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**Written Testimony for the Senate Foreign Relations Committee,
Subcommittee on International Development, Multilateral Institutions, and
International Economic, Energy and Environmental Policy**

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Thank you Chairman Barrasso, Ranking Member Udall, and other members of the Subcommittee, for this opportunity to discuss how the State Department works for the United States and for the U.S. economy, helping to create jobs and prosperity for Americans. I am here representing the Department's Bureau of Economic and Business Affairs; it is a privilege to be joined by colleagues from our Bureau of International Organizations, Bureau of Oceans and International Environmental and Scientific Affairs, and U.S. Mission to the United Nations.

The Bureau of Economic and Business Affairs ("EB") uses economic diplomacy to advance the prosperity and security of all Americans by working with partners around the world to negotiate and implement agreements which shape the rules of global commerce. We give the Secretary a global perspective on economic, financial, and development issues; lead efforts to expand trade, investment, transportation, and telecommunications links; shape U.S. engagement in global economic discussions including at the G-7, G-20, Organization for Economic Cooperation and Development (OECD), and the Asia-Pacific Economic Cooperation (APEC) forum; craft and implement U.S. sanctions; promote entrepreneurship overseas, especially in unstable societies; and ensure that the success of the U.S. economy and U.S. business is at the heart of our foreign policy.

Economic Diplomacy Matters

As Secretary Kerry has said on many occasions, we at the State Department view economic policy and foreign policy as two sides of the same coin: economic diplomacy and support for sustainable development are part and parcel of defending our nation's interests and ensuring the well-being of all Americans. The 2015 Quadrennial Diplomacy and Development Review (QDDR), released April 28, reaffirms the central role of economic diplomacy and offers concrete proposals to strengthen our capacity to work for freedom, prosperity, and stability around the

world. Through the Secretary's Shared Prosperity Agenda, we are working across regional and functional lines to ensure unity of effort in our foreign policy.

Whether the issue is ensuring access to energy in Central America and South Asia, supporting economic growth and stability in the Middle East, building prosperity in the Mekong Delta region, or broadening access to the Internet and modern telecommunications in world's poorest countries, these efforts can and must be mutually reinforcing. Inclusive economic growth is a central pillar of these efforts and a principal driver of our commitment to help end extreme poverty, an aim that is central to USAID's mission.

The rapid growth of emerging markets, particularly in East Asia and Africa, makes it critical that we use economic and commercial tools to support U.S. jobs and unlock opportunities for U.S. business in overseas markets, consistent with broader U.S. foreign policy objectives. This entails commercial advocacy to promote U.S. exports, protect intellectual property, and attract job-creating investment to the United States; economic diplomacy to shape the rules of global trade, finance, travel, transport, and the digital economy; and U.S. support for foreign government policies that advance economic prosperity, stability, entrepreneurship, and good governance. Sanctions and financial countermeasures have also become key tools to address broader challenges including terrorism, organized crime, and threats to international peace and security.

We help the U.S. economy grow, by expanding access to overseas markets and attracting job-creating foreign investment to our shores

EB has no higher priority than supporting exports of U.S. goods and services and the inflow of job-creating foreign investment, both of which sustain economic growth here in the United States. In 2014, the State Department contributed to U.S. Government advocacy efforts that supported \$80 billion in U.S. export deals and 11.3 million jobs linked to exports. Through EB's Partner Post program with the Department of Commerce – in which our embassies without U.S. Foreign Commercial Service (CS) presence can offer CS-branded services – we are doing superb work supporting U.S. companies in those markets and in attracting foreign investors to the United States. For instance, our Embassy in Kosovo, a market of only about two million people, conducted trade promotion activities in 2014 contributing to \$770 million in prospective business deals between U.S. companies and the Government of Kosovo. Commercial advocacy and facilitation are our top priority, because when U.S. firms win overseas contracts and expand into new markets, they benefit and so do the foreign countries in which they operate. In North Africa and Central America, for instance, the State Department and its

Missions work with leading U.S. companies to offer cost-effective solutions for those economies in transition.

We are always looking for new ways to support and communicate with U.S. business. In FY 2014, EB launched the BIDS/Business Information Database System portal (bids.state.gov) to alert U.S. businesses to significant global procurement opportunities. BIDS currently features 440 leads with a combined value of over \$218 billion. Since 2013, EB and U.S. Missions overseas have conducted over 130 “Direct Line” calls and webinars with U.S. companies. Direct Line lets U.S. businesses talk directly to our Ambassadors and economic officers at Posts ranging from Shanghai (the most recent example) to Libya, Costa Rica, and points in between. Since its inception in 2012, over 5,000 U.S. companies and nearly 200 Posts have participated in Direct Line calls and webinars.

On any given day, the Department and its economic officers in the field engage with dozens of foreign governments to ensure that U.S. businesses can sell their goods and services in those markets. For instance, when the Saudi government implemented new fuel economy standards, we worked to keep that market open for our automotive producers while advancing U.S. climate objectives. In Kenya, we successfully addressed a customs issue that had made the distribution of U.S. films in that market uneconomical. Around the world, we address gaps in the protection of our intellectual property rights (IPR) and support public outreach to convey the importance of protecting IPR. Often this work is innovative. In Cambodia, EB worked with Embassy Phnom Penh and the local Ministry of Health to host a poster competition to increase awareness of the dangers of counterfeit and substandard medications: over 2,000 poster designs in English and Khmer were submitted, and the winner was printed and displayed at every pharmacy in the country. Another example is our support for Consulate General Guangzhou’s hugely successful smartphone application, which offers job-search advice for young professionals – an influential segment of China’s population – so that they can consider intellectual property issues when they apply for jobs at multinationals. The app features videos by top executives from Google, Hasbro, and Harley-Davidson who talk about their companies’ core values and what they seek in potential employees, with examples of “good” and “bad” resumes and cover letters, all to help instill a culture of valuing and protecting IPR.

Likewise, we and our Missions overseas are active on agricultural trade and Sanitary and Phytosanitary (SPS) issues to ensure that U.S. farmers – who are without peer in their productivity and innovation – can sell their products in fast-growing foreign markets. EB worked with dozens of partner countries to adopt an

international standard for ractopamine in animal feed, enabling U.S. pork and beef producers to gain access to a number of foreign markets.

My Bureau has been particularly active in the ICT (Information and Communications Technology) and digital economy sectors, which have accounted for much of our economic growth and innovation in the past 25 years. In recent years, the Department of State has worked successfully to avert localization and privacy rules in foreign jurisdictions that would unnecessarily impede the digital infrastructure vital to U.S. commercial interests and to open flows of information across borders.

Since U.S. investment overseas and U.S. exports go hand in hand – and since the United States is a leading recipient of job-creating foreign investment – we work hard to ensure that U.S. companies enjoy the benefits of strong bilateral and multilateral investment provisions. In 2014, I was pleased to help launch the EB-facilitated “Global Enterprise Registration” portal (www.globalereg.co), that makes it easier for start-ups to register and grow through cross-border investments. EB also worked closely with Commerce to recruit SelectUSA initiative as part of our Cross-Agency Priority Goal to attract more job-creating investment to the United States.

We negotiate agreements that foster a more open, inclusive, transparent, and rules-based global economy

The Department of State and its Missions around the world are where “the rubber meets the road” for the international agreements that make possible an expanding and inter-connected global economy, something that is essential for our prosperity and that of our partners. Currently, public attention is focused on the Administration’s ambitious negotiations for a Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) – agreements which, if enacted, will substantially expand U.S. commercial opportunities and support continued economic growth here in the United States. EB sends subject matter experts to support both these key negotiations. At the same time, EB, State Department Posts, and our partners in U.S. Trade Representative and Department of Commerce work to negotiate and implement a wide range of bilateral and multilateral agreements and understandings, all with the aim of fostering a more open, inclusive, and rules-based global economy consistent with U.S. interests.

For instance, EB and USTR co-chair the negotiation of bilateral investment treaties (BITs), including our ongoing talks with China. This negotiation provides a major

opportunity to engage with China on issues related to its economic reform, and to improve market access, investor protection, and transparency for U.S. firms operating in China's market. We are also assessing the prospects for a high standard BIT with India, and with other key partners, including in sub-Saharan Africa and Asia.

In 2014, we helped conclude the Trade Facilitation Agreement (TFA) under the World Trade Organization (WTO); studies estimate that trade facilitation, including via the TFA, could increase global GDP by as much as \$1 trillion. Through the WTO, OECD, World Customs Organization (WCO) and a number of other technical bodies, and working directly with host governments, we help ensure that international agreements are translated into national policies that allow U.S. goods and services to flow across borders. Given the critical role of foreign governments and state-owned enterprises (SOEs) in the global economy, EB continues to work on expanding the coverage of the WTO Government Procurement Agreement, to monitor the role of SOEs, and to support fiscal transparency efforts in partner countries. The global fight against corruption and foreign bribery remains critical, and EB, which spearheaded the OECD Anti-Bribery Convention two decades ago, continues to lead the U.S. effort to ensure that our partners enact and implement measures against foreign commercial bribery along the lines of our Foreign Corrupt Practices Act (FCPA); we have seen substantial progress in this area in recent years, but much work remains to be done.

Here too, the ICT and digital economy sectors are critical and EB has led the effort to advance U.S. priorities on Internet governance, ensuring an open and global Internet, free from governmental controls. EB led the United States delegation to the International Telecommunication Union's (ITU) highest-level treaty conference late last year, securing agreement that there would be no expansion of ITU's role in Internet governance or cybersecurity. EB is leading the U.S. push to expand access spectrum for mobile broadband and pave the way for remotely piloting aircraft and myriad space science activities at the ITU's World Radiocommunication Conference (WRC-15) later this year, seizing the opportunity to advance U.S. innovation and economic growth, further strengthen national security, and accelerate U.S. research and leadership. In multilateral discussions of ICT issues – and in our robust dialogues on Internet Economy issues with partners such as Japan, China, the Republic of Korea, Brazil, Colombia, and the European Union and several of its Member States – the U.S. side incorporates both government and industry voices to ensure that U.S. business and other stakeholder views are considered in policy discussions.

Aviation is another key sector where the State Department has pioneered agreements that expand market access for U.S. carriers and other U.S. business. Over the past year, we negotiated a new bilateral aviation agreement with Mexico that, when implemented, will allow U.S. airlines to fly as often as they want between any U.S. city and any point in Mexico, a boon for our carriers and other U.S. businesses that will support jobs here in the United States. Since the safety and security of the traveling public must always come first, EB recently worked to design and implement a new interagency procedure to ensure that information about U.S. government actions affecting U.S. commercial aviation near global conflict zones is shared with foreign partners via the U.N. International Civil Aviation Organization (ICAO) and with American travelers.

The Department of State works with the Department of Treasury to realize repayment of U.S. government debts with sovereign borrowers, working bilaterally and through the Paris Club group of creditors. In May 2014, we negotiated an arrangement with the Government of Argentina that provides for full repayment over five years of \$608 million in outstanding debt owed to U.S. taxpayers. We also work closely with U.S. government creditor agencies to ensure timely payments from sovereign borrowers throughout the year.

We work to expand the scope of stable and prosperous democracies with well-functioning, market-driven economies

As Secretary Kerry has persuasively argued, most recently at the Atlantic Council on April 23, U.S. leadership on economic issues and our national security are inextricably connected. For that reason, the State Department and USAID are closely engaged in supporting the economic stability and prosperity of our partners around the world, and EB is part of that effort.

In recent years and months, the Department of State has facilitated official loan guarantees to key partner countries (Jordan, Tunisia, and Ukraine); worked to expand U.S. economic and commercial ties with African partners, culminating in the historic U.S.-Africa Leaders' Summit in August 2014; helped lead the campaign that made 2014 the first year of full European Bank for Reconstruction and Development (EBRD) operations in the Middle East and North Africa region with over \$1 billion in financing for Egypt, Jordan, Morocco, and Tunisia; and supported entrepreneurship programs around the world including high-profile Global Entrepreneurship Summits in Morocco (November 2014) and this summer in Kenya, among many other efforts. EB works with Treasury to promote debt sustainability both bilaterally as a sovereign creditor and multilaterally through the

International Monetary Fund (IMF), the World Bank, the OECD, and the Paris Club. This is particularly important given our investment in the Heavily Indebted Poor Countries (HIPC) initiative that helps reduce debt burdens to sustainable levels. It is also increasingly important as developing countries diversify their financing, including through private bond offerings, many of which are first time or “frontier” issuances.

Because national security and the economy are so closely intertwined, EB works closely with the Treasury Department to craft and implement economic sanctions and financial measures in support of U.S. foreign policy objectives and the international fight against terrorism and organized crime. Over the past year, EB helped forge sanctions against Russia that imposed costs for its actions in Ukraine; shaped new sanction measures in Central African Republic and South Sudan; and implemented limited sanctions relief for Iran while negotiations continue. Because U.S. companies and NGOs are active worldwide, including in conflict areas, EB has worked to speed processing of sanctions licenses and exemptions to civil society and the private sector where these are warranted.

Telecommunications and the Internet are critical to improving economic conditions around the world. EB has supported the APEC Telecommunications Mutual Recognition Arrangement (TEL MRA), which helps bring new telecommunications technologies to market faster. TEL MRA allows mutual recognition of testing and certification of new technologies done in certified labs, but requires engagement from regulators and standards authorities in participating APEC economies. With more than half the world’s mobile phone subscribers in Asia, this arrangement saves consumers and industry billions of dollars annually and opens new opportunities for U.S. business in fast-growing markets.

In Africa, the Department of State is working on a broad range of economic issues, in particular telecommunications and the Internet. Following on the heels of the U.S.-African Union Commission (AUC) High Level Dialogue (HLD), EB is joining forces with U.S. industry and other U.S. agencies to accelerate the adoption of national broadband plans across Africa. This week, EB is partnering with our Embassy in Rwanda, USAID’s Development Lab, the Alliance for Affordable Internet and Intel Corporation to host an Africa-wide National Broadband Plan and Universal Service Funds (NBP-USF) forum to share insights on promoting ICT-enabled economic growth and fostering a better investment climate. With this forum, EB has worked with U.S. industry to facilitate the training of nearly 400 African officials working on ICT issues.

Around the world, the Department of State and our Missions press partner governments to improve labor and environmental practices and workplace safety, most notably in Bangladesh's apparel and textile sector. I am proud of EB's role in highlighting the many exemplary cases of Responsible Business Conduct (RBC) by U.S. companies overseas via the Secretary of State's Award for Corporate Excellence (ACE), established in 1999, which recognizes outstanding contributions by U.S. businesses in their overseas operations as good corporate citizens. We are engaged on the Administration's National Action Plan (NAP) on RBC, to articulate U.S. commitments to create an enabling environment for U.S. businesses operating abroad and to spotlight best practices by those companies.

We adjust our tools, tactics, and resource outlays to advance U.S. economic diplomacy and to respond to world events

Finally, EB takes the Administration's performance agenda and our stewardship of taxpayer resources to heart. Through the BIDS portal, Direct Line communications, and other efforts, EB is making measurable progress in supporting U.S. economic and foreign policy interests. EB and our Posts provide critical support for the Commerce-led Cross-Agency Priority (CAP) goal of attracting job-creating investment, which recently culminated in the 2015 SelectUSA Summit, to which almost fifty of our Ambassadors led investor delegations from their countries of posting. EB worked with Commerce to recruit over 1,300 potential foreign investors for that successful event. Expanding our engagement with U.S. stakeholders is also a priority, in particular through the State Department's Advisory Committee on International Economic Policy (ACIEP)

In recent years, EB has supported the President's and Secretary's ambitious foreign policy agenda—including on fast-moving world events such as the response to economic and security challenges in Ukraine and the Middle East, support for U.S. business, and support for critical engagement on Iran and Cuba – while holding the line on our budget. We have met these challenges by realigning people, portfolios, and resources: in a resource-neutral reorganization, EB was able to strengthen the offices that lead on these high profile issues and others. At the same time, we shifted portfolios to ensure that enduring responsibilities such as trade and aviation negotiations were met with the same high-caliber expertise. We have also leveraged technologies to expand our commercial outreach via the aforementioned BIDS, Direct Line, and GER platforms. Our small investment in IT continues to reap benefits for the American people, and we would like to do more in this area.

EB manages several relatively small, but strategically targeted, operational policy programs:

- EB's **Agricultural Biotechnology outreach program** helps Missions conduct activities to encourage the adoption of science-based regulatory systems and promote acceptance of agricultural biotechnologies in key overseas markets. Most activities are in the range of \$10,000 to \$25,000, with some as small as \$500 and others as large as \$50,000.
- Our **Business Facilitation Incentive Fund (BFIF)** helps Missions that do not have Commercial Service presence (currently 56 Posts) to conduct field activities to promote U.S. exports and attract inward investment to the United States. For FY-2014, BFIF supported 123 activities ranging from \$575 to \$14,000.
- EB and USAID jointly manage the **Fiscal Transparency Innovation Fund (FTIF)**, which supports Mission-proposed projects that assist partner governments and NGOs working to improve fiscal transparency in countries that do not currently meet minimum standards for fiscal transparency or have continuing weaknesses in public financial management. The Department will provide up to a total of \$7 million in FY 2014-appropriated Economic Support Funds (ESF) for FTIF projects.
- The Department's **IPR Public Diplomacy outreach program** supports Mission efforts to raise awareness in key countries on the dangers of counterfeit goods (especially medicines and medical products), the role of IP in commercializing innovation, and the negative impact of Internet piracy. Activities funded in recent years range from \$2,000 to \$15,000.

The State Department has no greater resource than its people, and EB has worked closely with regional bureaus and our Bureau of Human Resources to design and implement new mechanisms to give Department employees a broad range of experience on economic issues – including at other agencies and at U.S. companies – and to improve coordination among functional bureaus (who focus on issue-areas), regional bureaus (who coordinate U.S. policy towards countries and geographic areas), and our Missions in the field. The Department's [2015 QDDR](#) offers significant innovations in this regard, which we will work to implement in the coming months. The QDDR, among other recommendations, calls on each State Department regional bureau to designate a Deputy Assistant Secretary to coordinate economic policy efforts; introduces procedures to ensure that talented individuals take senior economic positions in key Embassies overseas; sets up rotational programs among the regional and functional bureaus; and enhances and expands external detail assignments to help deepen the professional development of our officers. The integration of U.S. regional foreign policy and economic

policy is particularly critical in this era, when many emerging middle-income economies are seeking to reduce trade and investment barriers with other nations in their same neighborhood. Such regional economic integration – as seen notably in Southeast Asia, Central America or East Africa – is strongly in the interests of the United States: it promotes regional peace and stability, accelerates growth, creates regional economies of scale, and enhances opportunities for U.S. exporters and investors.

The QDDR also embraces a “data-driven” foreign policy, informed by diagnostics, and suggests new ways to integrate foreign economic policy with our policy toward particular countries and regions. For instance, we are in the process of building a comprehensive inventory of economic challenges facing our partner countries, drawing on the expertise of thousands of U.S. personnel in Washington and in the field (from State, USAID, and other agencies). The QDDR endorses an array of diagnostic tools successfully used by the Millennium Challenge Corporation (MCC) and USAID to identify and address country-specific barriers to inclusive economic growth – since there is no “one size fits all” approach to fostering economic growth and addressing related economic challenges – and highlights key policy areas to support inclusive growth abroad: income inequality, corruption, and youth unemployment.

Since economic diplomacy requires specialized knowledge of evolving issues, the State Department’s Foreign Service Institute (FSI) currently runs over 20 training programs in economics, commercial diplomacy, and related areas including science, environment, energy, and health. Our long-standing and comprehensive six-month Foreign Service Economic Studies course delivers the equivalent of a high-quality graduate degree in economics, along with a strong dose of applied economic work. The Department also assigns two employees annually to a one-year University Economics Training detail at prestigious U.S. universities. Other courses focus on trade dispute resolution, illicit finance and sanctions, global health diplomacy, intellectual property, biotechnology, aviation, telecommunications, and energy. FSI’s hands-on tradecraft courses prepare officers for their work, stretching from their first tours overseas all the way to service as section chiefs, and its distance-learning courses cover commercial diplomacy, investment treaties, trade, and intellectual property rights. FSI recently launched a new distance-learning course on bilateral investment treaties and is developing another on global health diplomacy.

The State Department and its Missions overseas also work with FSI to offer economic training in the field. In January, Embassy London hosted a customized

training course on Internet Governance and the Digital Economy at Embassy London, with the participation of Under Secretary Catherine Novelli, Assistant Secretary Charles Rivkin, and a number of Internet pioneers. In March, FSI and State's ENR bureau co-organized extensive training in Doha on energy issues in the Middle East, North Africa, and Eastern Mediterranean. Later this month, FSI will partner with our Mission in Japan to train field personnel on the Trans-Pacific Partnership, the economic challenges facing Japan, and how to "message" the U.S. economy.

Whatever the economic policy issue – whether trade, finance, transportation, telecommunications, development, sanctions, or the economic dimensions of broader challenges such as terrorism, violent extremism, climate change, energy, and migration – we put U.S. interests and our citizens' well-being first, and endeavor to work as part of a whole-of-government effort.

Conclusion

Continued U.S. leadership in the world requires a dynamic economy at home and active engagement overseas; these objectives are fully consistent and mutually reinforcing. Through economic diplomacy, EB works to advance the livelihoods and security of Americans and makes a substantial contribution to a more just, free, and stable world.

I thank you for your continued engagement on these issues and look forward to your questions.