, differentiating between the number of U.S. personnel and the number of foreign national personnel authorized for each post. The Department of State shall maintain a current record of staffing authorizations for each overseas post. Agencies will cooperate with the Department of State in providing data including any data needed to meet special reporting requirements.

The Department of State, in consultation with concerned agencies, will develop guidelines by July 1, 1982, for my approval to implement this directive.

# A ANNEX TWO

## The Charles E. Cobb, Jr. Award for Initiative and Success in Trade Development

The Charles E. Cobb, Jr. Award for Initiative and Success in Trade Development recognizes both an ambassador and a non-ambassador who are the most innovative and successful in developing trade and promoting exports for the United States. The recipients of the award each receive a certificate signed by the Secretary of State and \$5,000. The award is presented at the Department of State, during public recognition week.

### ELIGIBILITY

All career Department of State employees abroad are eligible to compete for the award.

### SELECTION CRITERIA

The selection criteria are:

- Initiative and pro-active contributions in advancing U.S. commercial and international trade interests;
- Leadership in working with U.S. businesses, foreign customers and policy makers and with other agencies in the U.S. government;

- Energy and imagination in assisting U.S. manufacturers, retailers and distributors, banks, investment firms, venture capital organizations, travel agents, airlines and other exporters of American goods and services;
- Initiative and creativity in convincing foreign government policy makers and other decision-makers to modify policies or restrictions relating to safety standards, health standards, import restrictions, or other rules and procedures which limit the host country's receptivity to imports of American products and services;
- Active cooperation with the Department of Commerce, the Office of the U.S. Trade Representative, Ex-Im Bank, OPIC, Department of Agriculture, USAID, SBA and other departments and agencies of the U.S. government to advance U.S. commercial interests;
- Initiative and creativity in organizing trade missions, trade shows and other exhibits that assist U.S. businesses and representatives of U.S. firms to expand American exports of goods and services;
- Success in increasing the host country's importation of U.S. goods and services on both an aggregate and per capita basis.

### NOMINATING PROCEDURES

A nominating memorandum from the Chief of Mission, endorsed by the appropriate bureau assistant secretary, will be submitted for each candidate, reviewing the candidate's performance as it relates to all of the above criteria. The appropriate bureau assistant secretary will submit nominations for Chiefs of Mission. Assistant and under secretaries are encouraged to initiate nominations as well. Nominations, not to exceed three typewritten pages, should be addressed to the Director General of the Foreign Service.

The Bureau of Economic, Business, and Agricultural Affairs will provide the selection committee with a brief description of the commercial environment in the country in which each nominee operated.

# A ANNEX THREE

## Forum Panelists and Commentators

**CHARLES E. COBB, JR.** Former Under Secretary of Commerce and former U.S. Ambassador to Iceland

**STUART E. EIZENSTAT** Former Deputy Secretary of the Treasury and former Under Secretary of State for Economic, Business and Agricultural Affairs

**BRUCE S. GELB** President, Council of American Ambassadors and President, The Wilson Council and former U.S. Ambassador to Belgium and former Director of the United States Information Agency

**ROBERT D. HORMATS** Vice Chairman, Goldman Sachs (International) and former Deputy U.S. Trade Representative and former senior staff member for International Economic Affairs on the National Security Council

**DR. KENT H. HUGHES** Director of the Science, Technology, America and the Global Economy Program, Woodrow Wilson International Center for Scholars

**ALFRED H. KINGON** Former Assistant to the President/Secretary of the Cabinet and former U.S. Ambassador to the European Union

**SEBASTIAN MALLABY** Editorial Writer and Columnist, *The Washington Post*

**JERRY K. MITCHELL** Former Deputy Director General for the Commercial Service and former Commercial Officer in Belgium, Korea and Mexico

**CARL SPIELVOGEL** Former U.S. Ambassador to the Slovak Republic

**DR. PETER S. WATSON** Former President and CEO of the Overseas Private Investment Corporation and former Chairman of the U.S. International Trade Commission and former Director of Asian Affairs at the National Security Council

**VIRGINIA A. WEIL** Senior Advisor, Business Council for International Understanding

**CHRIS SCHEVE** Rapporteur

