

Economic Statecraft:
Developing Partnerships with the Private Sector

Kent Hughes:

Let me welcome you all to the Woodrow Wilson Center, which is the living memorial to our 28th president. I'm Kent Hughes, I run a program here at the Center that focuses on innovation and globalization. Congress gave the Center the assignment of focusing on both sides of Wilson's life, bringing together people doing the best thinking on public policy, and the people that are making or influencing public policy. And we are doing exactly that today, with AID Administrator Rajiv Shah and a distinguished panel that I will introduce a little later.

During the event, we will welcome questions. You all should have gotten a small card, and we'll take questions in the second half of our program. And we're also going to be tweeting for those of you that are watching elsewhere, and the hashtag is #economicstatecraft. It is now my distinct pleasure to introduce Administrator Rajiv Shah. You have his bio, so I will be brief. Please come on up. He came to the post with a deep background in research science and agriculture from his position as undersecretary at the Department of Agriculture and several years with the Bill and Melinda Gates Foundation. Administrator Shah, the floor is yours.

Rajiv Shah:

Thank you. Good afternoon, and thank you Kent. I really do appreciate the hospitality and the leadership of the Wilson Center and the Program on America and the Global Economy. It is particularly exciting to be there with colleagues from across the federal government, Deborah McCarthy, the acting assistant secretary for the Bureau of Economic and Business Affairs at the Department of State. Nathan Young, the regional director for Latin America and the Caribbean at the USTDA, and Don Scott De Amicis, vice president general counsel for OPIC. We -- and of course, my own colleague Eric Postel who runs the Economic Growth Bureau at the U.S. Agency for International Development.

It is a particularly important time for us to be able to bring these incredibly important tools that the United States government has together to promote an agenda of trade, investment, and development abroad because that

agenda is -- as it has been seen in the president's export initiative -- is critical to creating jobs at home and to maintaining and enhancing our long-term economic competitiveness.

Economic statecraft, Secretary Clinton's term for the activity that we're engaged in today, is an important idea. It's important, but it's also simple. Harnessing American ingenuity to advance global development, and to -- in the process, strengthen our own nation's economy. And although the term has been around for only a short time, the idea behind it has driven work at all of these different federal agencies for decades. From supporting the transformation of South Korea, now the seventh largest market for American goods and services, to advancing thriving free trade between the United States and Panama, the latest country to actually graduate from receiving development assistance to being an active partner in global and trade affairs. You know it's important to note that today we have more jobs in the United States created through our trade engagement with South Korea, which was the largest recipient of U.S. aid and assistance a few decades ago, than we do in our trade relationship with France. So the work we do does help create the opportunities for our own economy in the future. And under President Obama and Secretary Clinton, we've all worked hard to ensure that we are doing more to support American trade investment and development support abroad.

You're probably familiar with USAID's history of working to support democracy, supporting global health, ensuring that more kids -- now 40 million more kids are in school in places like sub-Saharan Africa. But our own role in supporting private-sector investment, although less known, is just as critical. Over the last decade we've played a lead role in supporting pro-business reforms in six of the top 10 performers in the World Bank's Doing Business Index. Those reforms lay the groundwork for confidence in the private sector, and undergird investment, growth, and opportunity.

We've formed over 1,600 public-private partnerships with more than 3,000 private firms, leveraging almost \$19 billion in public and private resources, expertise, and technology. I had the chance last fall to visit just one of those partnerships, a program where we were partnering with Swiss Re, a major reinsurance firm, to provide affordable weather-indexed insurance to small holder

farmers and those who manage livestock in northern Kenya. The program that I visited, the specific community, had more than 600 northern Kenyan pastoralists receiving payments during a drought, and it was those payments that, in fact, kept those families afloat, kept their children fed and in schools, and kept their communities together in the midst of what was the most devastating drought those communities had witnessed in more than six decades.

And in just the past year, our Development Credit Authority, which is designed to use loan guarantees to unlock large sources of local capital, approved 38 new partial credit guarantees to mobilize a record \$700 million in commercial capital in 23 countries. Of course, those numbers are not nearly as important as the impact. In all told, this year's work will mean 140,000 small-scale businesses will be able to access local finance, impacting over 1 million people in some of the lower-income economies around the world.

And today we have the opportunity to highlight a new global agreement with our colleagues at USTDA and other federal economic agencies. Today's partnership will enable our missions across the world to perform feasibility studies around energy, transportation, and information and communications technology. We're kicking it off with support to a pilot project in Colombia that uses smart grid technologies to create large power systems. Proven to be one of the cheapest, most efficient, and most reliable ways of delivering electricity to consumers, and therefore, growth to their economy, smart grids use an algorithm-based system to calculate minute-by-minute needs and meter out energy to meet those needs. This approach will help close the electricity gap in Colombia as the nation's consumption is expected to rise by over 40 percent between now and 2020.

These aren't partnerships for partnership's sake, they're true market linkages that can create opportunities and profit for our partner companies and deliver economic development and moving people out of poverty in the communities in which we work. Increasingly, this approach has become a new model for President Obama's development agenda. It's an approach that engages far more broadly with the private sector across the range of problems we seek to solve. It's an approach that brings science, technology, and innovation, sometimes from college campuses

here, to the farthest corners of the globe. And it's an approach that delivers far more for developing countries, but demands more in terms of transparency, anti-corruption, and good and supportive policies from our partners as well.

Perhaps no effort better illustrates this administration's commitment to this new approach than the new alliance for food security and nutrition President Obama announced at last year's G8 meeting in Camp David. Last year, as we reviewed progress in our Feed the Future program to move people out of poverty through agricultural development, we noted that we've seen some real gains, but that there simply was not enough private investment going into African agricultural development. Corruption, ineffective policies, a lack of access to donor programs, and frankly, just the confusing mix of donor and multilateral partners were all cited as reasons the private sector failed to invest and engage. Under the president's leadership, we forged a new partnership that included more than 70 global and local companies that have committed nearly \$4.5 billion to invest in six sub-Saharan African countries. These investments are already helping to double hybrid maize availability in Ethiopia or build out port access in Dar es Salaam, to improve fertilizer availability in Nigeria and Mozambique, and to allow for more agro-processing in Rwanda and Burkina Faso.

We're excited about the progress of this new alliance, and we're committed to this model of holding hands across the federal government in order to make sure that we enable our partners abroad to grow sustainably and effectively. And we know that this also means bringing together the tremendous expertise of a range of U.S. government organizations to serve this purpose. The infrastructure expertise of the Millennium Challenge Corporation that's been on display in Ghana and Tanzania, the financial leveraging capabilities of OPIC that just last week had its board approve an important and innovative project to improve fertilizer access in Nigeria, the unprecedented reach and leadership of the State Department, which under Secretary Clinton's guidance, has elevated the role of economic diplomacy, as she so eloquently spoke about just a few days ago, and the private sector knowledge of the U.S. Trade and Development Agency that can help set up projects and programs so others can take them to the next level of execution and implementation.

If we're successful, we won't simply be building economic and trade partnerships. If this project and program that's being unveiled today works, we're actually creating a new capability for our government to work in a coordinated way in countries around the world, and to demonstrate that American ingenuity, American investment, and American partnership can lead to growth, transparency, and major improvements in human welfare that both help eliminate extreme poverty around the world and create jobs right here at home. So thank you for the opportunity to be with you, and I look forward to the comments of the panel. Thank you.

[applause]

Kent Hughes:

Thank you, Mr. Administrator. I think in just a few minutes you laid out an exciting array of what the U.S. government, with the cooperation of a number of agencies, is doing around the world. Now, let me invite the panel to join me up here on the stage. And I want to say at least a note about Secretary Clinton's articulation of economic statecraft in her address to the Economic Club in New York. She talked about the need for the expertise, sophistication, and creative cooperation across the whole government that we need to remain effective. And I think today's panel very much speaks to that across-the-government cooperation. Please join me up here, and what I'm going to do is introduce each panel member separately. I remind the audience that we're collecting your questions on those cards that you got when you came in. For those of you just joining us, you can see that we are tweeting with the hashtag #economicstatecraft. Each of our panelists will speak for about five minutes so that we will be sure to have some time for questions.

Our first panelist, Deborah McCarthy, is the acting assistant secretary in the Bureau of Economic and Business Affairs. She has a distinguished record of global service with the State Department, ranging from Venezuela to counter-terrorism, to work as a financial economist in the U.S. embassy in Rome. It's hard to find something that she actually hasn't done in the course of her career. And let me add that I have lost track of the number of languages she can speak. Assistant Secretary, the floor is yours.

Deborah McCarthy:

Thank you very much. There is so much to say about statecraft, and it's such an exciting endeavor as our administrator just mentioned, that I had much more than five minutes to talk, so I did a slash-and-burn, and I'll continue to slash-and-burn as I go forth. But it's truly a pleasure to be here with colleagues across the government because statecraft is a whole-of-government approach. And thank you to -- also for the invitation to be able to speak a little bit about it. To jump right in, a key element of statecraft is really recognizing the economic forces that are playing a huge role and that today, with our economic situation we need to up our game on economic issues globally, both in terms boosting our growth, and also projecting our values and helping others. In how we approach it in main State and with our missions abroad, is really focusing on four areas which the secretary has outlined, but I'm going to walk through the four without repeating and using her words, but making it a little bit more practical.

One issue is obviously, a key issue is updating our foreign policy priorities to take economic issues more into account. And a few aspects of this, for example, in Asia we're obviously working to create an open, free, transparent, and fair economic system. Through APEC and ASEAN, we're looking to change regulatory standards, harmonize custom procedures, and reduce trade barriers. It is essential that we work with the private sector on this. The APEC business advisory council is a key, key member in exchanging ideas on commercial challenges and opportunities in the region. In other words, it's not the state-to-state that is just driving this. And it's also key to implementing business facilitation measures, boosting entrepreneurial capacity of women, enhancing SME growth, and other areas. The Trans-Pacific Partnership is another element that is putting -- being put front and center and not just remaining amongst all the negotiators for it's going to link so many countries and cover approximately 40 percent of the world's total trade. And again, there it's front-and-center trying to level the playing field so that private companies can compete in a fair and transparent manner. Canada and Mexico are now going to be joining, we continue to consult with Japan, and we offer to assist in capacity building.

In Asia, to keep us working -- discussing that area, I've just returned from China, where we held the first major

investment forum to attract Chinese investment to the United States. That is also part of statecraft. We need more investment in the United States, and we've identified key markets such as China, but not limited to China, and directed our missions to pull in investment. And we could not be doing this if we weren't working with companies, associations, chambers, and service providers for, as we have discovered, all of these service providers, law firms, public relations firms, accounting firms, that have worked so successfully to help our companies work in China, now we're having business and creating more business opportunities to pull investment into the United States. Also part of statecraft is talking, at the sub-national level, not only in Asia but in other parts of the world, and working to link governors to governors, mayors to mayors, to do business deals. And that is proving to be extremely effective, particularly in the China case, it's opened up new avenues of communication as the provinces are eager to do business deals.

In Europe, obviously, we continue to have a deep engagement, but we're taking it to a new level. That's also part of statecraft. And we're taking what's called the U.S.-EU high-level working group, and making final recommendations as to whether to launch comprehensive negotiations on a trade and investment agreement. This is no small task. Europe is eager for it, and we're eager to engage with them in a deeper way, building on what the Trans-Atlantic Economic Council did.

Africa is another area that is part of statecraft. It is the home, as the Secretary says, to seven out of the world's 10 fastest growing economies. It has huge potential. So I know there's been a lot of focus on development issues in the area, but there's a lot of business to be done, and we have led delegations to the area.

In the Middle East and North Africa, statecraft is front and center. We had been working across institutions, groups, private sector, and associations to try to find mechanisms to open up business, to open up the investments -- the investment opportunities, and to create the jobs that are so badly needed.

In Latin America, obviously, we have finalized the trade agreements, but now we've got the new Alliance of the

Pacific with Mexico, Columbia, Peru, and Chile, to expand their competitiveness in the global marketplace. In other words, instead of speaking north-south, we're speaking about the east with these countries. We also have private sector initiatives such as We Connect Americas, which is bringing women into the supply chain of major corporations.

A second element of statecraft -- and I will speed up, as I know my time is going to run out here -- is to find ways to tap economic solutions for strategic challenges, and I'll give you a couple of examples. We have looked at Burma, and the Secretary led on opening up and working with Burma. As Burma opens up and we've taken trade delegations and we've worked to undo sanctions, we look at it as a potential commercial hub to link the market in India and Bangladesh, and Southeast Asia. So that's the perspective of economic statecraft. The same thing goes for the new Silk Road, which we hope is going to be a web of trade and transportation links reaching from the steppes of Central Asia to the southern tip of India. And a lot of statecraft across the missions is building those linkages. Our tools also include, in this part of the world, also the challenge of Iran. We're using economic tools to address the challenge of Iran, successfully through the coalition on sanctions.

A third element is commercial diplomacy, which many of you have read a lot about. This is, again, upping the ante in taking our over 270 missions overseas and saying you will support business in the broadest and deepest way across all agencies that are present, and to more aggressively address, particularly, non-trade barriers. It's key, as 95 percent of the world's customers are beyond the U.S., and we only have 1 percent of our companies that do export. It has meant that every embassy has a business tab site where information can be had. It means that every ambassador gets on the phone directly with companies on a quarterly basis about issues that are of interest to them, instead of having to get an appointment with him or her. And these are open to all businesses to participate.

A fourth and final area that we're focusing on is obviously making sure that our missions are geared for this new effort. This includes, obviously, training, pulling in the best and the brightest, but most importantly, working entire missions to support economic statecraft. Some know more about economic issues than others in the mission, but

under the chiefs of mission, they are being told, literally, you have to put economic issues at the center. Not only to restore our growth, but also to advance our agenda globally in this shifting pattern of global wealth and power that is non-military. Thank you.

Kent Hughes:

Thank you, that was just terrific. And let me say that I know you had more to say and we'd be delighted to post your entire statement on the web if you'd like us to do that. Our second panelist, Nathan Younge, is the regional director for Latin America and the Caribbean at the U.S. Trade and Development Agency. Prior to joining TDA, Director Young had an extensive experience with the Overseas Private Investment Corporation, and also worked with Zurich Emerging Market Solutions. It's good to have someone that knows those gnomes of Zurich that we always hear about. He is also fluent in Portuguese, as well as Spanish. Director, the floor is yours.

Nathan Younge:

Thank you very much for the kind introduction, and thank you very much for the opportunity to be here today. Economic statecraft is really what our agency is all about. And just to put it in perspective, basically our agency has a twofold mandate. One is to work on priority infrastructure projects in emerging markets, but at the same time, to work on projects that create commercial potential for U.S. industry. So every type of project that we look at has to be a win-win situation, where there's an opportunity for commercial engagement, but also something that is very much needed in the form of infrastructure in the markets that we work in. And the way that we do that is with a couple of baskets of tools.

One is basically a program where we try to link together U.S. providers of goods and services with those host country entities that are seeking those technologies, and we do this in the form of funding reverse-trade missions to the United States, where we bring project sponsors who are looking to develop an airport or a power plant or something like that to be able to meet with U.S. companies that can provide those technologies. And also to meet with their counterparts here within the U.S. government to see from a policy or regulatory perspective how it is that we do things here in the U.S. And we also fund workshops and

seminars that focus on those same issues.

Our other basket of tools is what we call our project development program, which is basically early project planning tools for major infrastructure projects. So if a country wants to build an airport, for example, they may need to perform a feasibility study to figure out the cost and the technologies, et cetera, that would go into that project. Our agency is able to provide the grant funding to enable the host country to develop those initial plans. But our funding ends at the analysis stage, the funding of technical assistance feasibility studies, pilot projects, and ultimately at the end of the day there needs to be an entity down the road that would be interested in financing or getting involved in the implementation of those projects. So we come in a very early stage of a project to help develop it and shape it, with the expectation that projects can then go onto USAID or to an OPIC, or to an Ex-Im Bank, or some other agency within the U.S. government that might be able to get involved in the implementation of those projects. So as a result, interagency cooperation is very important for us.

Just to give a few examples. Right after the earthquake in Haiti, we became very involved in the electricity sector, and we funded one technical assistance activity to basically go in early on to figure out very quickly what was the damage that resulted to the electricity and what were the quick fixes that could be implemented there. So we funded that part, and USAID was involved in the implementation. And then we funded another technical assistance activity that was designed to look at what are the future power needs and what are the best forms of power to implement in Haiti, so we funded a least-cost expansion plan for their electricity network. And that was also in very close collaboration with our colleagues at USAID. And also in El Salvador, we've been working very closely. I know that USAID chairs the Partnership for Growth program, and under that, we have funded three studies for different infrastructure projects in power and transportation in El Salvador. OPIC is another entity that we collaborate with quite closely. Many of our studies have gone on to be financed or insured through OPIC's products for the implementation phase. And also, we're very pleased to be working with you all on the U.S.-Africa Clean Energy Initiative at present.

But ultimately, at the end of the day, what we want to do is to be able to shape these early infrastructure projects in the areas of transportation, power, telecommunications, to the point where they can then be taken to an entity that's capable of providing the implementation financing for those projects. That's what we're all about. And with that, I'll turn it back over to Mr. Hughes.

Kent Hughes:

Thank you very much. This is, again, one of those jewels in the federal government that's not well known, certainly by the public at large, and often I think, even by American business. But I suspect you're making it much more known than it was. Our third panelist is Don Scott De Amicis. He's the vice president and general counsel of the Overseas Private Investment Corporation, we just heard a bit about that from Director Younge. Vice President De Amicis came to OPIC after more than a quarter of a century with the leading international law firm, Ropes and Gray. As a recovering lawyer myself, let me tell you, that's one of the firms people strive to become a part of. In addition to working with some of the largest international financial institutions, De Amicis has been a leader in the American Bar, and in particular, the international section of the American Bar. The floor is yours.

Don Scott De Amicis:

Well thank you very much, delighted to be here. Quarter century sure makes me seem old, so I'll need to sort of change that bio a bit.

Kent Hughes:

Instead you were in an early-admission program there.

[laughter]

Don Scott De Amicis:

Let me give you a 30 second rundown on OPIC. We are the United States government's development finance institution. Our statutory mission is to mobilize U.S. private capital and skills to advance development objectives in lower-income countries. We help U.S. enterprises gain footholds in emerging markets, catalyzing jobs, revenues, and growth both in the U.S. and abroad. We also advance important foreign policy objectives, and are often asked to get involved in projects in a number of the frontier in conflict countries in the world. In fiscal year 2012, our

commitments were approximately \$3.8 billion, our overall commitments -- this is financial exposure -- is in the range of \$16 billion. In terms of economic statecraft, and frankly, USG inter-agency, I sometimes think that the board of OPIC is a perfect illustration of some of both the opportunities and the challenges as we seek to cooperate across government.

I'm actually board counsel to a 15-person board. We happen to have eight members who are private sector members, but we have seven, one who is the president of OPIC, but then we have representatives of the State Department, the Treasury Department, USTR, Administrator Shah is on our board, Commerce, and Labor. And in fact, for each one of our board meetings, we have quarterly board meetings, we send out detailed packages to the board liaisons, and essentially our projects are in some ways vetted and reviewed across the government, and then issues are presented for review and consideration at the board. Among issues that have raised tension are certainly human rights and labor issues from time to time. A current issue of great interest among the government, in terms of how we deal with it, are local content requirements that many of the foreign countries are seeking to impose. Now quickly I'll go through some of our cooperative projects, which I think will underscore sort of the range and the nature of the cooperation that we do across the government.

The U.S.-Africa Clean Energy Finance Initiative was a project that came into place this past year. The agencies are State, OPIC, and USTDA. \$20 million of concessional financing is arranged by the State Department, USTDA is handling a portion of that in terms of technical assistance projects and the like. The purpose is to support project developers and investors on late-stage project development activities, a lot of technical assistance projects, and the purpose is renewable energy generation facilities and energy efficiency improvements. Another recent initiative is set to go into place I believe, this coming year, is the U.S.-Africa Clean Energy, Development, and Finance Center located in Johannesburg. The agencies will be Ex-Im Bank, USTDA, and OPIC. And the purpose: providing technical and financial support for clean energy development in sub-Saharan Africa. I am also pleased to say that this will be OPIC's first on-the-ground presence in Africa.

Let me turn to another part of the world, MINA, Middle East and North Africa. OPIC has been very involved with the White House and the State Department in terms of the Arab Spring and how the administration should respond. Secretary Clinton in 2011 on a trip over to Africa committed \$2 billion of U.S. support for the region. OPIC has secured commitments of \$977 million for small-medium enterprise, financial sector, and infrastructure projects. When President Obama was in Egypt in 2011, he promised \$1 billion in terms of U.S. commitment. OPIC was asked to take a lion's share of that commitment. We've been able to secure \$425 million in commitments, again for SMEs, transportation, and finance. We have a facility in Egypt and Jordan where USAID has been very important in providing \$11 million in grant funding in Egypt, \$9.7 million in Jordan. It has enabled OPIC to basically enter into a \$250 million investment guarantee facility in each country where we will lend to financial institutions in those countries that then will on-lend to small and medium businesses. Tunisia, there is another project that USAID is contributing \$5 million in grant to the project. OPIC will provide a \$50 million guarantee, and the State Department has been very involved.

Let me end with a project description with Haiti. There's a housing finance project where USAID has contributed \$6 million in grants, OPIC has come in with a \$17 million loan, and the purpose is to fund local banks to make micro mortgage loans to repair housing and business premises. There are a number of other examples around the globe, in Afghanistan, in Iraq, and Pakistan, but I also want to comment on other ways that people -- that the agencies seek to work together and coordinate. There are periodic meetings of State, USAID, Commerce, and OPIC principle officers. We work closely with the State Department in terms of trying to secure investment incentive agreements that we need to operate. Currently we have Burma, South Sudan, and Libya on the active list. We are engaging in some joint training in the private equity space with USAID. Another agency that's been mentioned that we've engaged in a couple of cross-agency meetings are OPIC and MCC. We've also recently established a procedure for quarterly meetings between OPIC finance personnel and DCA of USAID to coordinate our activities in that area. So I think with that, I will conclude, and thanks -- thank you for the opportunity to be here today.

Kent Hughes:

Thank you very much, that's an ambitious and just terrific agenda. I just -- before I turn to our next panelist who's going to speak from the AID point of view, I just want to express the Wilson Center's thanks for the collaboration we've had ourselves with AID. I know our Africa program is really working on a number of the priorities that were articulated by Rajiv Shah, the administrator. In fact, I see Steve McDonald I think, there in the back, who runs our Africa program. I know our Latin America program is working on the question of resilience in Latin America, particularly Central America. Our Environmental Change and Security Program does a great deal of work with AID, and my own program worked with AID looking at elements of the -- well, perhaps not quite as actively negotiated right now -- the Doha round of trade negotiation. We want to thank you for that, so it's an added pleasure that I introduce our fourth panelist, Eric Postel, who is the assistant administrator in the Bureau of Economic Growth, Education, and Environment. Prior to joining AID, the assistant administrator founded Pangaea Partners, an investment banking consultancy focused on emerging markets. He helped six African countries develop their own stock markets, advised in the creation of the Slovak Export-Import Bank, and served as VP at Citibank Tokyo. So for someone who may really have a genuinely global perspective, it's a pleasure to turn the floor over to you.

Eric Postel:

Thank you, Kent. So I'll just say a couple of quick things so that we have full time for questions and answers. You've heard from the other panelists already about a couple of broad things, number one is how we're all working together. This is a group effort, it by definition has to be, and you've already heard many examples of the coordination and the increased work, and I think probably everybody would agree that while this work's been going on for a long time, there's even more that we can do, and I'm sure that we'll all be using this second term to really explore the outer boundaries of how far we can take this. You also heard a lot of examples about transactions, specific transactions in places that people are working together in order to foster either U.S. investment or U.S. exports, or things like that.

So the last thing that I'll add to the puzzle is foundational work. And I can give an example just from my

travels last week with an inter-agency team for the partnership for growth one year anniversary in El Salvador. And while I was there, one of the leading businessmen in the country told me a story that, as often happens in this work, gets lost in the constantly evolving changes in personnel and time. But 20 years ago, USAID working with a local NGO in El Salvador, they jointly identified the fact that entrepreneurs there needed a variety of assistance. They needed technical support to really run their businesses well. They needed some credit facilities and they needed help in some cases with business plans. And USAID gave a grant to this organization for \$180,000. Over the years, that enterprise became a micro-lending organization focused on small and medium sized enterprises. In 2010, that business was sold to GE Capital for \$50 million, and it has worked with literally thousands and thousands of El Salvadorian businesses, many of whom are buying goods and services from the United States. Some of whom have partnerships with companies in the United States, and that's an example of this foundational work. The payoff may be 10 or 20 years later, but it creates the setting by which U.S. businesses can increase their involvement in these emerging markets.

A couple other quick examples illustrate how much this kind of work often needs to be done, because if you talk to U.S. business people, obviously they're interested in fair rules of conduct, they're interested in reduced corruption, they're interested in transparency in bidding processes, and they're interested in good rules of law. And when we do that work, we're not -- we're obviously not just doing it for the benefit of U.S. companies, we're doing it for the benefit for the countries and their domestic companies as well. But U.S. companies have been very big beneficiaries of this, so when you talk to them about either particular countries or sectors, they often are citing these things as the things that need to be worked on.

In Vietnam, as one example, USAID helped the country rewrite 93 laws. Regulations governing things like property rights, investment, and trade. And the net result of that effort -- but not only that, obviously, there were many other pieces of the puzzle, but in the end, Vietnam's imports from the United States have gone from \$1 billion in 2006 to \$4 billion now. Now that requires many, many things from many different agencies and private sector

actors, but it shows what's possible when people set about working on this agenda. Right now, for instance, we're working with seven countries to help them to accede to or implement WTO obligations. And there are many, many other activities, whether it's the hundreds of banks that know how to do trade finance and other forms of lending through this kind of foundational assistance, whether it's all kinds of work that has been done in many countries about customs and clearance time. I mean, in Jordan for example, the work has enabled us to cut the clearance time by more than half, down to under 24 hours. So this foundational work is the last piece of the puzzle to try and improve the environment for U.S. exports and U.S. investments overseas. Thank you.

Kent Hughes:

Thank you very much. Before we go to questions, and thank you, there's a whole host of wonderful questions here, I did want to say a special thanks to Liz White who's sitting -- Liz, raise your hand. I'm sure her ears pricked up when you mentioned El Salvador. She's a returned Peace Corps volunteer from El Salvador.

Let me ask the first question here that really is something ripped from the headlines, as they used to say on "Law & Order." There's a lot of talk about shale gas, shale oil, and so forth, and I wondered, is there any policy or current law that restricts our economic statecraft from pursuing those kinds of developments overseas?

Deborah McCarthy:

As you know, we've set up in the State Department a new Energy Bureau that's part of restructuring for economic statecraft. And in fact, we've engaged a lot with countries overseas on shale with one of our special envoys. It's such a promising area for the United States, you know, with due consideration of the environment, et cetera, and actually, in this recent trip we just took to China, though energy was not the objective we basically signaled that with our increased capabilities through various means to be an energy producer, and being on the global stage it's really going to be, and I quote the term that was used, a "game changer" in our relationships with other countries. So that's how I would answer that.

Kent Hughes:

Do any of the others have a -- that's great. Well, thank you very much. I wondered, drawing on this second question, how much does the economic statecraft approach vary depending on the level of development and the level of income in a particularly emerging market country or developing country?

Eric Postel:

I could maybe speak partly to this. USAID of course is focused on countries -- lower-income countries. The economic statecraft agenda of course is global and affects every country. So I think -- and then when you get to things like credit, there are different restrictions and tools that become more relevant or less relevant. There may be some countries in which we operate, that maybe Ex-Im Bank doesn't, or there could be the reverse. So yes, I think the level of economic development in any one country affects maybe the mix of the U.S. government actors that are involved, and may affect which particular tools are involved. But fundamentally, economic statecraft applies to every single country.

Kent Hughes:

Let me go to the next question, again, I have a list of very good ones here. One of the recent reports has urged the U.S. government and donors more generally, to really listen to business, and let business by and large set the priorities, or at least inform the priorities. And you've all spoken a bit to that, but I wonder if you could just amplify, how you work with U.S. business in terms of fostering economic statecraft around the world?

Deborah McCarthy:

I'd be happy to start. One of the first things that we did was to convene a large business conference, which the State Department per se had not done. We did this with our colleagues. And basically asked, what are we doing correctly in supporting U.S. business, and what are we doing incorrectly or insufficiently? So it was a very good exchange. It was clear that could deepen the partnership, but I hasten to add that it's not just about booking deals for American businesses. It's also about doing good overseas with American companies. It involves corporate social responsibility, it involves getting them involved in local development, et cetera, because that's also a projection of the United States. So we've upped the ante in our missions, our ambassadors are much more engaged with

businesses. I'll mention a third area, entrepreneurship. That is an area that -- it is rife with activity. Lots of programs funded by AID, some from independent sources, but basically looking for new people in various countries to look for new ideas and innovation. And also for some, giving them their time in the sun and pulling in all the talent that exists. In that respect, we've had to bring those who mentor entrepreneurs in the United States and encourage them to go out and do the same with groups overseas, which in the MINA region for example, is a promising area.

Don Scott De Amicis:

I might add something there too. At OPIC, we deal with private companies all of the time. One of the things we did about a year ago is have a global call for private equity funds to invest essentially in market countries around the world. This is a very organized process, it's open and transparent. We ended up getting about 175 proposals in through all regions of the country. They were winnowed down to about 25, and we ultimately selected about 10 from that. So it was a process by which we get, in some ways, the best and the brightest thinking going on as to where the maximum development objective would be. We look at it from both an asset diversification standpoint, a development standpoint, a foreign policy set of issues, as we make that determination. I would also say that we often find in one of the efforts that we've had across this country a program that we call Expanding Horizons that we've had in, I think, four of five parts of the country this year that bring in anywhere or attract anywhere from 150 to 250, what are entrepreneurs, primarily small and medium-small businesses. Often times, diaspora communities that are very interested especially on the development side of investing in the countries from which they came.

Kent Hughes:

Nathan, you had a thought?

Nathan Young:

Sure. Yes, we are constantly listening to and asking the opinion of U.S. industry. Our service is very demand-driven. Basically, before we provide funding for any activity we have to ask ourselves three questions. First, is the project a developmental priority in the country in which we're working? Second, does the product have a strong likelihood of obtaining financing? And third, does

it have a strong likelihood of involving U.S. exports of goods or services? For that third question, we have to basically turn to U.S. industry and ask, "Hey, is this the type of project that, you know, you and U.S. industry would be interested in?" We hire technical financial experts to look at each of our feasibility studies, technical assistance activities before we put funding into them. And a large part of their job is to basically talk to U.S. industry and find out if they indeed have appetite for this type of project, and if they don't then we wouldn't fund it.

Kent Hughes:

Thank you. Secretary Clinton has really been a leader, an initiator, and brought a whole new public dimension to our thinking about the State Department. Many of you followed the QDDR, the Quadrennial Development -- Defense Development and Diplomacy Review, and now she's taken a major lead in articulating the importance of economic statecraft. As she herself would say it, or as the administrator said, this economic dimension of foreign policy is not new, but at least in my view, it's taken on a greater prominence. And I wonder if you have any thought about how one might institutionalize this. Now there will be a new Secretary of State, we think shortly. At some point there will be a new administration. For those of us who are enthusiastic about what you're doing, how do we institutionalize this?

Deborah McCarthy:

As part of what we're doing on statecraft, we have an effort to basically make it part of our DNA. And that includes not only putting it into criteria for rewards, promotions, opportunities, and across the spectrum of including it in certain strategy plans as different parts of the building are writing strategies going out several years. Together with -- at the chief-of-mission level, something I've reiterated, and also coming from the president and the White House, is that this work across on economic issues and support for the agenda is a key element of what he is asking them to do. So that is also coming from the top.

Eric Postel:

At USAID, we've done some things and we're planning on doing more. We've created a small unit within the bureau that I'm privileged to manage that exists solely to

coordinate with TDA, OPIC, and MCC. So we have put some dedicated people on that to be the conduit with the other agencies on these kinds of issues, and then help them work their way through our organization. We think that there's a lot more we can do in terms of private sector engagement. We're in the midst of making modest additions to our planning processes so that every single step we're talking even more than we already do with the private sector, and in the new year we'll be rolling out some new means to be more transparent so that people can find us more easily. Sometimes it's a little hard to navigate your way through USAID, and we're trying to fix that.

Kent Hughes:

One of the things that is true, at least in some critical parts of the world, is there's a good deal of insecurity. The U.S. military, strikingly under Secretary Gates, testified before the Congress in favor of the State Department budget. I think almost everybody in Washington was stunned: that doesn't routinely happen. And they emphasized it because they saw things that State and AID, OPIC and TDA do that were really not central to the traditional military mission. On the other hand, physical security can be critical. How do you all work with the military in those more fraught situations? I know there have been some incentives for instance, for investment in Afghanistan.

Don Scott De Amicis:

Well, let me comment on a couple of the countries that we've operated in and continue to operate in, one being Iraq, the other being Afghanistan. And in part, as the U.S. government transitions or moves through from a military phase to a maybe statecraft phase, it's important to show that the U.S. and many parts of the U.S. government are involved and are prepared to contribute to economic stability and development. OPIC has been asked on numerous occasions to get involved. In Afghanistan, we participated along with USAID and the Afghan Growth Fund. We've been involved with the hotel projects both in Kabul as well as in Baghdad, and I will say that all of these tend to be quite challenging areas to operate in in the economic statecraft space, but nevertheless, important areas.

Kent Hughes:

Well, one of the things I wanted to ask, with my hat tipped to the fact that there are four very different agencies

here that are actively cooperating, but I know there might be some other agencies at the table. Department of Agriculture, in some cases, United States Trade Representative, in other cases. In many cases, the Treasury Department. How do you bring those other key agencies to the table?

Deborah McCarthy:

Let me begin by answering that. Most of these agencies, some have extensive presence overseas, some do not. The platforms that we have overseas with our colleagues feed information back in. We often work as co-leads on major issues. For example, with USTR and State, we co-lead on negotiating investment agreements. We have more people on the ground than they have, so we share the information. So information sharing is a key element recognizing that each has a slightly different specialty. With Treasury, for example, they've been a key element of working with us on the Deauville Partnership, State leads on the G8 initiative, and they have been key working with us in designing new financial instruments and opportunities in the MINA region. So they vary slightly by region, and slightly where they have a presences and not a presence. But they're definitely key partners in economic statecraft.

Nathan Younge:

If I could add from USTDA's perspective, you know, since we're tiny, we don't have many people abroad. Basically the Commerce Department, and in many cases, through the Foreign Commercial Service is often times our eyes and ears on the ground in many countries. And in other cases it's the economic sections in the U.S. embassies. But we also coordinate quite a bit with some of the technical agencies like the Department of Energy on initiatives and energy partnerships in Brazil. And FAA in numerous countries where we have big aviation partnerships, and of course with other financing institutions such as Ex-Im Bank, we coordinate quite a bit with as well.

Don Scott De Amicis:

Well, I mean, I'd say we call a board meeting and we get everybody involved.

[laughter]

But in addition to our board --

Kent Hughes:

That's the OPIC approach.

Don Scott De Amicis:

I mean, in addition to our board and other agencies that will, you know, sort of what we deal with fairly actively. MCC for example, I have a wonderful story out of Georgia when I had visited there about six months ago. We want to a very fairly advanced dairy product manufacturing facility. It produced consumer cottage cheeses, yogurts, many different flavors. And I went in and it was -- you could have seen this in Wisconsin or Vermont. It was quite up to speed, and I'm thinking well, where's the development value here? And someone said -- or I asked the question, where do you get the milk? Are there big farms? And they said, MCC built a road around the perimeter. Here in Georgia we have family farmers, they have three or four cows each, and what we were able to do with this road is develop collection centers for the milk, and now we have tankers that can go to these collection centers all around this road, get the milk, bring it to this facility, and you can see the synergies that come from a project like that.

Kent Hughes:

Very interesting. Well, I wanted to pursue something that Administrator Shah brought up, which was his emphasis on science. I think he's really been quite unique in terms of administrators at AID to put so much emphasis on science and also linking challenges in the developing world to the innovative capacity of the United States. I just wondered if any of you have any comments on how that's worked. You could see this coming in a world of 2 billion more people. How are we going to feed them all suggesting we're going to be looking for crops that can grow with very little rain, on sandy soils, and so forth. There must be many other areas. Now this question of working with regard to green energy, where there's so much research being done at top universities here. How are you tapping into that, looking longer term?

Eric Postel:

Maybe I'll start. So back in the 60s, there were what, seven or 10 official development agencies, and they provided almost all of the funding that went to developing countries. And obviously, the world's completely changed in that way, and there are so many hundreds and hundreds of organizations and businesses which are sources of

innovation to tackle -- to create business opportunities in some cases. In other cases, they're social entrepreneurs, but in many cases, these things have applicability to solving developmental challenges in so many countries.

I mean, the obvious one that we all know is cell phones. Created in developed countries, then came the idea of the prepaid card, which was developed in a developing country, which enables the spread of that technology. Now we can start using those things as tools in development, whether it's to monitor elections or to get market prices to very remote, small village farmers so that they get a better price for what they're growing, and on and on and on. So we recognize that and we're trying to tap into that more and more. One of the ways we're doing that, just as one quick example, is through the Grand Challenges. For instance, you cited energy. We have one that's announced and the call for proposals will be going out very shortly. Where the theory is behind these Grand Challenges, instead of the old model where USAID, working with a host country government define a problem, define the solution, and then we see who wants to do the work to implement it.

And typically in those kinds of contracting situations, there might be 10 or 20 people who submit proposals. The Grand Challenges are organized where work with a variety of partners on the Energy Grand Challenge, which is called Powering Agriculture. We're looking for new, innovative ways at the energy-agriculture nexus. Whether it's the cold storage chain, or whether it's pumps in the fields or whatever, and we teamed up with the government of Sweden's SIDA, their development agency, Duke Power, and there are a couple others that may join us as well. We've simply defined the problem, and saying "Who's got solutions?" Who's got solutions in the private sector, in academia, whatever. And looking for some of those science and technology ideas that might lead to game-changing breakthroughs. And we'll see how it turns out, but on the education grand challenge that we ran, we had 450 proposals. And we worked through them all, and we gave grants to 32 organizations, 16 of which were in developing countries, showing that we're interested in tapping those ideas from all over the world including those of the private sector.

Kent Hughes:

Thank you. You know, I just looked at my watch, I didn't mean to -- if you had something you wanted to say.

Deborah McCarthy:

Oh, no.

Kent Hughes:

We promised to get you all out of here by 4:00, and we've passed the witching hour. Even though it's not Halloween, we pay attention to the witching hour here at the Center. So I want to thank you all for coming, and ask you to join me in a round of applause for a terrific panel.

[applause]

[end of transcript]