



AMERICAN ACADEMY OF DIPLOMACY

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Support for
AMERICAN JOBS

Part II: A New Government-Business Partnership for Commercial Diplomacy

JUNE 2017



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Executive Summary

An Urgent Call for a New Commitment to Commercial Diplomacy

The American Academy of Diplomacy and the Una Chapman Cox Foundation joined forces in 2015 to assess the future of Commercial Diplomacy. With the encouragement and participation of the Commerce and State departments, the authors interviewed more than seventy-five experienced corporate executives of globally active US companies and leaders of US trade and diplomatic agencies. Findings are available in two reports, *Support for American Jobs, Part I: Requirements for Next-Generation Commercial Diplomacy Programs* (May 2016), and this report, *Support for American Jobs, Part II: A New Government-Business Partnership for Commercial Diplomacy* (June 2017), both available online at www.academyofdiplomacy.org.

PROBLEM STATEMENT

Executives of globally successful US corporations, large and small, described their:

- challenges in an ever more intense competition for market-share, where traditional rules are broken or do not yet exist;
- recognition of the impact of competitor governments in Europe and Asia as they advocate for their national interests; as a result,
- requirement for Ambassadorial leadership to insure that advocacy for US commercial interests in all major markets is a top priority;
- requirement for urgent delivery by the private sector of training on ten priority business issues



RECOMMENDATIONS

As the Trump Administration strives to eliminate/reduce trade barriers and tighten enforcement and compliance with treaty commitments, a renewed commitment to commercial diplomacy at US embassies is critical. Elements include:

- Creation of a new federal public-private partnership to maximize impact and to leverage taxpayer contributions;
- Prioritize advocacy for US commercial interests in global markets, with ongoing Presidential leadership, a new level of engagement from cabinet secretaries, and redoubled Ambassadorial leadership of commercial teams on the ground;
- Delivery of customized training to US commercial teams on emerging, cutting edge business issues identified by the US private sector.

Highlights and Recommendations

- The global marketplace has undergone a fundamental transformation this century, with serious impacts on the US economy. Slower growth has intensified the global competition for sales and investment opportunities. The “rules of the game” developed in the post-World War II period have broken down.

- As the Trump administration addresses these imbalances by striving to eliminate/reduce trade barriers, renegotiate trade agreements, and tighten enforcement and compliance with these agreements, a strong and effective US Commercial Diplomacy program is critical for success.
- Competitor governments in Europe and Asia already have upped their games. Our research describes how foreign competitor companies are backed by significant resources and political commitments of their home governments. Key lessons for the United States (see pages 28-29):
 1. Competitor nations have comprehensive national strategies to promote exports and to attract investment that is backed by financial/technical resources and developed in partnership with their private sectors.
 2. Competitors keep their determinations of national interests flexible given specific sectors, and make determinations rapidly to conform to the demands of today's global marketplace.
 3. These strategies leverage high-value home-industry competitive strengths to target markets, and also include head-of-state and senior-level political commitment.
 4. The best practices of other governments include robust financing and marketing tools—export and project finance, technical assistance grants, and regulatory and technical standards cooperation—underpinned by strong support from embassies.
- A robust public-private partnership is vital. No magic formula exists; however, as the Trump administration strives to reduce discretionary spending, to innovate, and to consolidate agencies, a new partnership with the private sector can be a powerful tool to leverage scarce resources. For consideration, we offer a new trade and investment partnership with the following characteristics (see page 35):
 1. **Governance:** Sponsored by the White House and chaired or co-chaired by relevant cabinet agencies.
 2. **Membership:** Federal, state, and city governments and private sector groups.
 3. **Member Commitments:** Financial and human resources aligned to a specific outcome/goal of a new national trade and investment strategy.
 4. **Mandate:** To design and oversee the execution of a national strategy for trade and investment that advocates for and defends the Made in America brand.
- Commercial Diplomacy (see pages 26-28) needs to be elevated as a top, all-of-government foreign policy priority with ongoing presidential leadership, a new level of engagement from cabinet secretaries, and redoubled ambassadorial leadership on the ground. It is worth emphasizing that our ambassadors and country teams on the front lines of commercial opportunities and challenges need a clear message to engage continuously, and with verve, together with the US private sector and state governments and with the indispensable support, tools, and backup from top leadership of the US government. It is vital to establish a sustained and robust commitment to deeper training and development of the embassy teams engaged in support for US commercial interests.
- Pilot training sessions on priority business issues is an important first step for the new partnership. Customized commercial training on emerging, cutting-edge business issues is urgently required. The pilots would be designed and developed by the private sector (see pages 39-42). This training would minimize the use of public resources while being driven by priority business requirements.



President Trump, flanked by Secretary of State Tillerson and Secretary of Commerce Ross, pushes US commercial deals in a recent meeting in Riyadh with Saudi Arabian leadership, including King Salman.

I. Introduction

Commercial Diplomacy is Crucial to the National Effort to Grow Exports, Attract Investment, and Support American Jobs

“Our position as the best place in the world to do business—the most reliable in which to buy, the most lucrative in which to sell, and the safest and surest in which to invest or to raise capital—is the cause, not an effect of American global leadership. Protecting and expanding the US role as the world’s supplier and customer of choice for goods and services, ideas, capital and entrepreneurial energy should be a foreign policy objective second only to securing the homeland.”¹

—Harry Kopp, 2004

That statement is as true today as when it was written thirteen years ago. Yet the global marketplace of 2017 has been fundamentally transformed, with serious impacts on the US economy. To redress these stresses, the Trump administration is undertaking a major review of US economic, fiscal, regulatory, and trade policies.

For trade, key priorities include: eliminating/reducing trade barriers, renegotiating Free Trade Agreements (FTAs), a preference for bilateral over multilateral agreements, and tightened enforcement and compliance of existing agreements. Commerce Department reports show that exports account for close to 13 percent of our nation’s gross domestic product and support an estimated 11.5 million US jobs. US companies that export grow faster, are more productive, and are less likely to go out of business than nonexporting companies. Workers in export-intensive manufacturing industries earn, on average, 15 percent to 20 percent more than their counterparts in other manufacturing industries.

While US policy engagement will shape the future development of trade rules and economic policies, commercial diplomacy executed by a robust network of embassy officers will be a vital component of this effort to protect and expand the established US position as the world’s leading economy. Our existing commercial diplomacy approach and allocations of embassy resources have not evolved with the urgency that is required to address current market realities.

Background

With the desire to maximize the effectiveness of the US government’s traditional Commercial Diplomacy (CD) programs, the American Academy of Diplomacy and the Una Chapman Cox Foundation joined forces in 2015 to identify requirements for a renewed American commitment and new approach to CD. With the encouragement and participation of the senior executive leadership teams of the Commerce and State departments, we interviewed more than fifty experienced corporate executives of globally active US companies. The results were published in May 2016 in the report *Support for American Jobs, Part I: Requirements for Next-Generation Commercial Diplomacy Programs* (available online at www.academyofdiplomacy.org).

¹ Harry Kopp, *Commercial Diplomacy and the National Interest* (Washington, DC: American Academy of Diplomacy and the Business Council for International Understanding, 2004).

The report’s principal finding was that, despite real progress, generally strong reviews from the US business community, and some major “wins” in recent years, US CD programs must adapt urgently to meet today’s challenges. Today’s successful American companies, large and small, do business in fundamentally different ways than they did even five years ago. Competition grows broader and more intense every day. Slower growth has intensified the global competition for sales and investment opportunities and the employment creation they can generate. Furthermore, the consensus on the accepted “rules of the game” developed in the post–World War II period has broken down, with the emergence of alternative approaches that have yet to fully mature into next-generation rules to guide trade and investment. The only consensus is that the relentlessness of the competition and the speed of change will be even faster and more disruptive over the next twenty years.

Problem Statement

For the United States, CD always has been a classic public-private partnership program, although it is not often described in that way. Our private sector makes products and provides services to a global marketplace—one that is informed, shaped, and at times limited by government rules, regulations, and standards. Our programs are most successful when operating at this intersection of the marketplace and public policy. *Support for American Jobs, Part I* identified three cross-cutting requirements that must be met if we are to be successful in this first part of the 21st century:

- Creation of a national strategy and policy framework. Federal staffing and resources are not aligned with a national strategy. In the last five years, all of our major foreign competitor nations have reviewed their CD programs and made them central to their foreign policy strategies.
- Investment in programs and services. Core business requirements today reside in the development of a new program of advocacy support on public policy issues, including on trade agreement compliance, regulations, and standards, plus sophisticated information counseling for industry sectors. Our ambassadors and their teams are well placed to provide crucial insights to and advocacy for US firms. Importantly, in a world where business operates on a 24/7 basis, government programs need to be equally responsive, innovative, and flexible.

KEY TAKEAWAYS

Building upon *Support for American Jobs, Part I*, this report drills down on three topics:

- Best practices of foreign competitor nation CD programs: Lessons for the United States.
- Best practices of public-private partnerships: Core concepts.
- Pilot training sessions on business issues: Designed and developed by the private sector, these sessions can focus on priority business issues, alternative delivery mechanisms, and new approaches to commercial tradecraft.

- Focus on professional development, including training and education. Most urgent is for the State Department and Commerce Department to revamp their human resources programs that recruit, develop, and align commercial and economic expertise. A new, collaborative approach to these programs should address entrance examinations or processes used to bring new talent into the agencies. Customized commercial training on emerging, cutting-edge business issues, as well as the related policy issues in other nations, is urgently required, along with a new commitment at all levels of employment to train on commercial tradecraft for the 21st century. Developing and delivering this training through innovative

public-private partnerships should address resource constraints and help ensure that training evolves to reflect changes in global markets.

As in our earlier report, the methodology for our research consisted of interviews with a cross-section of experienced executives of US global corporations in Washington, DC, and also in a geographically diverse set of overseas markets. We engaged the top leadership of the economic/commercial function at our foreign affairs agencies. Perspectives and experience were offered from personal expertise and opinion, and were not made on behalf of executives' current corporate affiliations.

II. Best Practices: Foreign Competitor Nations and Implications for US Commercial Interests

This section presents the personal observations of a wide range of US corporate executives based in the United States and in key markets around the world. These executives have had direct experience with competitor-country CD programs and practices as well as the impacts on their American companies. Executives described best practices and destructive practices, and offered ideas on possible improvements to US CD programs. In addition to interviews, we also reviewed the CD programs of major competitor nations via relevant reports, press articles, and websites. Our review identified the following best practices:

- Unifying national interest CD visions with strong public-private partnerships to align resources to national goals.
- Making flexible and rapid national interest determinations.
- Leveraging high-value home-industry competitive strengths to target markets.
- Using head-of-state-led trade missions that offer total solution packages.
- Incorporating strong financing, technical assistance grants, and regulatory and technical standards cooperation marketing tools as key components of CD programs.
- Making CD a commanding priority of competitor-country embassies.

A. Commercial Diplomacy Visions of National Interest and Public-Private Sector Unity

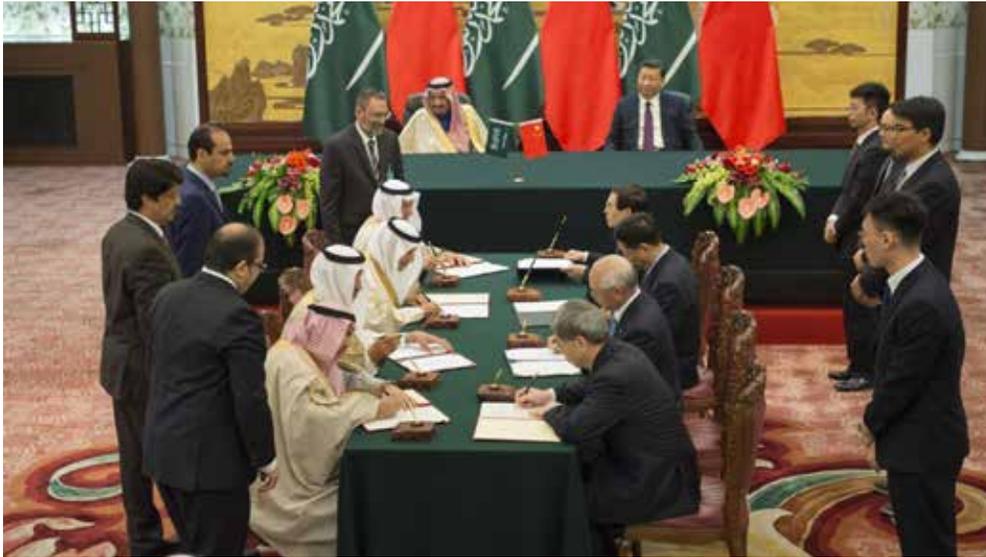
“Ensure a close link between foreign, defense, development, and trade policy.”²

—Justin Trudeau

This head-of-government directive resonates with US corporate executives, as it reflects their observations of the strength of government and private sector alignment in competitor countries. All competitor nations have achieved consensus on the benefits of supporting domestic companies and their local direct and indirect suppliers, and view the government’s role as using all the tools at its disposal to accompany the national team into global markets.

Since the onset of the financial crisis a decade ago, this common vision has gained momentum, reinforced by strong public-private partnerships and robust CD programs and initiatives. US competitors are increasingly flexible in making national interest determinations that allow foreign competitors access to financing, technical assistance, and head-of-state advocacy. US executives attest to rapidly increasing competition from foreign companies and their governments. Companies recognize the urgency both to learn from and adapt useful practices as well as to counter destructive practices. This extends to better understanding other nations’ harmful policies and how US diplomats can best make the case against them locally.

² Justin Trudeau, Office of the Prime Minister of Canada, “Minister of Foreign Affairs Mandate Letter,” <http://pm.gc.ca/eng/minister-foreign-affairs-mandate-letter>.



Saudi Arabia's King Salman and Chinese President Xi Jinping observing their senior officials signing major commercial deals during King Salman's March 2017 visit to China.

B. Leveraging High-Value Industry Strengths to Target Markets

US executives indicate that foreign-competitor CD strategies target sectors of national strength, and in turn leverage these strengths to target foreign markets of opportunity. China and Japan both have focused to a great degree on major development infrastructure projects, such as energy, transportation, telecommunications, and buildings. European countries, by and large, focus on premium high-technology and value-added projects where they remain competitive. Smaller countries, such as Switzerland, Austria, the Netherlands, and Canada, and city-states such as Singapore, focus on niche strengths.

China

A large part of China's international market penetration strategy is devoted to meeting the critical infrastructure needs of low-income, emerging countries. China has leveraged its large and subsidized construction and equipment state-owned enterprises (SOEs) and export finance policy banks to finance, build, and supply basic infrastructure projects around the world. In recent years, Chinese financing in the form of grants and concessionary financing has doubled "the availability of global development finance" and has dwarfed traditional multilateral bank development finance.³ Chinese financing deals operate outside of the traditional multilateral bank development frameworks. In a relatively short period of time, Chinese transportation, building, power, mining, and other projects have come to dot the cities and countryside in many lower-income countries.

This success has been greatly facilitated by Chinese head-of-state and ministerial trade missions, capped by government-to-government "strategic relationship" pacts across Asia, Africa, and elsewhere. Recipient government leaders find Chinese-funded and constructed turnkey projects politically attractive for their low up-front price tags, minimal interest rates, and long grace periods. Subsidized Chinese engineering, construction, and procurement companies (EPCs) bring their own supply chains. In some cases where US and other companies have tried to compete, executives

³ Kevin P. Gallagher, Rohini Kamal, and Yongzhong Wang, "Fueling Growth and Financing Risk: The Benefits and Risks of China's Development Finance in the Global Energy Sector" (Boston University GEGI Working Paper 002), May 2016, p. 3, https://www.bu.edu/pardeeschool/files/2016/05/Fueling-Growth.FINAL_July.pdf.

report that China has acted aggressively to displace them. In the case of a large mining project in Mongolia, for example, a Chinese company gained the upper hand when the president of China added a rail connection to the mine.

US executives indicate that Chinese predatory strategies caught many US companies by surprise. US global companies in diverse industries—insurance, power, mining, and information technology—are excluded from bidding because of tied aid, or they will avoid projects likely to go to Chinese players. Chinese companies also are unconstrained by anti-corruption rules, such as the Foreign Corrupt Practices Act (FCPA). And in the case of multilateral bank-funded projects, until recently the Chinese had the advantage of low-cost bidding rules, which favored their subsidized, low-price strategies.

In the coming years, China is positioned to become the largest infrastructure financial backer and builder with its launch of the “One Belt, One Road” initiative (OBOR), a network of road and ocean arteries that reach 65 percent of the world’s population. OBOR will propel the next phase of China’s CD strategy, with Chinese SOEs poised to build on their extensive worldwide experience.⁴ Some European countries have engaged with China on OBOR and joined the China-led Asian Infrastructure Investment Bank, a principal funding vehicle for this initiative. Recent press reports highlighted visits to Beijing made by the president of Italy and prime minister of France, along with expressions of interest in OBOR projects. Executives believe US CD strategy should engage and position US know-how for the next phase as Chinese construction will need to be of higher quality and procurement practices will need to be more open. The Asian Infrastructure Investment Bank is engaging with the World Bank, and some US companies indicate they have been contacted.

China’s infrastructure development practices have had setbacks. The Chinese government’s geopolitical ambitions and SOE practices are a cause for concern in some markets. Many more deals have been signed than executed.⁵ The quality of construction is low. Little local employment has been created. Community and environmental opposition have led to disturbances in some countries. Little or no operational and maintenance experience is retained after the Chinese builders depart. Poor construction has also led the World Bank to change its policy from “lowest-cost procurement” to the “best value” life-cycle cost model. Finally, leaders in developing countries are starting to better learn about best practices for procurement, in part with technical assistance from the US Trade and Development Agency (USTDA), Power Africa, and other US government programs. Executives believe that destructive Chinese practices and the blowback from the market may offer new opportunities for higher-quality US solutions, but US CD programs will be needed to advocate for US companies in this improved environment.

**IN THE COMING YEARS,
CHINA IS POSITIONED**
to become the largest
infrastructure financial backer
and builder with its launch of the
“One Belt, One Road” initiative

4 Chas W. Freeman, Jr., “The Goeconomic Implications of China’s Belt and Road Initiative” (remarks, University of San Francisco, conference on the China Business Studies Initiative, San Francisco, CA), February 8, 2017, <http://chas-freeman.net/the-geo-economic-implications-of-chinas-belt-and-road-initiative/>.

5 Bates Gill, Evelyn Goh, and Chin-Hao Huang, “The Dynamics of US-China Southeast Asia Relations,” United States Studies Centre at the University of Sydney, June 2016, p. 19, <https://assets.ussc.edu.au/view/06/e5/c9/40/e1/04/26/b6/84/4f/2f/ff/9d/a6/2f/79/original/959a3d253927020b0ed1a1bd671e65306f29b4f4/MacArthur%20Final%20Report%20ALL.pdf>

Japan

Japan has a long-established strategy of targeting infrastructure projects and promoting Japanese construction and equipment standards in energy, transportation, and other sectors. The Japanese have used engineering grants and concessionary financing to position technical advisors in the infrastructure offices at ministries in foreign countries. Japan's major engineering, construction, and equipment suppliers have been big successes. The country has moved away from its traditional "convey model" of the 1980s and 1990s, whereby it picked winners and backed them in targeted markets. However, Japan retains an extensive infrastructure development program as part of its export strategy. The Japan International Cooperation Agency continues to play a commercially oriented lead role in helping Japanese firms corner key major markets, which at times is difficult for US suppliers to navigate. One US executive highlighted a case where the agency threatened to pull funding if the American supplier was chosen over a Japanese one.

With Chinese competition heating up, Japan is innovating CD programs to better compete. Prime Minister Shinzo Abe, in a speech at the 2016 APEC summit, promised to speed up and simplify Japanese concessionary loan approval processes.⁶ In addition, Japan is attempting to differentiate itself with quality infrastructure by promoting life-cycle cost processes at policy events in Washington and elsewhere.⁷

Under Prime Minister Abe's economic growth "revitalization strategy," Japan has launched a new program to position firms in the upper end of the global infrastructure market. The Japan Overseas Infrastructure Cooperation for Transport and Urban Development (JOIN) is a new government-private fund enabling firms to execute public-private partnership (PPP) projects in difficult environments. According to the JOIN CEO:

JOIN will not merely act as financial partners, but will be actively involved in the projects, working as partners to the Japanese corporations and with the overseas corporations and governments, thereby making the first-ever "hands-on" infrastructure fund to be inaugurated in Japan.⁸

US executives note that Japanese global infrastructure success promotes high-wage engineering job creation and retention in Japan. US engineering executives state that this is an important lesson for future US sector-focused CD approaches. In addition, US programs and diplomatic efforts need to better understand current market trends and US company profit strategies, including the cross-national partnership practice to share risk, pool financing, and complement expertise with Japanese and European companies.

Germany

Germany has developed a highly successful advanced manufacturing global CD strategy and brand. A key initiative is Industrie 4.0, designed to boost *mittelstand* mid-size capital goods manufacturers and to establish Germany as the "lead market and provider of advanced manufacturing solutions."⁹

⁶ Ben Bland, "Japan and China Step Up Fight for ASEAN Infrastructure Contracts," *Financial Times*, November 22, 2015, <https://www.ft.com/content/f20f9fec-90f4-11e5-bd82-c1fb87bef7af>.

⁷ Center for Strategic and International Studies, Quality Infrastructure and the Multilateral Development Banks Conference, Washington, DC, December 15, 2016, <https://www.csis.org/events/quality-infrastructure-and-multilateral-development-banks>.

⁸ Takuma Hatano, "Message from the CEO," Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development, <http://www.join-future.co.jp/english/about/message.html>.

⁹ Germany Trade & Invest (GTAI), "Industrie 4.0: Smart Manufacturing for the Future," July 2014, <https://www.gtai.de/GTAI/Content/EN/Invest/SharedDocs/Downloads/GTAI/Brochures/Industries/industrie4.0-smart-manufacturing-for-the-future-en.pdf>.



Saudi King Salman welcomes German Chancellor Merkel to the Kingdom on her April 2017 visit promoting German commercial interests. Her delegation included senior German business leaders.

Industrie 4.0 was developed conceptually by German industry associations and was rapidly embraced by the German government, according to US executives. Germany has engaged in robust efforts through the Hanover industrial fair and high-level government trade missions to market German 4.0 industrial internet technology, standards, and business models. German lobbying has led to countries such as China, India, and Saudi Arabia adopting German strategies for their future industrialization initiatives. The Germany Federal Ministry for Economic Affairs and Energy spearheaded high-level public-private efforts in China, including a German-organized Industrie 4.0 summit co-sponsored by the Chinese Ministry of Industry and Information Technology.¹⁰ The outcome of the summit and other exchanges included an agreement on technical standards for the internet of things; the creation of working groups and pilot projects; and M&A activity.

US executives believe that Germany's Industrie 4.0 offers positive lessons for US sector-focused initiatives. At the same time, some German country-to-country technical assistance and standardization deals are exclusionary, potentially damaging to US firms, and must be countered with stronger American CD tools.

United Kingdom

Post-Brexit, the British government announced a global strategy designed to compete internationally and rewrite its arrangements with the European Union. At the 2017 World Economic Forum in Davos, Prime Minister Theresa May said that international trade and investment is at the

10 German Federal Ministry for Economic Affairs and Energy, and German Federal Ministry of Education and Research, "Sino-German Cooperation on Industrie 4.0: Political Framework of Cooperation in the Area of Industrie," <http://www.plattform-i40.de/I40/Navigation/EN/InPractice/Deutsch-Chinesische-Kooperation/Deutsch-Chinesische-Kooperation.html>.

heart of her country's industrial and services growth strategy, highlighting government-private sector partnerships as key.¹¹ The United Kingdom's whole-of-government strategy is strongly founded on close collaboration between business, the government bureaucracy, and political leaders. Also, the country has a long-established best practice wherein the foreign ministry and the trade ministry operate as a "joint ministry." Another best practice is an easy-to-use online system through which government and business executives can apply for secondments and extended exchanges as a means of facilitating the flow of innovation and expertise across government and industry.

PRIME MINISTER THERESA MAY

said that international trade and investment is at the heart of her country's industrial and services growth strategy

The United Kingdom has a well-established public-private collaborative effort in the defense industry. Defense sales are a CD priority, and UK diplomats have long had robust defense promotional responsibilities. The defense ministry export promotion role is explicit, as the ministry's strategic plan defines defense export promotion as a "core task" and essential to maintaining the country's defense industrial base. The plan further emphasizes "delivering winning strategic industrial export campaigns."¹² US firms note that UK defense champions receive exclusive advocacy support and that US subsidiaries are not eligible, unlike in the US, where the advocacy center may agree to advocacy support based on high US content for foreign-owned defense contractors.

The United Kingdom and the United States share many pragmatic approaches, and UK defense public-private collaboration may offer lessons. US aerospace/defense industry representatives have suggested ways to strengthen the supply base through exports.¹³ While interagency and particularly Department of Defense support for defense sales has improved, a more proactive, all-of-government approach is needed to counter aggressive competitor-nation efforts. Executives suggested a number of improvements, including high-level advocacy to match foreign head-of-state advocacy; streamlined International Traffic in Arms Regulations (ITAR) rules to enable ambassadors, their teams, and companies to engage with foreign customers with increased transparency and timeliness; and better-planned high-level participation at major international air shows.

France

Recent French whole-of-government CD efforts have focused on making France more competitive, especially through new trade financing mechanisms. A French concern is its loss of competitiveness in sub-Saharan Africa, a traditional region of French economic strength. At the 2015 Franco-African Forum for Shared Growth, an event used to strengthen trade and investment relations with Africa, President François Hollande devoted a large part of his speech to describing how France will redress the imbalance. Excerpts from the speech provide the flavor of a head of state taking ownership of a key CD marketing tool:

11 Theresa May, "Theresa May at Davos 2017: Her Speech in Full," January 19, 2017, <https://www.weforum.org/agenda/2017/01/theresa-may-at-davos-2017-her-speech-in-full/>.

12 United Kingdom Ministry of Defence, "MOD: Single Departmental Plan 2015 to 2020," February 19, 2016, <https://www.gov.uk/government/publications/mod-single-departmental-plan-2015-to-2020>.

13 David Melcher, "Trump and the Case for a National Security Cooperation Strategy," *Defense News*, December 5, 2016, <http://www.defensenews.com/articles/david-f-melcher-trump-and-the-case-for-a-national-security-cooperation-strategy>.

- **Emerging Reserve Fund:** This will be “used to finance major projects: the high-speed train in Morocco, the Cairo Metro, a dam in the Nairobi region. But we now want to make all this funding available to the largest number of projects in Africa.”
- **Bpifrance Assurance Export (the French counterpart to the US Export-Import Bank) was given the export credit tool in a December 2016 restructuring:** This was deemed “essential, to ensure funding of many projects in Africa. ... In 2013, those guarantees amounted to Euro 800 million. In 2014, they rose to Euro 2 billion, and they’ll continue to increase further in 2015.” Compagnie Française d’Assurance pour le Commerce Extérieur (Coface) continues to provide private insurance and guarantees to French exporters.
- **Bank for Exports:** The purpose is “to support major international contracts. ... One of the blocks we may encounter to exporting isn’t related to ... know-how, quality of technology ... one of the things which acts as a brake on exporting is funding, because a lot of countries guarantee much more advantageous funding than France in order to promote their exports successfully.”
- **Public Investment Bank:** The purpose is “to provide capital funding for French SMEs and mid-caps in Africa, and also for African businesses ... to forge partnerships between businesses, and above all provide French companies investing in Africa with the means to guarantee their presence.”¹⁴

US executives universally view financing as the primary challenge they face. The common view is that without strong financing programs to offset competitor CD practices, other US CD changes will fall short. A new commitment to financing could be a signature achievement.

Small-Country CD Exporting and Inward-Investment Strategies

US executives also highlighted effective programs and practices of smaller countries. For example, Switzerland has positioned itself as an investment and export location for advanced pharmaceuticals and medical technology. US and European health care companies are treated as national export champions. Executives say they are invited on national-level trade missions. One executive commented positively on participation in high-level bilateral policy dialogues in Beijing, which the Swiss Ambassador led substantively.

In addition, US executives have seen Austria market itself effectively as a leader in the knowledge economy (“Advantage Austria program”). Targeting key markets in Africa, Austria has offered to help close the technology gap and strengthen local manufacturing capacity.

Part III of this paper highlights the benefits of state and local models and their potential to strengthen federal-state CD partnerships. Executives who observe foreign inward-investment offices cite Singapore, Chile, and the state of Victoria in offering lessons for both US inward-investment and exporting strategies. Small size is an advantage in facilitating stakeholder consensus on globalization benefits. Singapore, for example, helps one US company solve market access problems in Asia. Another advantage is the ease of identifying target industries, which are few and easily recognizable for their international potential. Lessons can also be learned from US Economic Development Organization, having similar characteristics, including political consensus on targeting high-value-added, internationally traded sectors.¹⁵

14 M. Francois Hollande, “Speech by M. François Hollande at the Franco-African Forum for Shared Growth (Excerpts),” Embassy of France in Washington DC, February 6, 2015, <http://franceintheus.org/spip.php?article6506>.

15 Robert D. Atkinson, “Time for Washington to Think Like A State,” *Forbes*, January 9, 2017, <https://www.forbes.com/sites/realspin/2017/01/09/time-for-washington-to-think-like-a-state/#1bdf18cf30a3>.

C. Head-of-State Trade Mission Leadership and Total Country Solution Packages

After financing, US executives cite head-of-state trade missions as the most prevalent and impactful CD diplomacy strategy used by competitor nations. The missions are packed with multiple ministers and senior government officials, top companies, and a large number of smaller companies representing the country's supply chain. The core business development feature of many missions is the offer of project-oriented, strategic country solution packages to address pressing local commercial needs or development problems. US executives say significant bilateral preparation paves the way for major trade missions. During this period, government-to-government accords and project deals are developed and finalized in time for the missions. The solution packages often come with a full array of financing, technical grants, and regulatory/technical standards marketing motivators, with the head-of-state mission used to close deals. Head-of-state missions also work in reverse, with the end goal of deal closings and contract signings. The visiting head of state and a senior delegation receive an all-of-government welcome, including meetings among the head of government, multiple ministers, top CEOs, financing and development agencies, and academic communities.

US executives indicate that head-of-state missions or sector-specific, minister-led missions, such as in energy or transportation, powerfully project strategic influence by advertising the country's brand image and technological strengths and by creating top government access for the country's flag carriers. Executives underline that high-level missions are not relegated to officials at the sub-cabinet level. In contrast, US high-level commercial missions, with rare exceptions, are not led by cabinet-level officials. Many governors of US states are active in leading missions to promote state exports and to attract investors.

Deals with value-added country solutions drive many top-level missions. US executives shared their examples of appealing solution packages.

South Korea Civil Nuclear Deal in the United Arab Emirates (UAE). A high-level South Korean civil nuclear mission to the UAE included KEPCO, South Korea's government-owned civil nuclear national champion, and a broad array of other firms. As part of the country solution, the South Koreans offered manufacturing and retail development deals designed to appeal to UAE planners and leading business groups. In addition, extensive tours of Korean suppliers from robotics to specialty steel helped educate the new civil nuclear authority. In the end the combination of price and package contributed to KEPCO's win over France's AREVA.

British Capital Markets Deal in Nigeria. A high-level UK trade delegation to Lagos with leading financial firms was part of a broad strategy to deploy UK capital as a financial service in key markets. This was a joint initiative of the UK foreign office and trade ministry, together with TheCityUK, which represented UK financial and related professional firms. The strategy aligned Nigeria's stock exchange with UK practices, facilitating the selling of UK financial services and Nigerian access to London capital markets. Four joint UK-Nigerian task forces worked on white papers recommending steps for policy convergence, enabled a meeting of the minds among regulators, and negotiated a successful agreement permitting deal flow.

Dutch Delta Plan Support to Bangladesh. A state visit to the Netherlands by Bangladesh's Prime Minister in 2015 included business meetings with the Dutch prime minister, the Dutch queen, and other ministers. This mission was part of a strategy aimed at winning port, shipbuilding, and waterway-dredging projects in Bangladesh. The Netherlands used frequent high-level engagements with the Delta Coalition, which joins 12 countries (including the Netherlands) to address challenges of urban deltas. In addition, commercially oriented technical assistance programs helped create,

over time, a preference for Dutch product and engineering solutions. US embassy advocacy support in Dhaka was unable to match the Dutch level of CD engagement, resulting in a US competitor losing key projects despite offering a better price.

France Package for Power Distribution. French President Hollande used a mission to sub-Saharan Africa to seal a financing guarantee program with a select group of Nigerian banks. This reduced risk for French exporters while providing financing to African companies. It also solved a key problem for the Nigerian government by addressing specific bottlenecks in the country’s power distribution sector.

D. Strategic Marketing Packages

In addition to high-level missions and solution packages, major competitor-nation programs rely on three powerful marketing tools that significantly impact US firms overseas:

- export credit agency financing;
- technical assistance grants and public-private partnerships; and
- technical standards and regulatory cooperation.

Export Credit Agency (ECA) Financing Tools

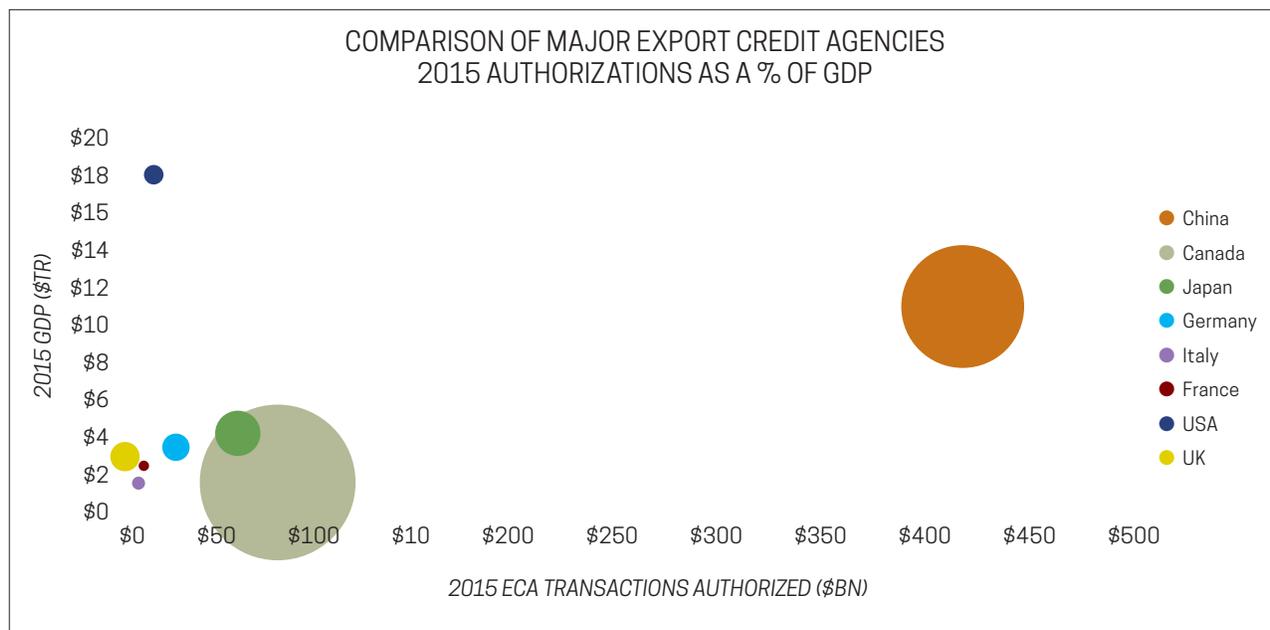
The National Foreign Trade Council (NFTC) and Coalition for Employment through Exports (CEE) released a graph in March 2017 that compares ECA financing and gives a vivid picture of how much more competitor countries outspend the US to support exports.¹⁶ Other countries rely on supplier financing as a key marketing tool to gain competitiveness. The French case discussed earlier is an example of devoting presidential attention toward this competitiveness tool.

The UK Export Credit Agency, UKEF, provides another example of aggressive positioning. The UKEF negotiated a \$400 million framework agreement with a multinational company with operations in the United Kingdom in return for continued local investment supporting hundreds of engineering and manufacturing jobs in Bristol and Aberdeen. A UKEF press release described its initial role in this African \$8 billion project as the world’s first upstream oil and gas development transaction where a European ECA has supported a major hybrid finance structure comprising both project finance and reserve-based lending. As the sole ECA, UKEF played a pioneering role in establishing this precedent, reinforcing its growing reputation as one of the world’s most innovative and flexible ECAs.¹⁷

US EPCs and major equipment suppliers confirm that in a very large number of cases, ECA financing often is the deciding factor in the deal. Recipient governments and project owners depend heavily on ECAs to complete projects. Where finance drives the project, price is a secondary concern, as President Hollande attested in his comments at the Franco-African trade summit. One US executive based in the Middle East said an often-heard customer statement is “bring the financing and the project is yours.” Another US executive with a project company in China said French and German firms won choice projects as a result of ECA project-financing guarantees for Chinese SOEs, which

¹⁶ National Foreign Trade Council and Coalition for Employment through Exports, “Comparison of Major Export Credit Agencies 2015 Authorizations as a Percent of GDP,” <http://bit.ly/2nBLjXD>; see also National Foreign Trade Council, “NFTC, CEE Release Comparative ECA Finance Graph,” March 22, 2017, <http://www.nftc.org/newsflash/newsflash.asp?id=236&mode=View&articleid=4085>.

¹⁷ UK Export Finance, “Press Release: UKEF Supports GE Oil & Gas Contract with Major Energy Project in Ghana,” January 16, 2017, <https://www.gov.uk/government/news/ukef-supports-ge-oil-gas-contract-with-major-energy-project-in-ghana>.



Disparity in export financing support between the US and leading competitor nations.

his company was unable to secure from the US Export-Import Bank (EXIM Bank). This is particularly regrettable, he added, because requirements for \$10 million to \$20 million in early phases become \$1 billion to \$2 billion projects in the long term.

US manufacturers with global supply chains indicate that the lack of EXIM Bank financing is driving sourcing to other countries that are more than ready to fill the gap. Competitor ECAs will provide financing if a US company undertakes some level of manufacturing, engineering, or finishing in their countries. Where the EXIM Bank requires 85 percent US content for full financing, most other ECAs have more flexible local content thresholds.

An executive with a global EPC noted that the very nature of an EPC’s procurement brokering role makes it finance-neutral. He gave the example of the euro financial crisis that struck Italy in 2011. Financing from the Italian ECA, SACE, dried up overnight. As a result, the EPC switched sourcing for an energy project from Italy to Asia.

US executives also report that foreign ECAs move at the speed of business in critical situations. One example was the German ECA, Hermes, that made an “almost overnight commitment” during a foreign head-of-state trade mission to Germany, which contributed mightily to a big win for Siemens.

Smaller US companies without international supply chains lack the flexibility of large companies. Several executives described lost deals resulting from the EXIM Bank’s inability to finalize projects that cost more than \$10 million. One construction equipment distributor reported it was in danger of a contract cancellation due to EXIM’s failure to commit to the higher level of financing required. A maritime company executive said his company will forgo procurement bids above \$10 million, and may be forced to build some specialized equipment in Europe in order to tap ECA financing. One executive from another EPC indicated that a \$100 million package secured from the UKEF in fact represents many smaller deals with twenty to thirty separate UK suppliers, with each individual contract well below the \$10 million threshold.

Technical Assistance Deal Formation Tools

Competitor countries aggressively use technical assistance grants—for master plans, feasibility studies, technology familiarization visits, procurement preparation, and public-private partnerships—to help companies get in on the ground floor of projects and build relationships with clients. This type of marketing assistance isn't prevalent across both low- and medium-income countries, especially in the broad range of energy, transportation, and telecommunications subsectors. Often this tool comes with high-level advocacy and ongoing diplomatic support on the ground. Despite usually superior US product technology and services, US executives say the pressure from foreign-funded CD technical assistance is slowly chipping away at US advantage.

Ministries and agencies in many markets find such assistance, including embedded foreign technical advisors, extremely valuable in preparing projects for procurement. Implementing agencies often lack budgets for feasibility studies and specialists with enough skill to prepare high-quality procurement documents. Furthermore, the acceptance of technical assistance grants provides implementing agency officials legal sanction to engage freely with foreign companies and accept paid-for foreign travel to inspect technology, view installations, and visit companies. Public-private partnership platforms, in particular, are useful in providing for ongoing “clean and transparent interaction” with local agencies.

One executive from a solar company that supplies a US system and developing projects in Africa, the Middle East, and South America described a case that details the negative impact of foreign-funded technical assistance. Despite five years of effort, the US company was unable to win a project in Chile because strong technical assistance support was provided to a Spanish competitor. The Spanish government paid for a Spanish technical advisor to be located within the Chilean implementing agency, which resulted in preferential treatment to the Spanish competitor. In addition, the Spanish government helped to organize an extensive technology tour in Spain. Throughout the sales campaign, the US company received significant advocacy support from the US Embassy in Chile, which at one point helped reverse an attempt to disqualify the US firm on grounds that the US failed to meet bid specifications. However, the absence of offsetting technical assistance tools from the US government (USG) led to Spanish dominance. Assistance was unavailable from either the USTDA or the Overseas Private Investment Corporation (OPIC) because the former had graduated Chile from its economic development program and the latter had reached its limit on energy-sector funding in Chile. Going forward, the US executive indicated that without “apples to apples” technical assistance support, the company will find it challenging to compete elsewhere against Spanish government/industry efforts.

US executives highly praised USTDA technical assistance as a key tool to neutralize destructive practices. One US executive opined that “we love TDA and the program needs to be expanded tenfold.” A special case for US technical assistance as an essential marketing tool can be made with regard to extremely complex environments such as those in China and similar large markets. In such difficult environments, proactive business development is indispensable to compete with peers from Japan, Germany, France, and South Korea. US firms face the added hurdle of FCPA rules that strictly regulate their activities.

Regulatory Rules and Technical Standards Promotional Tools

The strategic importance of regulations and standards to international trade is well documented. In many cases competitor nations are working together with their businesses to increase the adoption of restrictive approaches to win market share. US executives report that European

ONE MAJOR CONCERN

is that the OBOR initiative will place China in a powerful position to influence the next phase of project and equipment standards.

and Asian competitor countries aggressively engage in lobbying, cooperative agreements, and education programs in major export markets. In most cases policy-makers in recipient countries welcome foreign regulatory and standards assistance, which is seen as a form of technology transfer and capacity building that strengthens local industry. Executives indicate that the plethora of special regulatory and technical standards arrangements increase compliance costs. US ex-

porters are left with no choice but to manage political and commercial risks by adopting the new rules and practices.

US executives expressed most concern with Chinese and European CD efforts. China's influence with technical standards reportedly is growing fast, on pace with its strong manufacturing and construction exports. One major concern is that the OBOR initiative will place China in a powerful position to influence the next phase of project and equipment standards.¹⁸ In addition, the Chinese government spends lavishly to “flood” technical-standards bodies with Chinese technical experts in order to prevail in standard-setting. At present, US executives see greater pressure in major US markets, like Saudi Arabia, where North American electrical standards have long dominated. A large and high-level government/industry Chinese delegation visited Saudi Arabia in the fall of 2016 to negotiate a technical standards mutual recognition agreement. In addition, Euro-centric International Electrical Commission (IEC) standards are used increasingly in Saudi Arabia. Although a National Institute of Standards and Technology technical standards officer position exists at US Embassy Riyadh, the position has been long vacant.

US executives highlighted a number of sectors in which European regulatory practices will increasingly impact their business. Executives see European Commission policy makers and key member-state regulators working in concert to promote European approaches and, thereby, European suppliers. In contrast, US regulators largely stick to their domestic public policy roles.

Digital Data Flows

Concern is increasing with European Union (EU) promotion of its “data adequacy” rules on the protection of cross-border data flows. To meet adequacy rules when doing business in Europe, the EU is pushing other countries to adopt the European approach. In addition, German and French data-protection regulatory officials are perceived to be lobbying for European models in speeches at international conferences and technical papers. For example, the Europeans are working hard to influence digital trade and regulatory standards in Latin America in ways that could benefit their telecommunications companies while hurting US internet companies. Executives expressed concern with EU lobbying in Japan and South Korea, which could distort commercial incentives.¹⁹

¹⁸ Chas W. Freeman, Jr., “The Goeconomic Implications of China’s Belt and Road Initiative” (remarks, University of San Francisco, conference on the China Business Studies Initiative, San Francisco, CA), February 8, 2017, <http://chasfreeman.net/the-geoeconomic-implications-of-chinas-belt-and-road-initiative/>.

¹⁹ Center for Strategic and International Studies, “The Future of Global Trade” (Economic Statecraft Speaker Series forum, Washington, DC), January 13, 2017, <https://www.csis.org/events/future-global-trade>.

Insurance

US executives also cited the European Commission’s CD advocacy of “Solvency II” Europe-wide insurance harmonization regulatory standards in China and in the International Association of Insurance Supervisors, the global body of insurance regulators. The EU dominates this body; US positions are filled by representatives of the Treasury Department, the Federal Reserve, and domestically oriented state regulators that seem to be of the view that US approaches will prevail because the US is the biggest insurance market. US executives indicate that this view is incorrect and note that EU regulations are gaining favor, putting US industry at a disadvantage in emerging markets where most insurance growth is taking place.

Cosmetics

US executives note that the EU is more prescriptive with regard to the manufacturing, packaging, and labeling of cosmetics. The EU requires specific regulatory steps, including third-party safety assessments. US regulatory law requires companies to meet safety standards in the market, and failure to do so will result in prosecution. The EU, through the European Commission’s Directorate General Growth division, is both an industry regulator and industry promoter—and in the former role promotes the EU’s cosmetic regulations around the world. As a result of EU promotion efforts, EU cosmetics regulations have gained visibility internationally over US approaches.

US executives believe the US needs to prioritize regulatory and standards support to a higher degree than currently exists to respond effectively to competitor-nation CD diplomacy challenges. More focused efforts to increase education and diplomatic engagement will help counter destructive practices. At a minimum, US executives believe that filling vacancies and stepping up public-private engagement with local regulatory and technical standards organizations are needed.

E. Commercial Diplomacy is the Top Priority of Competitor-Nation Embassies

Across the board, US executives have high praise for US ambassadors and embassy teams for CD support. In many countries, executives have seen an appreciable increase in embassy CD efforts compared to the past. On the other hand, executives commented that foreign governments often are able to place a higher foreign policy priority on CD, as they do not face as many obligations of global leadership. The executives fully appreciate America’s strategic global role, and the broader foreign policy and national security interests to be achieved compared to those of competitor nations. Because of their close interaction with embassies, executives are sensitive to the broader responsibilities that may impact CD support from US embassies. For example:

- Some ambassadors might need to give critical foreign policy issues a higher priority than commercial advocacy.
- Busy ambassadors in difficult foreign policy environments may be “obliged to delegate down.”
- Overall staff motivations mirror higher-priority foreign policy goals.
- Many embassies are “opportunistic” whereas foreign embassies are more singularly focused on CD 365 days of the year.
- In the case of ITAR export control regulations, complex interagency decision-making in Washington may hamper embassies’ ability to provide clarity and certainty to customers compared to what competitors can offer. US defense executives believe that in dealing with all the complex

US COMPANIES SEE A TRUE

all-of-government approach at competitor embassies, where ambassadors are perceived to “own the commercial strategy.”

policy and regulatory issues surrounding defense sales, ambassadors “have one hand tied behind their backs.”

It is worth noting that major foreign governments also recognize that their own embassies could be doing better. The examples below illustrate how the British and French are reimagining the roles of embassies.

France’s foreign ministry website highlights the need for the ministry to be, “through all its tasks, the home of businesses.” The ministry has refocused on three diplomatic goals: supporting French business interests in foreign markets, attracting investments, and influencing regulatory environments. The ministry seeks more value from its diplomatic missions, acknowledging that past support for French companies has fallen short despite the fact that France has one of the world’s largest diplomatic corps. It claims to be taking steps to instill a CD “economic reflex” among diplomats. Ambassadors are instructed to prepare CD plans and create business promotion councils in major markets to include local business leaders so as “to better coordinate the action of the public authorities with regards to the needs expressed by the companies and to strengthen the complementarity between our cooperation activities.” Furthermore, ambassadors are instructed to report biannually on progress and what Paris can do to strengthen partnerships and wins.²⁰

The UK also has worked to create a stronger CD mindset. In several speeches, Prime Minister David Cameron stated the need to place “commercial interests at the heart of our foreign policy,” and in another speech, he said “we need to have quite a big step change in our approach to foreign diplomatic relations.”²¹ His foreign secretary spoke in stronger terms about the need for one team at post—“supporting British businesses is an existential mission ... with the aim to establish a new commercial culture across the Foreign and Commonwealth Office and throughout our overseas posts.”²²

US companies see a true all-of-government approach at competitor embassies, where ambassadors are perceived to “own the commercial strategy.” Through direct business interactions, trade press reports, and behind-the-scenes commercial intelligence, US executives are well aware that foreign ambassadors devote considerable time following major business opportunities closely; meeting regularly with sector-oriented ministers and senior agency officials; and socializing with business movers and shakers. All this has a business purpose—understanding issues, knowing influencers personally, anticipating solutions, and intervening regularly and substantively on behalf of US firms. Executives say this is a level of intense interaction that builds influence, and promoting business becomes part of diplomatic routine.

20 French Ministry for Europe and Foreign Affairs, “Economic Diplomacy: A Policy Priority to Support France’s Economic Recovery,” last modified May 24, 2013, <http://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade/>.

21 David Cameron, “Speech to UKTI Business Summit,” July 14, 2010, <https://www.gov.uk/government/speeches/speech-to-ukti-business-summit>; “Speech to Lord Mayor’s Banquet,” November 15, 2015, <https://www.gov.uk/government/speeches/lord-mayors-banquet-2015-prime-ministers-speech>.

22 House of Commons Foreign Affairs Committee, “The Role of the FCO (Foreign and Commonwealth Office) in UK Government: Seventh Report of Session 2010-2012, Volume 1,” April 27, 2011, <https://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaff/665/665.pdf>.

It is worth underlining that foreign embassies play a big role in preparing the groundwork for missions and project deals. They also bring to bear a much more powerful marketing toolkit of financing, technical, and cooperative assistance. In contrast, because of resource constraints, US marketing tools are not always available to US ambassadors and are not as loaded with attractive incentives as those of other countries.

F. Lessons for the United States

1. National strategies should include resource alignment and public-private partnership, robust marketing tools, and joint business development in target markets.

A new public-private partnership and innovative joint action in key world markets are viewed as essential ingredients to strengthen the effectiveness of America's CD programs. US executives agree on the need to learn from foreign best practices and to counter effectively destructive practices that we believe to be not good policy or actually illegal. Executives believe the US has an ability to innovate and leverage unique national strengths to compete fully across the globe. A common view is that presidential leadership will be needed to build national consensus, break down agency silos, and offer solutions from above while encouraging innovation from below. In addition, putting in place a foundational public-private partnership will increase mutual understanding of needs and perspectives and will bring forward new programming ideas, including an enhanced role for states in targeting and clustering companies in high-value, internationally traded goods sectors.

With an eye on how well their foreign competitors interact with their own civil servants in capitals and with diplomats overseas, US executives also welcome the opportunity for substantive training and reciprocal learning. They believe better grounding on business trends and the way modern corporations actually evaluate opportunities will enable ambassadors and their teams to become better advisors and advocates. As is the case with many of their foreign company peers, closer working relationships in Washington and at posts will increase transparency and provide insights on how companies should support government partners during business development campaigns to counter destructive foreign practices.

2. Highest-level trade missions/solution packages are vital.

US executives believe that trade missions led at the national level, combined with country-level solution packaging, pack a powerful punch. They recommend that White House-led missions or Secretary-led missions should be added to current programs and blended with high-value-added country solutions. Strategic solution-oriented missions will project more economic power. According to executives, the US will need to rethink the value proposition of its existing mission program and ensure an all-of-government approach. High-level missions need to be perceived in foreign markets as “business friendly” and “deal oriented.” Market access and “bad cop” policy advocacy, while necessary and desirable, should be dealt with in other venues where possible.

3. Greater success comes via trade financing, technical assistance/partnership grants, and regulatory/technical standards cooperation marketing tools.

The growing use of financial assistance in various forms as a tool to support commercial interests is a threat, according to American executives. The US must urgently revamp its tools to counter and neutralize some of the most destructive risks, such as a possible technical standards juggernaut from

China in the next phase of international infrastructure development, and EU regulatory efforts in the digital economy, service industries, and other high-value traded sectors. In addition, there is an urgency to restore US export financing for larger projects to allow export orders to go through and to fairly redirect services/product sourcing to the United States. Executives also noted the positive and destructive impacts of technical assistance grants, including the increased need for funding of public-private partnership platforms to allow “clear and clean” interaction between foreign government officials and US companies. These valuable tools urgently need more resources.

Eligibility to access these programs depends on the criteria the United States uses to determine which projects and deals are in the national interest. Competitor nations increasingly are showing important flexibility and speed in making these determinations. Given global supply chains and ever more integrated markets, the old standard of more than 50 percent national content is outdated and harmful if applied across the board without regard to individual sector characteristics.

Also, competitor-nation financing and technical assistance programs appear to work in close coordination. US executives believe efforts should be made to align the separate and decentralized USTDA, EXIM Bank, and OPIC programs to achieve higher impact, as well as the resources of the World Bank and other multilateral development banks where the United States holds a leadership position.

III. Advocating for the United States of America: The Need for A Robust Public-Private Partnership

Support for American Jobs, Part I recommended the creation, at the national level, of a new, robust public-private partnership for CD programs (federal, state, metropolitan, and private). For this second report, our interviews with the executives of US global firms together with our research of foreign-competitor practices identified strong public-private partnerships as a key best practice. Many of the executives interviewed have experience in the defense sector and are aware of innovative mechanisms developed over the last decade to increase private sector–military collaboration. They shared a strong sense that our foreign affairs agencies also can benefit from more partnership and private sector collaboration to advance US commercial interests.

A. Background

But let's start at the beginning; what is meant by the ubiquitous phrase public-private partnership (PPP)? For many, the term refers to innovative new arrangements to build and finance infrastructure projects—which is not the way we use the term in this report. Instead, we use the definition offered by the US Department of State:

a partnership is a collaborative working relationship with non-governmental partners in which the goals, structure, and governance, as well as roles and responsibilities, are mutually determined and decision-making is shared. Successful partnerships entail complementary equities, transparency, mutual benefit, shared risks and rewards, and accountability.²³

The 2011 State Department policy document governing PPP puts forward the following possible goals as generic to PPP:

- **Shared Policy Objective:** PPPs can address a specific, discrete policy issue either within a country or internationally.
- **Enhanced US Reputation/Visibility:** PPPs can enhance the reputation or visibility of the US on a certain issue.
- **Resource Sharing:** PPPs can allow the State Department to enhance its ability to fulfill a stated objective by sharing financial burdens with the private sector.
- **Programmatic Advancement:** PPPs can create opportunities to advance US interests programmatically that are better done through partnership rather than working alone.²⁴

Two academic papers, in reviewing CD in advanced industrial countries, align in the following overview and conclusion:

Commercial diplomacy is well-established. It is the art, or the science, of helping a country's enterprises trade abroad and to convince foreigners of the advantages of investing in the home country. This task is usually pursued through a network of public and private actors that include governmental staff, business leaders, chambers of commerce and associations. The governmental structures adopted vary greatly. They can be solely public or private. However, the vast majority of countries

²³ US Department of State, *Policy Framework and Legal Guidelines for Partnerships* (Washington, DC: US Department of State, February 2011).

²⁴ *Ibid.*

KEY FEATURES OF A SUCCESSFUL PARTNERSHIP

For the purposes of this report, we found the Power Africa Initiative to be the most relevant to demonstrate the potential scope and depth of a PPP approach to CD. The partnership was formed to address the fact that more than 600 million people in the region were without electricity.*

While the promotion of US commercial interests is not central to Power Africa, the success of the US-led partnership offers many valuable lessons for future PPPs for CD. These are:

- Importance of presidential leadership: Power Africa was a presidential priority, vital to the convening of a motivated interagency team. Twelve US agencies participate, nine very actively.
- Specific budget allocation: The National Security Council, working with the Office of Management and Budget (OMB) and the Power Africa team, developed a budget for the partnership with the OMB that pools existing resources from the budgets of the partner agencies. Agencies had the same congressional appropriations committee.
- Designated lead cabinet agency: The actual Power Africa team was placed in the USAID's African Bureau for execution and operational purposes. It was not "owned" exclusively by the Africa Bureau, however. Oversight came from the NSC and the office of the USAID director as well as from partner agencies.
- Leadership by the overseas field: The project director was located in South Africa with a strong deputy in Washington. Half of the Power Africa Team is located in Africa. The chiefs of mission own/lead Power Africa in those countries where the initiative is active.
- Goals and Metrics: These were simple and measurable.
- Interagency: The partnership convenes relevant agencies that execute their own missions with their own authorities. Thus, the partnership leverages scarce resources, multiplying the number of public and private partners that engage to improve electricity in Africa.

* For full details, see <http://www.usaid.gov/powerafrica>.

adopt a public-private structure that gives more flexibility. Canada and the United States have adopted a purely public structure while the UK employs a public-private structure. As a consequence, the UK structure seems more flexible and adapts more quickly to changes than those of Canada and the US; however, the potential for conflicts of interest is greater.²⁵

In the past, a decentralized approach to advocacy of the USA brand was more than adequate given our overall competitive position and the reality that so many of the world's consumers already were aware of the prestige and high quality of US products, service, higher education, and tourism destinations. Our research has revealed how much now has changed due to chronic lower growth rates around the world, the increased quality and brand recognition of our global competitors, and the breakdown of the consensus on the accepted "rules of the game."

25 Alexandre Mercier, "Commercial Diplomacy in Advanced Industrial States: Canada, the UK, and the US," Discussion Papers in Diplomacy, Netherlands Institute of International Relations, September 2007, http://www.clingendael.nl/sites/default/files/20070900_cdsp_diplomacy_mercier.pdf; Olivier Naray, "Commercial Diplomacy: A Conceptual Overview," presented at the 7th World Conference of TPOs, The Hague, Netherlands, 2008, http://www.intracen.org/uploadedFiles/intracenorg/Content/Trade_Support_Institutions/TPO_Network/Content/Conferences/2008/NarayConferencepaper.pdf.

B. Current Federal Government Overview

In more than 20 agencies of the US government, some aspect of the mission and budget is related to exports or inward investment. These agencies are coordinated by the Trade Promotion Coordinating Committee (TPCC), located in the Commerce Department, which that has served as a coordination mechanism for the agencies since 1992.²⁶

Within this decentralized structure, we found many innovative examples of PPP collaboration that offer important lessons if the ambition and determination exists to formulate a more robust partnership of national engagement on exports and investment. A 2013 report from the Congressional Research Service provides an excellent overview of current commitments by various agencies to collaborate with other agencies and with private partners to leverage resources and advance goals of mutual interest.²⁷ Core principles to employ going forward include:

- The US Agency for International Development (USAID) and the State Department are the key US players in development of PPPs. USAID operates PPPs in every development sector. (For more information, see the report cited.)
- The Millennium Challenge Corporation encourages private sector engagement during the formation of country compacts as a means of leveraging additional resources and enhancing sustainability.
- The USTDA and OPIC also use PPPs in their mission to advance both economic development and US commercial interests in developing and middle-income countries. The USTDA supports infrastructure development and fair trade by providing technical assistance, feasibility studies, and “reverse” trade missions intended to spur private investment by filling information gaps and improving the business environment. The agency connects its overseas partners to US companies of all sizes through its Making Global Local initiative, which has grown into the largest domestic outreach campaign in the USTDA’s history. This connects the USTDA to eighty-five export promotion organizations in thirty-two states and the District of Columbia. Its Global Procurement Initiative works with eight partner countries and has trained 775 officials that support more than \$180 billion in public procurement. OPIC provides US businesses with financing, guarantees, political risk insurance, and other support to enable investment in emerging markets.
- For agricultural exports, the US Department of Agriculture/Foreign Agricultural Service (FAS) is a leader in utilizing PPPs to leverage public and private resources to secure market share in the global marketplace. One vehicle for collaboration is with the US Agricultural Export Development Council (USAEDC), a nonprofit private sector trade association. The USAEDC’s approximately eighty members are US commodity trade associations, farmer cooperatives, and state regional groups from around the country. They have come together under the USAEDC umbrella to assist in the export promotion efforts of the FAS, among others. With a mix of public and private resources, they cooperate closely with the USDA/FAS in developing overseas markets for US agricultural exports.

26 Charles A. Ford and Shaun Donnelly, *Support for American Jobs, Part I: Requirements for Next-Generation Commercial Diplomacy Programs* (Washington, DC: American Academy of Diplomacy and the Una Chapman Cox Foundation, March 2016), <http://www.academyofdiplomacy.org/wp-content/uploads/2016/01/SupportForAmericanJobs.pdf>.

27 Marian L. Lawson, “Foreign Assistance: Public-Private Partnerships (PPPs),” Congressional Research Service, October 28, 2013, <https://fas.org/sgp/crs/misc/R41880.pdf>.

Embassy Partnerships

In our interviews with the leadership of global companies, it was impressive to receive numerous reports on successful embassy teams that provided support for an individual transaction, public procurement, or advocacy on a broader sectoral basis. We will describe core operating principles for successful embassy leadership and attitudes to public-private partnerships. These are:

- **Ambassadorial Leadership:** Ambassadors play a key role—arguably *the* key implementation role—in effective CD in support of US business and our broader economic interests. Ambassadors set the tone and identify the priority issues for their embassy teams. They also can command the attention and support among key Washington agencies on important challenges. Our research surfaced example after example of US ambassadors, whether career or noncareer appointees, showing leadership, creativity, and persistence to help solidify deals or address critical policy problems. A priority effort of the departments of State and Commerce going forward will be capturing, sharing, and replicating best practices from embassies and especially from ambassadors personally.
- **Embassy Jakarta (Indonesia):** Since 2015, the Ambassador to Jakarta and the Embassy Jakarta team have developed joint interagency programs that partner with the host government and the private sector on aviation and on power. The programs were created to leverage US expertise to strengthen ties in these two key sectors. The two initiatives now include more than seventy participant firms and ten US agencies. Informed by the insights of the broad range of firms, recommendations from Embassy Jakarta have contributed to improved policies and regulations to attract needed American investment and technology while also contributing to increased aviation safety, and to achieving US and Indonesian clean-energy goals. Memoranda of Understanding negotiated by the programs and signed by the Ambassador and the Ministers of Energy and Aviation, respectively, provide frameworks for cooperation, involving the ministries as integral partners to the programs.
- **USTDA China Aviation Cooperation Program:** For more than ten years, the Embassy China interagency team has been a critical partner in this aviation partnership. Faced with a strategic push by the European Union and its member states to shape the aviation environment in China and, thereby, drive export sales, the USTDA, working with Embassy China, created an innovative public-private partnership with US and Chinese companies and representatives from both governments. This robust dialogue and partnership has led to inclusive and innovative solutions to regulations, standard-setting, and aviation safety, and has helped develop relationships among the companies in the aviation and aerospace sector in both countries. Training of Chinese aviation specialists and air traffic controllers has also been a key component. The USTDA's cooperation programs provide a platform for aviation officials to address safety and security priorities in high-growth markets. They also support the expansion of airport infrastructure and the emergence of general and business aviation in these markets. US companies have generated significant exports as a result of this modest USTDA investment. USTDA-led partnerships in India and China involved seventy-four US companies and trained 202 aviation leaders.

C. Partnerships at the State and Metropolitan Levels

The effort to foster a robust PPP to design and execute a national strategy must take into account the vibrant and impactful effort to promote exports and attract and retain investment undertaken by the majority of our states and numerous metropolitan areas. These state and local programs are developed in close consultation with the business and nonprofit community, including educational institutions.

It is beyond the scope of this report to list and comment on the programs of individual states, but it is important to highlight and comment on the State International Development Organizations, Inc. (SIDO). SIDO is the premiere US organization dedicated to supporting state government international trade agencies, and is affiliated with the Council of State Governments. It helps state agencies serve US exporters by sharing innovative ideas and resources, developing the skills of state trade professionals, advocating the interests of states in trade promotion, and facilitating multistate collaboration.

Per the recently passed Trade Facilitation and Trade Enforcement Act of 2015 (Pub. L. No. 114-125, 130 Stat. 122), SIDO was able to incorporate a mandate to produce a comprehensive Federal and State Export Promotion Coordination Plan. This plan includes developing a process to share business client information, coordinate metrics, understand the role of each federal agency, coordinate education events, including trade policy. The intent in developing the plan is to reduce duplication and increase efficiencies, thereby helping all agencies to increase their outcomes. Most importantly, the plan assists other policy efforts to create new, well-paying jobs by promoting more US exports, attracting more investment, and ensuring a level playing field with our international partners. This new plan easily can serve as a strategic building block for the development of a deeper state-federal partnership.

The most comprehensive work our research discovered on the evolving, innovative role of metropolitan areas in export promotion and investment attraction and retention has been conducted by the Global Cities Initiative and the Brookings-Rockefeller Project on State and Metropolitan Innovation. These initiatives, sponsored by the Brookings Institution and JPMorgan Chase, are helping dozens of US cities and metropolitan areas (as well as several international cities and areas) to boost their global competitiveness. The research documents how metro areas are essential to trade—providing specialization and market access that facilitates exchange among producers and consumers. Brookings has guided metro areas over the last five years to develop export and foreign direct investment strategies to help their economies build high-quality sustainable growth in the aftermath of the 2008-2009 financial crisis and the Great Recession. The core group of twenty-eight US metropolitan areas is now joined with an international component of several metro areas, including London, Toronto, and Stockholm.

Across this network, economic development leaders—and their public and private partners—are piloting approaches and customizing interventions to their specific global marketplace. This includes:

- making a global perspective integral to economic development from the start;
- organizing the right partnerships;
- prioritizing unique industry strengths;
- strengthening traded-sector assets; and
- targeting foreign markets.²⁸

The TPCC's 2016 national export strategy documents this work.²⁹

28 Rachel Barker, Amy Liu, and Marek Gootman, “The Making of Global Cities: Stories from the Global Cities Exchange” (Washington, DC: Brookings Institution and JPMorgan Chase, 2016), https://www.brookings.edu/wp-content/uploads/2016/09/metro_20160928_gcicompendium.pdf; Alan Berube and Joseph Parilla, “Metro Trade: Cities Return to Their Roots in the Global Economy” (Washington, DC: Brookings Institution, November 26, 2012), <https://www.brookings.edu/research/metro-trade-cities-return-to-their-roots-in-the-global-economy/>.

29 Trade Promotion Coordinating Committee (TPCC), *Helping US Businesses Increase Local Sales to Support US Jobs: National Export Strategy 2016* (Washington, DC: TPCC, December 2016).

D. Recommendations

This description of our current decentralized federal structure, together with examples of best-practice innovative PPPs both in the US and in competitor-nation CD programs, led us to recommend a new way forward in our national effort to grow the economy through exports and investment. No magic formula exists for a successful PPP. The approach must be driven by larger political and policy ambitions. We have numerous options to deepen our current PPP arrangements. However, as the Trump administration engages in a major initiative to dramatically reduce federal spending, seek out innovative solutions to national challenges, and realign and consolidate agencies, the impact of a new PPP will be a powerful tool to align and leverage scarce resources.

CORE COMPONENTS OF A NEW PPP

For consideration, we propose a new PPP with the following characteristics.

- **Governance Structure:** To be sponsored by the White House and chaired or co-chaired by the relevant cabinet agencies. Other senior leadership positions would be designated for the private sector and state and city governments.
- **Membership:** Options include a core number of federal agencies; SIDO or another designee of the Council of State Governments; several metropolitan entities with geographical diversity; and private sector groups with broad sectoral representation and significant international experience. A clear role also exists for think tanks and country- and industry-oriented associations based on specific priorities under development. Please note these are indicative options only.
- **Membership Commitments:** Membership involves the commitment by each organization or agency of financial and human resources to align with the desired outcomes of the national strategy.
- **Mandate:** To design and oversee the execution of a national strategy for trade and investment that advocates for and defends the USA brand.

This proposal represents core components of a new PPP. Our research identified a list of basic principles:

- **The importance of presidential/White House commitment,** while also recognizing the advantages of inserting the lead program/coordinating unit in a cabinet office. This combination insures strong interagency participation while also building in clear lines of operating authority and resource allocation.
- **The role of the OMB is crucial and derivative from the leadership role of the White House.** The OMB must effectively pool the necessary resources from the interagency and place them under one centrally managed program. In a similar manner, the OMB can also pool authorities from the interagency to allow for broad interagency and public-private collaboration. This will be essential until legislative solutions can be enacted.
- **Specific qualities of private sector members.** These include senior-level executives, broad sectoral representation (including manufacturing, services, agriculture, and small- and medium-size enterprises), substantive international experience, and previous USG service in order to understand the public sector side of the equation.

- **Overseas field leadership.** The ability of ambassadors to own the programs, perhaps with potential field-based regional leadership, will ensure that they remain market- and field-driven. In Washington, while it is vital that a program office remains under a centralized management structure, it is also critical to design a functioning governance structure for oversight and engagement.
- **The program must be assigned understandable metrics.**
- **Congressional engagement.** This will establish both support and an openness to undertaking needed legislative changes to create an even more dynamic program and partnership.

IV. A New Partnership: Pilot Training Sessions on Business Issues

Business representatives contacted during consultations for both of the *Support for American Jobs* reports often suggested that an initial step to bolster US CD capabilities would be obtaining more direct input and participation from US business in the training of key USG personnel, especially at the Commerce and State departments.

Our approach in both reports is not to redesign training programs, priorities, or modalities. Instead, we offer observations, questions, and a few suggestions to help the two departments think through opportunities to deepen their training collaboration with each other and with the private sector.

USG CD programs will only work if the senior leadership of two key departments own these programs, are committed to making them best-in-class globally, are prepared to work more closely together, and see real value from greater business participation in those programs. Both departments certainly seem to share these commitments.

A. Business Partnering in USG Economic/Commercial Training—A New Partnership

Support for American Jobs, Part I discussed at length the importance of the private sector to training programs. Business people have ready access to trends in the market, emerging technologies, issues and threats, what competitor foreign governments are doing (legally or less so) to help their own companies compete with US firms, and US CD programs and how they stack up against our competitors. In today's (and especially tomorrow's) competitive global economy, technology and business is changing at an ever-accelerating pace. By developing training modules that are sufficiently flexible and responsive, freshly emerging CD challenges and policy issues can be quickly provided to our USG staffers working on those issues in key markets.

Involving business intimately in USG CD training will only work if real partnerships are formed. Government agencies must become more flexible, more agile, and more entrepreneurial if CD training is to succeed and translate into more success for the US in international competition. Administrative and bureaucratic barriers can be overcome with the commitment of top leadership.

Important ancillary benefits are achieved by involving US business in designing and conducting CD training programs, such as:



The Department of State George P. Shultz National Foreign Affairs Training Center in Arlington, Virginia - the US Government's premier foreign affairs training provider.

- Anything that strengthens links and personal contacts between US businesses and key USG agencies on CD is a benefit. Personal contacts can be very useful in both directions as opportunities, challenges, or policy issues emerge down the road.
- Success in this area has been limited by internal regulations and in some cases legislative authorities. Commerce and State jointly are in a position to continue to show even more flexibility to offer joint training classes/sessions/experiences. Expanded and deepened contacts between officers at all levels in the two leading CD agencies will pay dividends both in Washington and in the overseas field.

Bringing business and other outside experts into USG training operations is certainly not easy, and as training standards rise it will become even harder to find business experts who can effectively train State and Commerce field officers. Those trainers need technical substantive expertise, relevant international experience, a deep understanding of how the US and foreign governments work, familiarity in government policy circles, and real teaching skills. Private sector partners can also, in some cases, help design modules and identify speakers.

Both the Commerce and State departments have included business experts as guest lecturers and in training partnerships for many years. The State Department's Economic and Business (EB) Bureau and the Foreign Service Institute (FSI), which is an in-house all-purpose training bureau, have used the Petroleum Equipment Services Association as a contractor to deliver the annual petroleum and gas course. State's FSI has also long worked with the policy experts in the EB Bureau and relevant industry partners to include industry input into a range of FSI training programs, from general career development courses—such as the six-month Economic Officer course, the Political/Economic Tradecraft course, Trade Agreement Monitoring and Implementation, and the three-week Foreign Service National Economic Training—to more detailed sector-focused courses (usually about a week long) on Intellectual Property rights (IPR), Biotechnology, Energy and Power Generation, Internet and Telecom Policy, and International Transportation (e.g., civil aviation and maritime shipping).

The Commerce Department's involvement with industry partners on a range of training offerings has especially kicked into higher gear with the formal establishment of the Commercial Diplomacy Institute (CDI) in 2016. Taking impressive advantage of what appear to be greater flexibilities than are available to State's FSI, CDI sessions have a greater reliance on industry experts and/or firms, associations, or think tanks as instructors or contractors to develop a range of sector- or region-specific conferences.

Drawing on that greater administrative flexibility, Commerce seems able to arrange or adjust tailored training sessions with a shorter lead time than what is allowed by FSI's broader mandate, with a more established educational programming model.

Ironically, while Commerce seems to have much more administrative flexibility, it is State, not Commerce, that has the legal authority to admit trainees from other USG agencies and to charge them tuition. This asymmetry in handling other agency participants is a serious complication in increasing cross-fertilization across departments (i.e., Commerce staff participating in State courses and vice versa).

We see real potential for cross-fertilization benefits to both agencies, and urge the two departments to make a serious effort to resolve the differing regulations, interpretations, or policies in this important area. We need more cooperation, more cross-training, and more personal connections between the US government's two lead CD agencies.

B. New Creative Technology Solutions—Key to Global Training and Budget Realities

Both agencies have personnel on the front lines scattered around the world in embassies large and small, and in almost every time zone. Washington training programs alone will never fully address the country's CD training needs. Most Commerce training programs, including those with major industry input, are recorded and accessible in the Commerce IT system. Similarly, State, both at FSI and the EB Bureau, is also using technology to spread training programs.

The EB Bureau has made a major investment in keeping its internal e-diplomacy site (Econ@State) updated with information, reports, videos, etc., that can be of use to economic officers in the field. In mid-2016, the EB Bureau's Office of Economic Policy Analysis and Public Diplomacy established the Economic Diplomacy webinar series with leading State Department experts on economic policy issues.

We offer two questions/suggestions for State and Commerce to consider which might further increase the utility of those new interactive technologies.

- Can the two systems be made more interconnected? Can Commerce officers around the country get access to State webinars and training videos, and vice versa? Could the two IT webinar systems be fully integrated?
- Can more use be made of industry experts and industry panels discussing current issues, to expand beyond the State/Commerce/USG focus that has predominated so far on interactive programming? Using webinar and related Information and Communications Technology (ICT), industry experts need not be located in Washington, which could broaden the potential of interesting speakers, presenters, and instructors.

In a world of growing and accelerating CD challenges and declining resources, more and more effective use of new technology is essential.

C. Priority Topics for Pilot Training with Industry Partnerships

Drawing on input from business representatives as well as USG officials (including but not limited to those from State and Commerce), we offer the following potential topics for pilot sessions. (We

POTENTIAL TOPICS

This list is offered as an illustrative menu for what pilot sessions might cover.

- Digital Economy
- Public-Private Partnerships for Infrastructure Development
- Innovative Financing Mechanisms
- Life-Cycle Cost Analysis
- Pharmaceutical and Medical Devices Innovation and Pricing
- Globalization, Competition and National Innovation Policies in a Global Economy—A private-sector perspective on managing cross-cutting issues
- Franchising
- Services
- Master Seminar on Competitor Nation CD Best Practices and Destructive Practices
- Joint FCS and Economic Session Overseas/ Sub-Regional and Sectoral

repeat: these are pilot sessions.) We encourage the two departments to work together on creating a few joint pilots, but if that proves too challenging, perhaps each department could take the lead on implementing one or two pilots but include the other department fully in actual sessions.

► **Digital Economy:** Digital issues are universal, pervasive, and critical to companies in any sector and in any market. We recommend breaking down the broad digital economy/ICT issues into more digestible bites for a pilot program. Both Commerce and State are making major efforts to boost field capabilities on ICT issues, through Commerce’s Digital Attaché program and State’s Digital Officer program. The departments need to develop quick and reliable ways to keep embassy/consulate staff up to speed on the latest policy issues, market access problems, and so forth. Possible topics under the broad digital economy rubric might include:

- cyber security and ICT infrastructure protection;
- cross-border data flows and data privacy;
- e-commerce (key legal and policy pillars);
- internet and IPR issues; and
- ICANN and domain names.

Possible private-sector lead partners: Business Software Alliance, Information Technology Industry Council, and Global Innovation Forum, which is an arm of the National Foreign Trade Council.

► **Public-Private Partnerships for Infrastructure Development:** These would contain strong support for project finance components, and could include US lawyers and US companies to share how they think about infrastructure financing in countries like Indonesia. One question to explore is: What makes a project “bankable”?

Possible private-sector lead partners: American Bankers Association, Financial Services Roundtable, World Bank.

► **Innovative Financing Mechanisms:** These could be combined with infrastructure development (see above), but financing may deserve its own pilot session. US and competitor companies are using a range of innovative financing mechanisms to make international investment and trade deals work in today’s competitive globalized economy. This key topic might be best broken into two parallel pilot programs, one for financing investment (debt and equity) and one for innovative trade finance, from raw materials, consumer products, spare parts, etc.

Possible private-sector lead partners: American Bankers Association, Financial Services Roundtable.

► **Life-Cycle Cost Analysis:** In several key sectors, US manufacturers, service providers (e.g., construction and engineering services), and, in some cases, even agricultural exporters are offering high-quality goods and services in competition with cheaper, lower-quality competition, especially from China. Particularly when a government entity is doing the purchasing, state bidding systems often fail to factor in quality durability and full life-cycle costs into public procurement decision-making.

Possible private-sector lead partners: Associated General Contractors of America, American Society of Civil Engineers, US Chamber of Commerce.

► **Pharmaceutical and Medical Devices Innovation and Pricing:** There is no more controversial policy issue these days than pharmaceutical pricing and its policy component, pharmaceutical patent protection. US research-based pharmaceutical manufacturers dominate that sector globally. Embassy officers, ranging from Third Secretary to Ambassador, are often called upon to defend US

medical patent policy and to help advocate for US health care companies. Industry experts could make valuable contributions to embassies' capacities to help US companies through a pilot in this important and sensitive policy.

Possible private-sector lead partners: Pharmaceutical Research and Manufacturers Association, Advanced Medical Technology Association.

► **Globalization, Competition and National Innovation Policies in a Global Economy—A private-sector perspective on managing cross-cutting issues:**

Globalization is a reality, and a constant policy challenge for the USG and for US companies large and small. Competitor nations are actively promoting their economic development models, which often counter US policy and commercial interests. Confronted with these destructive policy approaches that often limit innovation and access, US diplomats must be better prepared both to understand and to manage cross-cutting issues. Business experts from a wide range of sectors, many with previous USG experience and familiarity with how ambassadors and embassy teams presently confront globalization issues, would present key strategies to track destructive policies and to advocate for win-win solutions that promote openness and innovation.

Possible private-sector lead partners: Information Technology and Innovation Foundation, National Association of Manufacturers, key US regulatory partners.

► **Franchising:** What are keys to the successful global franchising of American brands? What are the legal and policy differences between franchisees and dealers or agents? What can embassies/consulates do to help? In many foreign markets, leading American brands of hotels, restaurants, soft drink companies, and accounting firms are serving those markets through franchising arrangements. What are the business and policy issues these major US companies can confront? What can/should embassies do to help them?

Possible private-sector lead partners: International Franchise Association.

► **Services:** What are the unique types of support that American service providers need from embassies/consulates? Consider financial services, consulting, education, legal services, and transportation. What are the key World Trade Organization or FTA rules on market access and fair treatment for US service providers?

Possible private-sector lead partners: Coalition of Services Industries.

► **Master Seminar on Competitor Nation CD Best Practices and Destructive Practices:** A seminar could use the case study method on what we learn from best practices and how we respond to challenges. Both government personnel and business partners can be drawn from difficult markets. A first seminar could focus on State and Commerce digital officers, who are new to their portfolios and have had relatively little practical organizational interaction to date with the clients and stakeholders they are intended to assist. The EXIM Bank, OPIC, TDA, Power Africa, and other agency personnel or trainees could be drawn in as appropriate. Case studies could be shared in a central database and used for self-learning and as reference material.

Possible private-sector lead partners: American Academy of Diplomacy, Una Chapman Cox Foundation, Business Council for International Understanding, Information Technology and Innovation Foundation.

**GLOBALIZATION
IS A REALITY,**
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► **Joint FCS and Economic Session Overseas/Sub-Regional and Sectoral:** Together with industry partnership/sponsorship, this session could partner with a lead embassy, with support from Commerce and State headquarters. Embassy London and the US Mission to the European Union in Brussels have stepped forward to host pilot sessions (with strong ambassadorial leadership) in the recent past. The pilot could be preserved for sharing with other posts via distance learning programs.

D. Closing Suggestions on CD Training

- **Deepen collaboration with trade associations.** Major trade associations make good partners. They have Washington offices, knowledgeable staff, and resources. They can mobilize multiple companies, avoiding criticism of why one or a few individual companies were selected.
- **Maximize joint Commerce/State training.** The two departments really need more personal connections across agencies at all levels.
- **Be flexible and creative.** We encourage State's FSI, in particular, to experiment and achieve more flexibility to partner with industry. Commerce's CDI has much more flexibility as a result of its different legal authorities. Given the speed of technological, policy, and competitive changes in today's world, State's established, thorough, pedagogical approach to courses and other training programs can, in some cases, be an impediment to the fast-moving, flexible sorts of training modalities that can work most effectively for and with the private sector.
- **Establish an integrated monthly commercial diplomacy speaker program in Washington.** Alternate site and hosting between Commerce and State. Draw on outstanding business leaders and policy experts as speakers. This will certainly involve some logistic complications, but bringing State and Commerce colleagues into the same room to hear the same great speakers from industry and beyond is a win-win.

We pass along additional suggestions that move beyond the explicit parameters of CD training.

- **Exchange programs are great investments.** Having five Commerce officers on two- or three-year assignments at State, and vice versa, is a benefit. Overseas exchanges should also be available. A few State officers in the Advocacy Center could help make that more truly interagency and help coordinate State and Commerce advocacy efforts in Washington. The same would be true for the Commerce-hosted interagency SelectUSA program that strives to attract and retain US investment. Business executives tell us that they love having State or Commerce officers on exchange programs, whether a four-month exchange as the capstone to State's six-month economic officer course, or a different target of opportunity when a State or Commerce office has time between assignments. Grab those opportunities and be creative and flexible. Great businesses are out there that want to host exchange officers, building on the success of the Eagleburger Fellowship program now in place at the State Department.
- Beef up the CD segments in the **ambassadorial and deputy chief of mission/consul general (DCM/CG) courses at FSI.** The benefit from leading business executives engaging new chiefs of mission and deputy chiefs of mission/consuls general on their requirements for support is potentially very useful.
- Install stronger CD components with private-sector participation for the **entry-level, mid-level, and senior-level officer training offered by both Commerce and State.** Raising the profile at every one of these levels of professional development will be important to the overall effort to renew our national commitment to CD programs. These courses should include officers and local staff from the other agencies that engage in commercial diplomacy.

Support for **AMERICAN JOBS**

Part II: A New Government-Business Partnership for Commercial Diplomacy

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The American Academy of Diplomacy (AAD) is an independent, non-profit association of former senior US diplomats and high-level government officials whose mission is to strengthen American diplomacy. AAD represents a unique wealth of talent and experience in the practice of American foreign policy, with over 250 members.

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