

**PDAS Deborah McCarthy's Remarks on Economic Statecraft for
The Program on America and the Global Economy and USAID's joint event
on "Economic Statecraft: Developing Partnerships with the Private
Sector" at the Woodrow Wilson Center, December 10, 2012
(As prepared)**

I am very happy to join this panel to discuss Secretary Clinton's Economic Statecraft initiative and how the Department of State is partnering with the private sector to implement it. A year ago, Secretary Clinton outlined a vision for "economic statecraft." Its aim is to place economic issues at the center of our foreign policy and to strengthen U.S. economic leadership. For, as noted by the Secretary, the forces shaping the world today are very much economic.

At the Department of State, our actions are focused on four key areas: first, updating our foreign policy priorities to take economic issues more into account; second, turning to economic solutions for strategic challenges; third, stepping up commercial diplomacy; and fourth, building the diplomatic capacity to execute this ambitious agenda.

1) Updating foreign policy priorities:

In Asia, we are working to support an open, free, transparent, and fair economic system. Through APEC and ASEAN, we seek to improve regulatory standards, harmonize customs procedures, and reduce trade barriers. This work relies on public private partnerships – the APEC Business Advisory Council, for example, is a key avenue to exchange ideas on commercial challenges and opportunities in the region. Through the private sector, we are working also to implement business facilitation measures, promote the entrepreneurial capacity of women, enhance SME participation in global production chains, and protect intellectual property rights and promote innovative growth.

We are making progress toward finalizing the Trans-Pacific Partnership to bring together developed and developing countries from across the Pacific into a single trading community covering 40 percent of the world's total trade. Canada and Mexico have already joined the original TPP partners. We continue to consult with Japan. We have offered to assist with capacity building, so that every country in ASEAN can eventually join.

I just returned from China where we held the first major investment forum to attract Chinese investment to the United States. This, too, is part of our statecraft agenda. We have identified key potential markets, such as China, Brazil, India and South Africa, and our missions have been directed to attract job-creating foreign investment to the United States.

In carrying out Economic Statecraft, we have partnered in new and different ways. An example is our sub-national engagement efforts. In China and in other countries such as Brazil, India, and South Africa, we have linked governors and mayors to talk business and economic opportunities. We have also linked U.S. service providers (e.g., law firms, public relations firms, and accounting firms) with potential investors. These very same firms that ably helped U.S. companies penetrate markets abroad now have new business opportunities themselves in bringing investment to the United States.

The United States is also moving economics to the center of our agenda elsewhere in the world. For example, we are deepening our economic partnership with Europe. The new U.S.-EU High Level Working Group will make a final recommendation by the end of 2012 as to whether to launch comprehensive negotiations on a trade and investment agreement, building on our strong economic relationship as well as on the work of the Transatlantic Economic Council.

In Africa, we are also engaged in Economic Statecraft. Africa, as the Secretary has noted, is currently home to 7 of the world's 10 fastest-growing economies. We are focused on development, but also trying to do more to harness market forces and private-sector solutions for these growing economies.

In the Arab Spring countries, we are partnering across agencies and with the private sector to foster a better business and investment environment to create jobs that are so badly needed.

In Latin America, we have begun discussions with a new group called the Alliance of the Pacific, formed by Mexico, Colombia, Peru, and Chile to expand their competitiveness in the global marketplace. Through partnerships like the WEConnect Americas initiative, we are also seeking to diversify the supply chains of major U.S. corporations by training and certifying women owned businesses to participate.

2) Finding ways to tap economic solutions for strategic challenges:

Statecraft also means looking for economic solutions to major challenges. Burma is an excellent example. As Burma opens up and establishes new ties to its neighbors, it could become a commercial hub linking markets in India and Bangladesh with Southeast Asia. An Indo-Pacific economic corridor powered by new energy and transportation infrastructure and fewer trade barriers could create jobs and help lift millions out of poverty.

The same goes for another regional vision we call the New Silk Road, a web of trade and transportation links reaching from the steps of Central Asia to the southern tip of India.

We are also using economic tools to address the challenge of Iran. The coalition on sanctions has built effective pressure. We went after Iran's central bank and finance sector, and we reached out to private insurers, shippers, oil companies, and financial institutions to help in this effort. We are seeing results. In one year, Iran's oil exports are down by more than one million barrels a day, costing the Iranian government at least \$3 billion each month.

3) Commercial Diplomacy:

The third major area of focus for Economic Statecraft is commercial diplomacy to boost U.S. exports, opens new markets, and levels the playing field for American businesses. We are upping our game using our Department of State-led platforms of more than 270 embassies and consulates to advocate for American firms and help achieve President Obama's goal of doubling U.S. exports in 5 years. With 95 percent of the world's customers living beyond our own borders, this has become an economic imperative. Our diplomats are working to make it easier for U.S. businesses to find answers and get advice about navigating markets. They now all have "business tabs" on their websites, and we have encouraged every Ambassador and their teams to engage in "Direct Lines" calls that allow any company to talk directly to the Chief of Mission via tele- or digital video conference. Leveraging all agencies at posts, we help companies connect with foreign partners and compete for contracts, and whenever a U.S. Government official travels overseas now, we include business events on our schedules.

We are sending more trade missions, like the one led by the Secretary to the U.S.-ASEAN Business Forum in Cambodia and the one led by Deputy Secretary Nides to Egypt. Back in Washington, we have convened conferences bringing together business leaders and government officials from more than 100 countries.

But let me be clear, working with business is not just about booking deals. It also means partnering with business to do good and to promote our values. We work closely with business across the globe on corporate social activities. These, too, are part of economic statecraft and smart economics.

4) Making sure America's diplomats and development experts have all the skills and support they need to actually implement economic statecraft.

We are focused on recruiting, retaining, and rewarding the most talented people we can find. We have created a new Energy Bureau and combined it with various offices, including mine, in an expanded Under Secretary for Economic Growth, Energy, and the Environment to maximize synergies and cooperation among these fields. We are also making sure that embassy teams across functions are aware of and apply Economic Statecraft.

The Secretary has laid out an ambitious agenda in economic statecraft. Promoting an international trading system that is open, free, transparent, and fair is not just good for U.S. business, it is good for our broader interests in peace and stability as well. It requires a whole of government approach, and I know my colleagues on the panel are doing much at their own agencies in support of economic statecraft.

Thank you again for the opportunity to speak to you. I look forward to your questions.