

**Statement of Robert D. Hormats**

**Under Secretary of State for Economic, Energy and Agricultural  
Affairs Designate**

**Senate Foreign Relations Committee**

**September 9, 2009**

**Mr. Chairman and Members of the Senate Foreign Relations  
Committee:**

**Thank you for inviting me to appear before you today. I sincerely appreciate your holding this hearing so soon after returning from the summer recess. It is an enormous honor for me to appear before you as President Obama's nominee for Under Secretary of State for Economic, Energy and Agricultural Affairs. I am grateful to President Obama and Secretary Clinton for the trust and confidence they have demonstrated in nominating me to this important position. If confirmed, I would be honored to serve our country in this role.**

**As the members of this Committee are very well aware, international economic policy is a key component of U.S. foreign policy. American prosperity is ever more dependent on a robust global economy, increasingly open access for American manufactured goods, agricultural products and services to global markets, and the smooth flow of global capital. Access to rapidly growing emerging economies, in particular, can help to create well-paying American jobs, sustain our nation's prosperity and enhance economic opportunity in our country. And a strong American economy is vital to our national security – providing the resources and the global influence to pursue our foreign policy and our military objectives**

**President Obama and Secretary Clinton have made it very clear that they will place great emphasis on economic relations with our key partners, including the newly emerging economies and powers. At the same time, the Administration recognizes America's unique role in promoting economic development, addressing vital international food security, energy and environmental issues and fostering closer economic ties among a wide range of nations. If confirmed, I will work to carry forward President Obama's and Secretary Clinton's shared vision.**

**A well-functioning, rules-based and increasingly open global trading system not only serves our domestic economic interests, but also advances prosperity and international cooperation globally. The same can be said for a well functioning global financial system – which has been critically important during the current crisis. As we learned from the 1930s, a breakdown in international trade, finance, and economic cooperation, and a reversion to nationalist economic policies, can have devastating economic, political and military consequences. On the other hand, improved bilateral and multilateral economic ties, especially with traditional allies and with the emerging economic powers in the world, can positively reinforce American growth and all aspects of American foreign policy: from economic and environmental, to energy, to efforts to improve human wellbeing. It also leads to broader peace and prosperity.**

**As part of this effort to promote America’s foreign economic policy interests, it is vitally important to support and promote efforts in other nations, as well as our own, to overcome the current economic and financial crisis in a constructive and cooperative way. Recovery abroad boosts recovery at home. Well-conceived and well-executed measures to achieve economic recovery, sustainable future economic growth and improved living standards abroad can significantly help us to achieve recovery and sustained growth – and improved trade and current account balances. Also, a well-functioning global economy, coupled with constructive and forward-looking domestic policies among our economic partners, can lead to the prosperity, stability and peaceful conditions that enable growing numbers of people around the world to enjoy higher living standards, greater physical security, and access to essential services.**

**It is also increasingly important that we engage the diverse constellation of other participants now operating alongside governments in these areas – this includes the private sector and NGOs, as well as multilateral institutions such as the World Bank, the International Monetary Fund, and the World Trade Organization. We need to ensure representative governance across institutions, which can also lead to a greater sharing of burdens and responsibilities in the years ahead.**

## **BACKGROUND**

**I first became interested in international affairs during my undergraduate study at Tufts University in Medford, Massachusetts.**

**As a result of that interest, and an initial focus on developing economies, I was fortunate enough to have been selected to participate in Operation Crossroads Africa – a sort of summer Peace Corps – where I helped build barns, fences and cow sheds in rural Kenya. The following summer, I was selected to serve as a summer intern in the Africa Bureau of the State Department. Later, I was a summer intern in the American Embassy in Bonn, Germany. During graduate school at the Fletcher School of Law and Diplomacy, also in Medford, Massachusetts, I studied international economics and politics and completed doctoral research on economic development in rural Tanzania.**

**Upon graduation, I was asked to work on international economic affairs on the National Security Council Staff, by Fred Bergsten. I stayed on the Staff for seven years – over time, moving to the job of Senior Staff Member for International Economic Affairs under Dr. Henry Kissinger and then General Brent Scowcroft in the Nixon and Ford administrations, and under Dr. Zbigniew Brzezinski in the Carter Administration. After that I was appointed Senior Deputy Assistant Secretary of State for Economic and Business Affairs and then Deputy US Trade Representative in the Carter Administration, and ultimately Assistant Secretary of State for Economic and Business Affairs in the Reagan Administration.**

**I consider each one of these jobs to have been a great privilege. During this period – when our country was in the midst of the Cold War – the primary focus was on strengthening relations with our allies as well as on supporting those nations in the developing world that were attempting to open their political systems and increase economic growth. Significant attention was also devoted to the challenges of multiple energy crises and the creation of new institutions for international economic cooperation such as the Group of Seven, the International Energy Agency and the International Fund for Agricultural Development.**

**I am grateful for the opportunity to have served my country in both Democratic and Republican Administrations. In these jobs, I always strived to maintain very close relations with this Committee, with other members of Congress, and with Congressional Staffs, on both sides of the aisle. Indeed, these relationships proved to be an integral part of doing my job effectively throughout this period.**

**Since leaving government I have worked at Goldman Sachs in New York. I have spent much of this time with investors identifying trends,**

**risks, and opportunities in the domestic and international economy and in the American and global financial markets. I have travelled extensively – frequently visiting China, India, Japan, and other countries in Asia, as well as Canada, Latin America and much of Western Europe – meeting government officials, leaders of financial institutions, and corporations to discuss their outlook, and to identify business and investment opportunities and risks.**

**I have worked particularly closely with the firm’s Global Markets Institute, which provides research and advisory services around the world. We have focused on the implications of long-term economic forces – resource scarcity and food prices, demographic transition and retirement savings, international trade and income inequality as well as risk management.**

**In this capacity, I have also travelled widely throughout our own country to meet with business leaders, investors, and state and local officials. These meetings gave me the opportunity to discuss with them the outlook for the US and global economy and the ways in which business and investment decisions might best take into account changing national and international economic circumstances.**

**In all aspects of my time at Goldman Sachs, I have been reminded of how profoundly international economic, financial, energy and agricultural developments affect the lives and the prosperity of all Americans – the jobs, savings, future economic opportunities and well-being of more than 300 million of us. This is a lesson first learned, and most powerfully learned, during my foundational experience in government service.**

## **THE CHALLENGES AHEAD**

**In her July 15 speech to the Council on Foreign Relations, Secretary Clinton noted the importance of “smart power.” Smart power is, in her words, “the intelligent use of all means at our disposal, including our ability to convene and connect. It means our economic and military strength; our capacity for entrepreneurship and innovation.” She added “It also means the application of old-fashioned common sense in policymaking. It’s a blend of principle and pragmatism.” I can’t think of a better description of effective diplomacy and the State Department’s mission.**

**I am enthusiastic about the prospect of serving our country in the position of Under Secretary of State for Economic, Energy and Agricultural Affairs. If confirmed, I look forward to working for President Obama and Secretary Clinton, and to close cooperation with the members and staff of this Committee and the Congress as a whole.**

**I also eagerly look forward to working with the many dedicated people who serve the Federal Government in the Legislative and Executive Branches. Having served at the State Department before, I am keenly aware of the top-flight team of Foreign Service and Civil Service officers and staff who serve our country with great dedication and skill at home and abroad. Good government is a team effort within the executive branch, between the executive branch and the Congress, and with state and local leaders. I also recognize that it requires active and ongoing communication with agricultural, labor, environmental, business, consumer and other constituencies.**

**If confirmed, I will focus my time and attention – in close consultation with the Congress – on a number of key issues. They include:**

**One: fostering growth and opportunity in our own country and among our economic partners through a wide range of policies in the areas of trade, aviation, telecommunications, expanded use of the internet and the promotion of internet freedom, intellectual property protection, and investment. These efforts should seek to improve the access of our citizens to global markets – and in the process level the playing field for American workers, businesses, and consumers. And more broadly we should seek to improve access of countries around the world to the benefits of the global economy while also ensuring that they assume commensurate responsibility for its effective functioning.**

**I am deeply mindful of the fact that public support in the US for an open, robust and rules-based international economic system, and for global economic institutions, depends importantly upon the experiences of American citizens and the benefits they derive from the international economy, from the agreements we make and from the institutions we support. This will remain an abiding priority for me. As I represent American interests around the world, the prosperity of our fellow citizens at home – their jobs, their communities and their economic futures – will be a top priority.**

**Two: strengthening America's ties with the most dynamic emerging economies. In the next half-century, emerging and developing economies are expected to account for substantially all of the (3 billion, or 50%) increase in the global population and a substantial share of the growth in world economic activity. Engaging these countries on issues of common interest – from energy to food security, and from environmental protection to international trade – is vital to our future. Their growth, openness to American products, willingness to work constructively with the United States on key global issues, and support for a well functioning, rules based international system will be of great importance to the success of America's economic, foreign policy and national security objectives in coming years.**

**Three: promoting active American engagement in enhancing regional cooperation in such areas as the Middle East, South Asia, East Asia, the Americas and Africa. Cooperation with groups in these regions on overall economic development, food security and nutrition, the development of clean energy, water for irrigation, safe drinking water, good governance and combating corruption can improve prospects for overall prosperity in these areas. Regional cooperation also can help to create networks of interaction to do all of these things more efficiently – especially on issues such as climate and energy, water, infectious disease control and migration, each of which transcends national borders. American support can integrate our policy agenda with those of nations in other regions in a way that supports our broader economic, political, and national security objectives. Strengthening regional cooperation will also assist our efforts to combat the financing of terrorism, a goal we must continue to pursue both bilaterally and in conjunction with our partners.**

**Finally, placing great emphasis on agricultural and energy matters. I am fully aware of the enormous importance many members of this Committee and the Congress as a whole attach to these subjects. I can assure the Committee that these will also be high priorities for me if confirmed. As President Obama and Secretary Clinton have emphasized, the U.S. must strive to reduce dependence on imported oil and increase the supply of domestic energy, particularly clean energy of various types. Emphasis on security of supply and energy diversity can create new clean energy technologies that boost American jobs and exports, reduce the outflow of funds for oil imports, avoid excessive oil dependence and improve the global environment. As President Obama phrased it in his Independence**

**Day address, energy is “one of the greatest challenges we have ever confronted as a people or a planet.” He goes on to say that we must “make clean energy the profitable kind of energy so that we can end our dependence on foreign oil and reclaim America’s future.” I will work with our energy envoys and others throughout the government to achieve these goals.**

**My commitment to dealing with agricultural issues, particularly the need for greater world food security, is similarly substantial. Food exports are important to the American economy. And helping poorer nations to increase food production and improve nutrition can make a big difference in the health and the lives of hundreds of millions of people – as I saw for myself during my field work in rural Kenya and Tanzania. As the President pointed out at the recent G-8 Summit, “Although 75% of the world’s poor live in rural areas and 60 % of those suffering from hunger are rural small-scale farming families, only 4% of official development assistance goes to agriculture.” Improvements in agriculture will pay dividends not only in humanitarian terms, but also in increasing economic opportunity, including for the U.S., and the potential for improved security and stability in struggling countries.**

**I am aware that the job of Under Secretary of State for Economic, Energy and Agricultural Affairs carries important responsibilities – particularly in this time of rapid economic change and in the midst of what for many nations is still a serious financial and economic crisis. If confirmed, I look forward to working with Secretary Clinton, my State Department colleagues, and President Obama’s entire team, and most certainly with members and staff of this Committee and the Congress as a whole. I can assure you that I will need and welcome this Committee’s advice and counsel.**

**I thank you again Mr. Chairman and members of the Committee for giving me this opportunity to appear before you today. I look forward to answering any questions you may have.**