



AMERICAN ACADEMY OF DIPLOMACY

Una Chapman Cox
COX FOUNDATION

UNA CHAPMAN COX FOUNDATION



Support for **AMERICAN JOBS**

Part I: Requirements for Next-Generation Commercial Diplomacy Programs

MARCH 2016



AMERICAN ACADEMY OF DIPLOMACY



UNA CHAPMAN COX FOUNDATION

Support for **AMERICAN JOBS**

Part I: Requirements for Next-Generation Commercial Diplomacy Programs

MARCH 2016

© Copyright 2016 American Academy of Diplomacy and Una Chapman Cox Foundation

For more information about these organizations, visit:

www.academyofdiplomacy.org

www.uccoxfoundation.org

Contents

- Executive Summary 7

- I. US Commercial Diplomacy Programs Must Adapt Quickly to Meet the Challenges Confronting US Companies in Today’s Global Marketplace 9

- II. The Current State of Commercial Diplomacy Programs and Related Human Resources Issues 15

- III. Future Requirements for Diplomatic Support: Perspectives of American Business 21

- IV. Recommendations 29

- Appendices 34
 - Appendix 1. US Business Views on Global Value Chains and Foreign Investment 34
 - Appendix 2. US Department of Commerce Programs and Resources (provided by the Department of Commerce) 38
 - Appendix 3. US Department of State Programs and Resources (provided by the Department of State) 45
 - Appendix 4. US Department of Agriculture Programs and Resources (provided by the Department of Agriculture) 48
 - Appendix 5. Notes and Sources 53

Project Team

Ambassador Charles A. Ford, Project Manager

Charles Ford is a retired senior Foreign Commercial Service Officer who served as head of the Commerce Department offices at U.S. Embassies in London and Brussels as well as at other U.S. Embassies in Europe and Latin America. He also served as U.S. Ambassador to Honduras and, until April 2013, served as the Deputy Director General and Acting Assistant Secretary of Commerce's Foreign Commercial Service. Charles currently is President of CAF International, LLC, a trade consultancy, and a member of the American Academy of Diplomacy.

Ambassador Shaun Donnelly, Senior Advisor

Shaun Donnelly is a retired senior Foreign Service Officer who held multiple senior economic policy posts at the Department of State, was Assistant U.S. Trade Representative in Charge of Europe and the Middle East, and served as U.S. Ambassador to Sri Lanka. Shaun currently serves as Vice President for Investment Policy at the U.S. Council for International Business (USCIB), and is a member of the American Academy of Diplomacy.

Project Chair

Ambassador Thomas R. Pickering

American Academy of Diplomacy Support Team

Ambassador Ronald E. Neumann, President

Aimee Stoltz, Managing Director

Advisory Group

Participants

Carolyn Brehm, Una Chapman Cox Foundation

Jeffrey Donald, Business Council for International Understanding

Marc Grossman, American Academy of Diplomacy

Lino Gutierrez, Una Chapman Cox Foundation

Alan Larson, American Academy of Diplomacy

John Murphy, U.S. Chamber of Commerce

Robert Pearson, American Academy of Diplomacy

William Reinsch, Stimson Center

Charles Ries, American Academy of Diplomacy

Observers

Michael Dodman, Department of State

Patrick Kirwan, Department of Commerce

Executive Summary

US commercial diplomacy programs must adapt quickly to confront the challenges of today's global marketplace. Today's successful American companies, large and small, do business in fundamentally different ways than they did even five or ten years ago. Their operations are driven by global value chains and integrated global production networks, with relentless pressures for ever-greater efficiency. These components are now core contributors to business success internationally and thus to the creation of new jobs at home.

Furthermore, the international consensus on the accepted "rules of the game" has broken down, with the emergence of alternative approaches that have yet to fully mature into next-generation rules to guide world trade and investment. Intellectual property rights, copyrights, trademarks, designs, and trade secrets will be crucial to maintaining America's competitive edge, yet they will only work if our economy has skilled workers and creative entrepreneurs who are supported by the right policy environments. New, reinvigorated commercial diplomacy programs that support US jobs and our national competitive position in this evolving global marketplace must become a core tenet of our foreign policy.

From interviews with more than 50 experienced corporate executives and senior executives at the Departments of State and Commerce, we identified the following requirements to inform the development of these next-generation programs:

- **Policy Framework**—The US commercial diplomacy policy framework is still anchored in the second half of the last century with its focus on the export of physical products. A new policy framework should measure success in terms of enhanced US global competitiveness. This measure would include increasing exports from all sectors, attracting and retaining investment, and generating support for strategic imports and outward investment. All major competitor nations in recent years have reviewed their commercial diplomacy programs and made them central to their foreign policy.
- **Programs and Services**—Core business requirements going forward will reside in sophisticated commercial information on industry sectors and in the development of policy advocacy guidance. Of particular importance is the assistance needed to help firms identify opportunities created at the intersection of public policy and the marketplace. Our ambassadors and their teams can provide crucial insights to and advocacy for US firms in this particular market segment. In a world where business operates on a 24/7 basis, government programs need to be equally responsive, innovative, and flexible.
- **Professional Development**—There is an urgent need to revamp human resources programs that recruit, develop, and align commercial and economic expertise at the State and Commerce Departments. The success of the design and execution of our next-generation commercial diplomacy program rests on the Foreign Service Officers, Civil Service professionals, and their extremely knowledgeable, locally engaged embassy staff. A new coordinated approach to these human resource programs should address the entrance examinations or processes used to bring new talent into the agencies; assess the most efficient and effective way to expand and deepen training and education programs; and create new career development paths and alignments up through the most senior levels of leadership.
- **Training and Education**—An urgent requirement is needed for customized commercial training on emerging, cutting-edge issues. Delivering this training through innovative public-private

partnerships will address resource constraints and help ensure that training evolves to reflect changes in global markets.

Recommendations: This report provides six recommendations for US government action, principally to the State and Commerce Departments:

- Develop, as rapidly as possible, a new policy framework to guide the design of a next-generation commercial diplomacy program to advance US national interests in the ever-more-challenging global economy.
- Review existing commercial diplomacy programs to identify programmatic and personnel capacity gaps and to present solutions so that ambassadors and their teams will be fully equipped to advance our national interest.
- Set up a private sector consultative mechanism to ensure systemic oversight of commercial diplomacy programs in cooperation with the private sector.
- Assess new collaborative programs and partnerships with private enterprises to advance national economic and commercial interests across the global marketplace.
- Create a formal cooperative mechanism to oversee human resources talent-management systems for economic and commercial officers and local employees so as to enhance successful outcomes in recruiting, retaining, and developing the strongest possible team to execute commercial diplomacy programs across the foreign affairs platform.
- Build a formal mechanism to coordinate economic/commercial training and education programs, with a particular focus on creating new partnerships with private partners to meet the priority business requirement of short customized courses on cutting-edge issues, many of which are vastly complex in the emerging technology sector.

I. US Commercial Diplomacy Programs Must Adapt Quickly to Meet the Challenges Confronting US Companies in Today's Global Marketplace

Over the last 20 years the global marketplace has undergone a fundamental transformation. The speed of change has intensified despite the disruptive impact of the 2008 global financial crisis and subsequent Great Recession, which produced slower economic growth and uncertain prospects for the future. Slower growth has served only to intensify 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 world 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 20 years.

Today's successful American companies, large or small, do business in fundamentally different ways than they did even five or ten years ago. Business today is all about global supply chains or global value chains, integrated global production networks, just-in-time delivery, shorter product life cycles, and relentless pressures for ever-greater efficiency. Few American companies these days are able to thrive, or even stay alive, producing low-cost basic commodities or commoditized products/services.

Given American economic, cultural, and political realities, our companies need to go upscale to focus on quality, reliability, style, and establishing brand reputations. A “race to the bottom” doesn't work for anyone in the US—government, workers, communities, or business. Intellectual property rights protections for American patents, copyrights, trademarks, designs, and trade secrets are crucial to maintaining American competitive edge. These sorts of strategies only work if our economy produces skilled workers, creative entrepreneurs and innovators, and the right policy environments. In addition, a real partnership—broadly defined—between US business and the US government to promote commercial diplomacy is and will remain essential.

While foreign policy engagement will shape much of future US participation in the development of rules and policies to govern the global economy, commercial diplomacy programs that support US jobs and our national competitive position in the global marketplace will be a vital part of our foreign policy. These programs and services in their modern guise were designed in the early 1990s and have not evolved with the urgency required to address these emerging new realities.

In preparing this report we listened to a wide range of voices from the private sector and engaged the top leadership of the economic/commercial functioning at our foreign affairs agencies in order to identify the challenges and opportunities for our next-generation commercial diplomacy programs. While a policy review and programmatic adjustments are important recommendations of this report, what stands out is the urgent need for our foreign affairs agencies to enhance the design and management of their entire human resources systems, from entry-level through career development to the most senior levels, for officers and locally engaged staff involved in economic/commercial functions. Current and future requirements for economic and commer-

**TODAY'S SUCCESSFUL
AMERICAN COMPANIES,**
large or small, do business in
fundamentally different ways than
they did even five or ten years ago.

THE QUESTION FREQUENTLY ASKED

about globalization is not whether it will continue, but at what pace.

cial officers demand a completely new approach to recruitment, entry examinations, and career development. Customized training courses on specific industry sectors and commercial diplomacy issues offer an especially productive place to begin the installation of this new system by establishing new, collaborative partnerships with the private sector.

Today's global marketplace is vastly different from the one that existed in the late 1980s and the early 1990s, when our modern commercial diplomacy programs emerged and were focusing principally on manufactured goods. The market has become more deeply integrated, enabled by new communication technologies and supported by global financial markets, resulting in significant shifts. In an article for the International Monetary Fund's journal *Finance & Development* in late 2014, well-respected economic journalist Martin Wolf discussed the structural changes in the economy and the impact of globalization, noting that "According to the McKinsey Institute (2014), flows of goods, services, and finance rose from 24 percent of global output in 1980 to a peak of 52 percent in 2007, just before the Great Recession. Between 1995 and 2012, the ratio of trade in goods to world output rose from 16 to 24 percent. Virtually all economies became more open to trade."¹

Wolf also noted that:

In 1990, 60 percent of trade in goods was among the high-income economies, another 34 percent was between high-income countries and emerging market economies, and just 6 percent was among emerging market economies. By 2012, these ratios were 31 percent, 45 percent, and 24 respectively....

In 1980, foreign direct investment was negligible. Today, it is not just a large flow (averaging 3.2 percent of global output between 2005 and 2012) but a stable one. It has proved triply helpful—as a source of knowledge transfer, a vehicle for promoting cross-border economic integration, and a stable form of finance....

Globalization, then, has meant growing cross-border economic activity....The age of globalization has driven rapid shifts in the location of economic activity. In 1990, the share of the high-income economies in global output at purchasing power parity (or PPP, the rate at which currencies would be converted if they were to buy the same quantity of goods and services in each country) was 70 percent, with the European Union contributing 28 percent, and the United States 25 percent. By 2019, according to the IMF, this total will be down to 46 percent.²

The question frequently asked about globalization is not whether it will continue, but at what pace—and how the US government and private sector will respond to these new opportunities and challenges.

To improve a country or region's international competitiveness today, firms and governments work to resolve issues related to the creation of more efficient global supply chains. This involves policy and program reforms necessary to create a climate for businesses and communities that promotes innovation and enables the development of new economic clusters that from the point of initiation

1 Martin Wolf, "Shaping Globalization," *Finance & Development* 51 no. 3 (September 2014), <http://www.imf.org/external/pubs/ft/fandd/2014/09/wolf.htm>.

2 Ibid.

are global in nature. As stated in a May 2013 paper from the Organisation for Economic Cooperation and Development (OECD):

Global value chains (GVCs) have become a dominant feature of world trade, encompassing developing, emerging, and developed economies. The whole process of producing goods, from raw materials to finished products, is increasingly carried out wherever the necessary skills and materials are available at competitive cost and quality. The growing fragmentation of production across borders highlights the need for countries to have an open, predictable and transparent trade and investment regime...³

In this current situation, it is important to not focus solely on the promotion of exports, but also on imports and two-way investment flows as equally positive tools in a country's tool kit to support the creation of a sustainable environment where companies and startups can flourish in the global marketplace of today and the future.

The global marketplace over the next 20 years will continue to experience rapid change with the introduction of ever-more-disruptive technologies. As Ambassador Jon Huntsman, Jr., Chairman of the Atlantic Council, recently noted in the *Wall Street Journal*:

For millennia, international commerce has focused on the exchange of physical goods. More recently, services have become an ever-increasing component of advanced economies and world trade. This trend will continue and bring with it greater complexity for those setting the rules and negotiating the deals...Whereas today the world economy is replete with far-flung supply chains for manufacturing physical goods, it will be the free flow of designs and ideas that will increasingly constitute the economic linkages of the future. The protection of intellectual property will be incredibly difficult, but remain critically important.⁴

Not surprisingly, this dramatic growth in the size and structure of the global economy has resulted in questions regarding the governance of the world trading system moving forward. Dynamic new entrants to the marketplace propose alternatives to the current rules on government procurement and trade in manufactured goods, and are anxious to be engaged in the development of the new rules necessary to govern a system increasingly focused on services and intellectual property. As Ambassador Huntsman further noted:

Moreover, today's governing bodies for trade, such as the World Trade Organization, may not have a monopoly in running the global trade system. Recent initiatives such as the New Development Bank and the Asian Infrastructure Investment Bank are likely to be early drafts of grander designs for alternative institutions established by emerging powers.⁵

While there is much to discuss and debate about the future of the global economy, our research demonstrated consistent agreement on the need for US commercial diplomacy programs to evolve rapidly to allow US business to compete on a level playing field. Programs that were innovative 25 years ago need to be refreshed. Gaps in program coverage that have resulted from new emerging issues and the rapidly changing economic landscape need to be filled with groundbreaking new approaches. Many of these policies and programs will require collaborative new public-private partnerships given both the nature of the challenge but also the importance of the opportunity. Most importantly, the foreign affairs agencies will need to rethink their human resources talent-management systems from intake through career development to the most senior levels, with an

3 OECD, "Trade Policy Implications of Global Value Chains," working paper, May 2013.

4 Jon Huntsman, "The Future of Global Trade: Jon Huntsman on the Radical Change Ahead," *Wall Street Journal*, April 26, 2015.

5 Ibid.

innovative new commitment to develop the skill sets required of the economic and commercial officers and locally engaged staff of the future.

Public Policy Rationale for Commercial Diplomacy Programs: A Focus on Advocacy and Market Insights

Throughout most of its history, the US government has maintained a commercial diplomacy program to help advance its economic, commercial, and foreign policy interests. (The next section describes these programs in more detail.) What hasn't changed is the public policy rationale that underpins our commitment to these interests.

The first component of the public policy rationale rests on the need to assist companies at certain stages of their growth to overcome imperfections in the global marketplace. Technological changes and more deeply integrated markets have fundamentally altered the nature of these imperfections but not their existence. As cited in a seminal General Accounting Office (GAO) report, "Export Promotion: Rationale for Government Programs and Expenditures":

Economists, as a general proposition, oppose government intervention in private markets because markets typically produce more efficient outcomes. Government intervention tends to distort resource allocation and create inefficiencies. However, for markets to be able to achieve the anticipated level of economic efficiency, key conditions must be met. For example, all costs and benefits are to be internalized to firms and consumers, market participants are to have perfect information with respect to all market variables and the future, and no market participants may hold monopoly power. When such key conditions are not satisfied, the outcome that the market generates may not be the most efficient. It is in such circumstances, referred to as "market failures," that the economics literature discusses how government intervention can improve efficiency.⁶

The second, and perhaps most compelling argument, is that all of our competitor nations provide a strong level of commercial diplomacy support to their globally competitive companies, and it is in the United States' national interest not only to be competitive in order to counter these programs but also to assume a leadership role in our own commercial diplomacy efforts so as to create a level playing field and establish the gold standard for diplomatic support. It is imperative that the United States urgently develops its next-generation commercial diplomacy effort, as today more than 95 percent of the world's consumers reside outside of the United States.

With regard to programs that address the need to overcome market imperfections or failures, many firms at early stages of their development have limited access to product-specific market intelligence on prospects for their products or services in overseas markets. In a similar way, they lack an understanding of which foreign companies might serve as appropriate partners.

While these imperfections have long existed, they are vastly different today than they were just 25 years ago, when the current menu of diplomacy programs was developed. Many firms still maintain a requirement for product/service-specific commercial intelligence that includes due diligence on key contacts and potential partners. Yet today a substantial part of that requirement can be met most efficiently through web-based interactive platforms and specialized private sector providers that deliver solutions to many key questions and problem sets in a matter of minutes, if not seconds. Diplomatic programs still offer real value, but need to focus not on the reporting of basic contact,

⁶ US General Accounting Office, "Export Promotion: Rationales for Government Programs and Expenditures," May 23, 1995.

financial, and company information but rather on an informed assessment of a firm's reputation and trustworthiness.

Of particular importance is the assistance needed to help firms identify new market opportunities created at the intersection of public policy and the marketplace. Government regulations and policies create challenges for business but also new opportunities and new markets. Our ambassadors and their teams can provide crucial insights and advocacy to US firms to advance our national interests at this particular segment of the global marketplace. Operating in a 24/7 world, US firms

require a 24/7 response from diplomatic programs as well as from private-sector service providers. Yet most government programs still do not operate via an application accessible on a smartphone.

Another major challenge faced by US firms in overseas markets is the aggressive efforts of foreign governments to advocate on behalf of their firms. This advocacy involves support for firms bidding on public procurements or other major projects. In addition to political support, competitor governments often include attractive packages for export and project financing, or grants for project feasibility studies. Many competitor governments tie their development assistance and other benefits (ranging from airline routes/landing slots to scholarships and technical training programs) to their export promotion programs, seeking to leverage their commercial interests in that way. In a more sophisticated environment, competitors also make efforts to influence the policy environment by providing technical assistance for regulatory cooperation and standard-setting, assistance that has the additional advantage of promoting a policy environment that is most amenable to their own commercial interests and, not incidentally, often hostile to US commercial interests.

In order to defend US commercial interests, our diplomatic programs also attempt to provide advocacy and finance support. In addition, the newer technology companies and companies that incorporate disruptive technology into their basic business processes have very important requirements for support in the area of policy advocacy, as well as sophisticated market intelligence, which allow collaboration in shaping an enabling policy environment that promotes innovation and entrepreneurship while also allowing open market access and full competition.

With the challenge presented by today's market imperfections and failures, along with aggressive advocacy and finance programs from competitor nations, the need arises to reset the metrics used by oversight bodies to measure the success of commercial diplomacy programs. Historically, the metric has focused on increasing the number of US companies that export rather than on increasing the amount of exports and the competitive quality of our own national business climate. Moving forward, crucial components to measuring success will be the placement of firms, especially small and medium-sized firms and startups, into global supply chains, and valuing the role played by inward and outward investment. Appendix 1 offers further perspective on the topics of global value chains and investment.

With the rapid insertion of disruptive new technology into the global marketplace, our commercial diplomacy programs face an urgent need to adapt and become more flexible. A major new requirement is to devote more sophisticated, higher value-added resources to market insights and policy advocacy. In this sense, advocacy encompasses policies that support issues that impact companies in

WITH THE RAPID INSERTION OF DISRUPTIVE NEW TECHNOLOGY

into the global marketplace, our commercial diplomacy programs face an urgent need to adapt and become more flexible.

the marketplace, as well as policies that create an innovative dynamic business climate that allows market access to US and other international companies.

This renewed focus on market insights and strategic guidance must also be accompanied by a new flexibility that empowers our embassies to lean forward, taking initiative with a nimble understanding of the authority and oversight they have been given by headquarters. Just as technology (especially in telecommunications and transportation) has fundamentally altered the global marketplace, it also has caused disruption to diplomatic operations with the extensive network of overseas and domestic field offices. Given the need to respond on a 24/7 basis and the reality that the most effective response is often led by those on the ground who have the best relationships with policymakers in a specific marketplace, it is essential to create an environment where field offices can lead. The aim should be to centralize strategy and oversight and to decentralize operations. With the proper development of guidelines and oversight that provides incentives and rewards for ambassadorial leadership, flexibility and speed can be created and sustained.

Focus on Advocacy, Market Intelligence, Trade Finance, and Human Resources Programs

Before turning to the next section of this report, which describes existing diplomatic programs, it is important to delineate our area of focus. Five categories of commercial diplomacy activities support US broad economic and commercial interests:

1. Macroeconomic activity (which includes fiscal and monetary policy, and global economic issues that are focused on good economic policies around the globe, which thereby help increase global growth, development, and prosperity);
2. Industry sector–specific policy advocacy (which includes regulatory environment/standards);
3. Public procurement/major project advocacy (which includes trade and project finance);
4. Compliance advocacy (which includes informal policy advocacy to ensure that public bodies comply with existing commitments); and
5. Market-entry programs for new exporters (which include partner searches/due diligence reporting/product-specific market research).

This report focuses on categories 2 through 4 (project and policy advocacy, market intelligence, and strategic guidance are the areas of greatest interest that emerged from our conversations with US firms). The report also focuses on the management of human resources talent and related management processes. This reflects the reality that to respond to requirements in policy advocacy and strategic insight, Foreign Service Officers and locally engaged Foreign Service Nationals face an urgent need to enhance their skill sets and to conduct their work in environments that reward and promote speed and risk-taking. More than the development of new programs or financial resources, the core requirements for success in the future revolve around greater value added and customized services delivered by ever-more-skilled and talented officers and staff in our embassies.

II. The Current State of Commercial Diplomacy Programs and Related Human Resources Issues

Commercial Diplomacy

In the many interviews we conducted while researching this report, participants used several different phrases to describe the diplomatic programs and services provided in support of US companies in their efforts to expand into overseas markets. These included: “commercial diplomacy,” “economic diplomacy,” “economic statecraft,” and a “shared prosperity agenda.” Others simply equated such efforts to US agencies and employees “doing their jobs.” For the purposes of this report we have settled on the term “commercial diplomacy,” which is well established in the literature and used consistently over a significant period of time (see the literature review presented in Appendix 1).

While commercial diplomacy is widely used and written about, it also means different things to different audiences. For this report, we offer the following definition from Harry W. Kopp:

Commercial diplomacy involves business and government overseas in cooperative efforts to achieve commercial objectives that advance national interests. Successful commercial diplomacy adds to America’s economic power⁷

Included in this definition is the Washington-based leadership of the foreign affairs agencies that direct and oversee the execution of the commercial diplomacy programs. They are vital to the continuity and evolution of the program and also represent a significant resource for US companies.

Kopp’s book *Commercial Diplomacy and the National Interest* is one of two fundamental references that provide a more in-depth look at commercial diplomacy and establish the foundation of this report. Kopp’s work remains the best available reference for a comprehensive description of US government commercial diplomacy efforts, and its focus on case studies highlights existing requirements and successful best practice while providing a framework for discussion of key issues confronting policymakers and program managers. The second reference, an article by Charles Ford for *Foreign Service Journal*, “Commercial Diplomacy: The Next Wave,” presents a historical overview of the importance of commercial diplomacy in US diplomatic history and an analysis of new challenges to be faced and opportunities to be taken advantage of in the 21st century.

Ford’s article documents how commercial diplomacy was a core element of US diplomatic history before World War II. As the nation grew in economic and political strength in the post–Civil War period, consular and diplomatic efforts often prioritized deepening US trade and investment relationships around the globe. This is typical of what new, emerging economic and political powers continue to do today.

After World War II, far less diplomatic attention was paid to commercial diplomacy, for two basic reasons. First, the United States had assumed a new global leadership role, which among other areas of responsibility allowed it to lead in the development of global trade and investment rules. US foreign policy had a single, overriding, and broadly supported focus: to win the Cold War. Second, until the late 1960s US companies often went unchallenged as a result of their strength and leadership in the emerging global economy after the war. This began to change in the 1970s and the early 1980s. Only in the 1990s, coincident with the fall of the Berlin Wall and the dissolution of

⁷ Harry W. Kopp, *Commercial Diplomacy and the National Interest* (Washington, DC: American Academy of Diplomacy and Business Council for International Understanding, 2004), 1.

the Soviet Union, did US diplomacy once again develop a new commercial diplomacy program. The programs and services launched at that time serve as the core of our efforts today.

Most agree that the initial action taken to signal a new age for US commercial diplomacy was the Bill of Rights for US Business, issued by Deputy Secretary of State Larry Eagleburger on November 30, 1989. It declared that American business has a right:

- First, to have its views heard and considered on foreign policy issues that affect business interests;
- Second, to be assured that the ground rules for the conduct of international trade are fair and nondiscriminatory;
- Third, to receive assistance from well-trained and knowledgeable trade specialists in each overseas mission;
- Fourth, to receive sound professional advice and analysis on the local political and business environment;
- Fifth, to receive assistance in contacts with key public and private sector decision makers;
- Sixth, to the active promotion of US firms in international bids, and where more than one US firm is involved, even-handed support for all interested firms; and
- Seventh, to receive assistance in achieving amicable settlement of investment and trade disputes, and in cases of expropriation or similar action, to obtain prompt, adequate and effective compensation.

At the same time, the Department of State created two prestigious awards to recognize diplomatic achievement in the area of commercial diplomacy, which have served to stimulate performance and create incentives to prioritize commercial diplomacy achievements. The awards were created and endowed by Ambassador Charles E. Cobb, a distinguished non-career ambassador and former Assistant Secretary of Commerce. The Cobb awards recognize the commercial diplomacy achievements of a career ambassador and a career Foreign Service Officer.

Meanwhile, the beginning of the new commercial diplomacy effort at the Department of Commerce can be traced even earlier, to 1980 and the creation of a Foreign Commercial Service (FCS) as laid out in the Foreign Service Act of 1980. In 1988, the FCS was merged with Commerce's domestic export promotion offices to create the US & Foreign Commercial Service (US & FCS), a unique foreign affairs agency with domestic and overseas offices in markets that represented more than 95 percent of US exports.

In close coordination with the State Department, from 1989 to 1992, the newly created US & FCS undertook a strategic review to set out a new mission that would promote US exports and advance

US commercial interests. A decision was made to measure success by determining the number of US companies that had entered the international marketplace for the first time or had established a presence in new export markets.

In 1993, in addition to designing programs and services to support companies that were seeking new market information and relationships, the Departments of Commerce and State issued guidelines to ambassadors to define appropriate advocacy efforts on behalf of US companies and

THE LEADERSHIP AND COMMITMENT

to a vigorous commercial
diplomacy component of our
overall diplomatic efforts remains
extremely strong today.

US interests. The guidelines established criteria to make determinations of the national interest in individual commercial transactions and on processes to guide decision-making on individual advocacy cases. At the time, some ambassadors were initiating advocacy efforts but had requested guidance to help ensure the quality of their efforts, and others were reluctant to advocate without specific instructions from headquarters—and thus the guidelines were a major breakthrough.

Under the leadership of President Bill Clinton and Secretary of Commerce Ron Brown, an Advocacy Center was established at Commerce. The center assists in vetting US companies that require advocacy support, helps resolve competing advocacy requests from multiple companies, and enlists the assistance of senior US officials to execute successful advocacy strategies. In addition, Commerce established a Trade Agreement Compliance Center in the mid-1990s to assist US companies with informal guidance and advocacy with regard to violations of trade agreement commitments.

The leadership and commitment to a vigorous commercial diplomacy component of our overall diplomatic efforts remains extremely strong today, as illustrated by the following statements from (respectively) the current National Security Strategy, Secretary of Commerce Penny Pritzker, Secretary of State John Kerry, and former Secretary of State Hillary Clinton:

- “America’s growing economic strength is the foundation of our national security and a critical source of our influence abroad.”⁸
- “President Obama, Vice President Biden and I share a commitment to developing a commercial diplomacy strategy that better develops one of our greatest diplomatic resources—the business community—as a partner in capitals and ministries abroad. For purposes of commercial diplomacy, perhaps the most salient observation from my trips around the world is the overlapping interests between business and governments: foreign governments want to foster growth at home and create opportunities for their people; foreign companies and customers want US goods and services; and both appreciate the business ethics that American firms generally bring to the table.”⁹
- “Every time I speak to the Department of State, I talk about foreign policy as economic policy.”¹⁰
- “The economic is strategic and the strategic is economic...America’s economic strength and our global leadership are a package deal.”¹¹

The challenge and the opportunity today is to take these strategic commitments to our economic and commercial strengths and turn them into operational policies and programs that transform our foreign affairs institutions and impact our diplomacy.

Current Program Summary

A complete inventory of US government programs that support US companies in their efforts to expand in global markets and attract overseas companies to invest in the United States is well documented and easily available on the Internet. Key websites for the interested reader include:

- www.businessusa.gov for information on all government business support services, including international trade;
- www.export.gov for information on international trade programs and services of US government agencies;

8 National Security Strategy, The White House, February 2015.

9 Penny Pritzker, at a *Foreign Policy* dinner, October 29, 2014.

10 John Kerry, opening remarks to the U.S. Senate Appropriations Subcommittee on Foreign Operations, March 13, 2014.

11 Hillary Clinton, at the Economic Club of New York, October 2011.

- www.selectusa.commerce.gov for information on investment opportunities in the United States;
- www.fas.usda.gov/programs for detailed information on programs to support agricultural exports; and
- www.trade.gov/enforcement for information on programs that ensure foreign compliance with international trade agreements and that remedy unfair trade practices.

Programs respond to the two public policy rationales presented in Section I. For example, some attempt to correct identified market imperfections/failures by providing (for a fee to recover costs) strategic information on markets or potential partners, which adds great value in that market segment where government policy and regulation are crucial to future market development. Others counter the finance and advocacy programs of nations that represent our major competitors, and in that manner create a level playing field for US companies. US economic and commercial officers are uniquely qualified to contribute in these areas given their vantage points and personal and professional relationships with host country government officials and private sector leaders.

The newest initiative is SelectUSA, an interagency program located in the Commerce Department that works with international companies interested in investing in the US marketplace. Created in 2011, SelectUSA works closely with the private sector and state and local partners to promote the US globally and to contribute to efforts to ensure that the US market remains globally competitive.

The whole-of-government effort is coordinated by the Trade Promotion Coordinating Committee (TPCC). Established by executive order in 1993 (after the Omnibus Trade Act of 1992 called for the creation of an interagency body), the TPCC includes 19 federal agencies that offer programs or services that advance US commercial interests globally. Additional information on the TPCC is available at www.export.gov.

Our interviews with a wide range of private companies and associations (see Appendix 5) identified the following program areas as most critical as we move into the next generation of commercial diplomacy efforts:

- public procurement
- trade agreement compliance
- industry sector-specific regulatory climate

Work on macroeconomic issues, including trade policy, and work by programs at the micro level that support the development of overseas markets for new exporters remain very important, but did not emerge as areas in critical need of a strategic review as we look to the future.

Of the three identified areas of critical interest, the program to support advocacy for public procurement projects remains the most developed and utilized by US companies. Guidelines, first issued in 1993, provide criteria for making national interest determinations on specific public procurement opportunities. In addition, the interagency Advocacy Center, located in the Commerce Department and strengthened by executive order in 2013, oversees the process of certifying procurement projects for US government advocacy support and collaborating in the design of appropriate advocacy strategies to support each transaction. A full description and listing of foundational guidelines and applications is available on the www.export.gov website.

The next most developed program area is compliance with existing trade agreements. The US government monitors compliance with and enforces US trade agreements in order to ensure that American consumers, workers, businesses, investors, and farmers can take full advantage of the agreements. The Commerce Department Trade Compliance Program, along with other US govern-

ment agencies, responds to complaints made by the private sector and engages in informal consultations with partner nations. When compliance with US trade agreements is not achievable through government-to-government engagement and US industry wishes to press an issue further, the matter will be referred to the United States Trade Representative (USTR) to consider potential Free Trade Agreement or World Trade Organization dispute settlement procedures.

Public procurement and trade agreement compliance rank high on the priority list, yet the area of industry-specific regulatory climate ranks as the most important area for industry as it evaluates the current and future challenges in the global marketplace. The interest is in obtaining more systematic engagement of our commercial diplomacy on policy advocacy. Policy advocacy at a basic level involves engagement to ensure that our commercial interests are able to present their views to government prior to the decision-making consultative process that sets regulations and standards. Policy advocacy also might involve collaboration on the specific content of proposed rules and standards where interests coincide. Unlike the advocacy efforts we make on behalf of US companies engaged in project procurement transactions, this program area is not defined, has no guidelines or process management rules for engagement, and sets no goals—and thus is unable to document or measure success.

A program that begins to address these issues is Commerce's Standards Attaché program, which has dedicated Commercial Service standards officers located in Brussels, Beijing, Mexico City, and São Paulo. Commerce also is beginning to address these issues more systematically through the formation of a department-wide standards team. It also is implementing concrete programs such as its new Standards Alert service, conducted in cooperation with the American National Standards Institute, which is helping to publicize opportunities for US companies to participate in standards development to protect their market access. This team will serve as a resource for all Commerce units to support policy advocacy on proposed rules and standards.

A fourth priority area identified in our research was a requirement for engagement on market insights and strategic advice. This requirement cuts across the three program areas of project advocacy, trade agreement compliance, and policy advocacy on industry-specific rules and regulations. Collectively, the requirement speaks to enhanced business counseling services. Here, as in the case of policy advocacy, excellent work is being done by individual officers and their embassy teams, but without a comprehensive program or institutional focus on strategic counseling. Business representatives often spoke glowingly to us of specific instances of very useful and timely counseling from embassy and consulate staff members, from locally employed trade and economic experts up through ambassadors and consuls general in US posts, large and small around the world. But company experiences and assessments vary depending on the officers and posts involved, and thus the overall impact is limited and dependent on individuals and embassy leadership.

The next section presents current and future requirements of next-generation commercial diplomacy programs as identified by a wide range of US companies and leadership in our foreign affairs agencies. These will serve to expand further on the gaps identified in this brief summary of our existing efforts and to offer recommendations and suggested next steps to advance as quickly as possible given the nature of the competitive challenge.

BUSINESS REPRESENTATIVES OFTEN SPOKE GLOWINGLY

to us of specific instances of very useful and timely counseling from embassy and consulate staff members.

It is important to note the significant reforms undertaken to the commercial diplomacy programs of all of our major competitor nations over the last 15 years. The fact that the British, Canadian, Australian, German, Swedish, Danish, and Swiss governments (to name a few) all have recently completed strategic reassessments of their programs is a testament to the ever-more-intense competition for global sales and market share that is taking place in a more slowly expanding international marketplace. The United States has its own unique characteristics and approach, yet these efforts have much to teach governments looking to enhance support for companies that are major US competitors.

The identification by US companies of new requirements creates an opportunity for US foreign affairs agencies to incorporate new thinking, whether from other nations' efforts or through the adaptation of new findings by recognized international institutions such as the World Bank. A 2012 report by the World Bank noted: "The top 1 percent of exporters critically shape trade patterns... Current export superstars typically enter the export market relatively large, reach the top 1 percent after less than three years exporting, and account for more than half of a country's total exports, export growth and diversification."¹²

We note that an excellent short paper on the efforts of other industrial nations to develop next-generation programs is "National Export Initiative—A Benchmark Study of Seven Countries," which is a comparative analysis of seven national economies (Australia, Brazil, Canada, Germany, India, Sweden, and the United Kingdom), from the Department of Commerce Executive Leadership Development Program in 2011.

Finally, what stands out in this review of current programs is the vital importance of our officers and locally engaged employees. Trade and project finance as well as grants to assist in the development of projects or US exports are also essential, but so much of what the government offers to companies depends on the quality and engagement of our embassy teams at all levels. Unlike most countries, we do not subsidize our efforts but often charge companies for access to our programs and services. Thus, recognizing that the US overseas business requirements of the future will involve the US government more in the area of strategic counseling and policy advocacy, the human resources talent-management programs of our foreign affairs agencies are hugely important. Whether it is the process for the intake of new officers or local staff, or the support of career development and the commitment to education and training, there is nothing more fundamental when meeting these new requirements than to continue to improve the human resources talent-management process.

12 Caroline Freund and Martha Denisse Pierola, "Export Superstars," Trade and Integration Team for the World Bank Development Research Group, Working Paper S6222, October 2012.

III. Future Requirements for Diplomatic Support: Perspectives of American Business

We researched this report by organizing broad-based dialogues with a cross section of representatives of US companies and business associations to gather their perspectives on effective diplomatic support and possible future requirements for diplomatic support. Although we also met with senior leaders at the Commerce and State Departments as well as other foreign affairs agencies to determine programming needs, we principally sought to obtain business perspectives that would help guide future program design and execution. Dialogue focused principally on the programs and services offered by Commerce and State, both in the US and overseas. Here we summarize the results of the dialogues in our own words, noting that these business perspectives do not represent official views of the participants or their corporate affiliations.

We held 15 meetings and interviews with executives from more than 50 US companies. While a few of these were individual meetings, most were roundtable discussions with multiple participants focused on functional topics or sectors. For example, one roundtable was dedicated to a conversation about public procurement challenges and US government advocacy support. Another focused on the need for a more systematic service to address company needs for sector-specific policy advocacy, particularly in the pre-regulatory and standards-setting process. A third roundtable included a mix of company representatives from the technology sectors, with conversation focusing on the creation of business climates that foster innovation and entrepreneurship. Discussions included sessions with visiting delegations from the American Chambers of Commerce from Asia and Europe. Given the new SelectUSA investment promotion program, we also held a roundtable with inward investors. Roundtables and individual meetings were held in Washington, DC; Seattle; and Brussels.

We also held 24 meetings with US government officials from State and Commerce, the US Agency for International Development (USAID), and the Department of Agriculture. (These meetings began in the pre-design stage of the project.) While these meetings were held separately from the business roundtables, they were scheduled around similar themes so that perspectives and issues could be shared and collaboration and partnership opportunities assessed. The methodology was designed to build a collaborative environment from the design stage through completion of the report, with the driver for new programs emerging from the perspective obtained from private sector participants. Further detail on these meetings can be found in Appendix 5.

Policy Considerations

Underlying all of our conversations with the business community was a deep sense of how much change has taken place in the global marketplace over the last 20 years. Whether the topic was public procurement or industry sector regulations and standards, it was clear that the new degree of global integration and its impact on corporate strategies has had a profound impact on how business assesses and takes advantage of global opportunities. While there is still the traditional interest in exporting manufacturing products from the United States to other markets, we also heard considerable discussion about the challenges and opportunities of designing and managing global supply chains, investment, services trade, and protections for intellectual property. In addition, many of the traditional government programs that focus on providing basic information and contacts now appear redundant given the evolution of interactive web-based platforms. Furthermore, criteria to evaluate and make national interest determinations for government advocacy have become far more complex than the traditional 50 percent United States content rule of thumb (in

A NEW POLICY FRAMEWORK for commercial diplomacy programs and services should measure success related to improving US global competitiveness.

most instances, national interest determinations have traditionally required that at a minimum 50 percent of the content must be made in the United States; there are exceptions on a case-by-case basis). Finally, US business faces new competitive forces in many regions of the world that are no longer constrained by the same rules-based, level-playing-field competition established by multilateral and bilateral free trade agreements. Appendix 1 summarizes some of the views (in some cases frustrations) raised consistently by business inter-

locutors on new policy issues, such as global value chains and foreign investment, and how the government can more effectively deal with those challenges.

It appears that our current policy as it is executed across all markets in a systematic way is anchored in a perspective of the global economy as it existed in the second half of the last century, with its focus on support for the export of physical products. In 2011 a new program, SelectUSA, was added at the Department of Commerce to attract foreign direct investment and to retain existing US investment. A new policy framework for commercial diplomacy programs and services should measure success related to improving US global competitiveness. This measure would include increasing exports, attracting and retaining investment, and supporting strategic imports that would allow higher-value-added domestic economic activity and outward investment. The core business requirements of the future reside in the areas of sophisticated market insights on industry sector opportunities/challenges and in the development of guidance for policy advocacy services to complement the longstanding guidance on public procurement advocacy. US government programs also need to be focused on helping US companies (and hence their workers, shareholders, communities, and stakeholders) succeed in today's and tomorrow's competitive globalized world.

In addition to this general sense that policy to guide US government commercial diplomacy needs to be refreshed and updated, three other policy-related points emerged from our conversations. First, several business participants mentioned programs on offer by competitor nations that are available to them as global companies. In recent years, all of our competitor nations have undertaken important reviews of their commercial diplomacy programs and elevated the priority of those programs within their broader foreign policy strategy. Some participants suggested that it would be useful to analyze these new innovative efforts to identify potential best practices relevant to our own programs.

A second policy theme that was common in our broad discussion was the opportunity to create feedback loops that connected activity in the commercial diplomacy programs with the interagency economic policy process. For example, in our roundtable to discuss the new SelectUSA inward investment and investment retention program, participants indicated how pleased they were with the program's initial activities and their ability to connect partners and to resolve issues. Yet they noted that the many policy issues that are identified in the process of attracting investors and closing deals were not easily fed back into the interagency and legislative policy process. The same interest in creating a more robust feedback loop to better inform US policy interests ran through discussions on the need for a more defined, institutional approach to policy advocacy services.

A third cross-cutting policy theme was the interest in enhancing the speed and risk-management approaches of commercial diplomacy programs by providing more detailed decision criteria and more responsibility to field offices that are often best placed to guide advocacy programs and provide strategic, value-added counseling. More comprehensive guidelines across all commercial diplomacy pro-

grams are needed in order to allow ambassadors and embassy teams to respond with greater speed and flexibility. It should be emphasized that the vast majority of our participants expressed a high opinion of the support they now receive from agencies in Washington and from embassies; however, many also feel that this support is uneven, and very dependent on the ambassadorial leadership of the economic/commercial team and the personalities of the officers leading their respective sections.

A common theme around how the best businesses manage their global operations was the strategic direction from headquarters regarding the delegation of operational execution to the field. Many seemed to believe that a similar approach within the US government would enhance the speed, reliability, and flexibility of our own programs. Thus, the broad policy should be clear and detailed enough to provide confidence to ambassadors, economic and commercial officers, and others on the ground to execute and lean forward in a more aggressive risk-management approach to advancing US interests.

Commercial Diplomacy Programs and Services

The business participants in this project shared their perspectives on requirements for diplomatic support, illustrating their statements with examples of best practices and areas for improvement. In general, US programs and services were highlighted for their quality in certain countries and situations, and the quality varied greatly. When we pursued more detail on successful programs and the silos of excellence that were mentioned in some roundtables, it became clear that two features distinguish successful programs: ambassadorial leadership and engagement that creates collaborative team relationships, and the quality of the Foreign Service and local staff that partner and engage with the US firm or association. A few business representatives highlighted the importance of close coordination and teamwork between the commercial and economic sections of large posts.

One cross-cutting issue that we encountered with some regularity was the need for US government commercial diplomacy support to be available to all companies, large and small, across all sectors of the economy. For a variety of well-founded and substantive political and budgetary reasons, many US commercial diplomacy programs have been focused on or limited to small and medium-sized companies or new-to-market firms. While smaller companies clearly need more support to succeed internationally, large, global firms also face considerable challenges in today's competitive global markets. And when large transnational companies succeed internationally, their networks of smaller suppliers, and service providers, also win. One of the best things the US government can do to help small and medium-sized US firms is to help US transnational firms succeed internationally.

While not put forward as comments on or critiques of specific programs and services, participants' perspectives correspond to the following programmatic and service areas:

- **Counseling:** The most commonly identified future requirement was for in-depth, company-specific or sector-specific strategic advice and information-sharing by embassy teams. In the future, companies will require more customized, higher-value-added, and flexible responses to real-time problems in individual or regional markets. The impact of government policies and regulations on marketplace development is a critical area for US global companies and one in which ambassadors and embassy teams are well placed to provide fresh perspectives and to potentially serve as credible and important advocates. This requirement is met today through formal or informal counseling services made available to companies that contact or are referred to embassies.

In this most high-priority area we found the most uneven experience and performance, particularly as companies are looking now for customized, higher-value-added, real-time services.

Some of the most effective counseling seems to be quite informal, especially between US officials overseas and local US executives. Unlike other programs, counseling has no defined performance standards or outcome metrics, particularly as elements of it are often performed by multiple agencies. Some cost-recovery programs provide briefings and introductions to potential clients and partner relationships, although counseling refers to that ability on more of a periodic basis to contact and engage the embassy and exchange information and perspectives on how a specific industry sector is developing and how it might be impacted by pending legislation or executive action. No action of the embassy is requested, but companies highly value the insight and perspective they obtain from counseling services provided by our best officers and locally engaged staff. It is also important to highlight that counseling and relationship with a US firm goes on over an extended period of time, thus requiring the embassy team to remain engaged with the firm as market or policy developments require.

Given the numerous expressions of interest in infrastructure projects, it is important to underline the requirement for a broad-based counseling service to track the development and procurement of infrastructure projects. Of interest was not the listing of procurement opportunities or tenders, or even the listing of projects, but very early market intelligence on the pre-project phase: for example, requirements of host governments, interest of the World Bank and other international financial institutions, activities of competitor-country development assistance, and commercial diplomacy programs that engage in services and programs to develop projects. Many were not aware that Foreign Commercial Service officers were assigned to the executive directors' offices of these institutions.

We heard this requirement for counseling that provides strategic advice expressed throughout our meetings. Addressing it will require an in-depth look at performance-management policies and incentives as well as development of service standards and metrics so as to align performance with priority requirements.

- **Project Advocacy:** Participants expressed considerable interest in the area of public procurement projects, including large infrastructure projects, and on US government advocacy on behalf of a level playing field for US companies. The US government program for public procurement advocacy has been in operation since 1993, and is coordinated by the Advocacy Center. The Advocacy Center and the process to obtain approval for US government advocacy was well known by all participants, and received generally high marks for its work and willingness to innovate and lean forward into an issue. Looking to the future, there were three requirements to consider, as follows:
 1. US government programs should develop more flexibility and speed. Existing guidance from Washington could be sharpened so that ambassadors and their teams are able to make more decisions locally. Washington guidance should assist and empower ambassadors and their teams overseas, not hamstringing them or overly bureaucratize what needs to be a flexible, field-focused effort.
 2. US government programs should recognize the very different competitive playing field and create processes to quickly resolve interagency disagreements. While some countries are still making procurements under the rules of the Government Procurement Agreement or the rules of international financial institutions, many projects are now put up to bid outside of these agreed-upon approaches. Some countries sign memoranda of understanding in which certain projects are committed to signatory countries. Other projects are put forward as public-private partnerships where competitor nations' rules govern in reality. At times, US

project advocacy support is not forthcoming due to interagency disagreements about how to compare US commercial benefits with the weakening of US-sanctioned international rules.

3. The criteria to make a national interest determination should be reassessed. While advocacy guidelines do offer flexibility on the traditional 50 percent content rule, many participants presented examples of exceptional cases when, even with 25 percent or less content, a national interest determination should be an option for US policymakers, if strategic factors (including the global supply chain, intellectual property rights, or technology) dictate.
- **Policy Advocacy:** Other than counseling, which is employed in all advocacy programs, participants spoke most often about the need for diplomatic programs and services to advocate on behalf of US firms or associations concerned about the policy environment for their sector. We have chosen to label this “policy advocacy.” It is a broad and elastic concept, referring to a requirement for firms to be allowed to participate in the pre-regulatory and standards-setting process as well as support for particular policy issues that establish a level playing field for future market development.

Much like counseling, policy advocacy has no defined program area, service standards, or outcome metrics similar to those that exist for project advocacy. Nevertheless, participants offered wide praise for support received from selected embassies and officers in this general area. Regarding standards, Commerce is beginning to define programs that better address the issues we have outlined as part of policy advocacy. Although there exists an expectation among companies that they can anticipate receiving this support, there is no existing institutional service commitment by the agencies or a road map for the US government or private sector players. Given the impact of technology across the global marketplace, and the anticipation of even more disruptive technologies in the future, it is not surprising that the requirement for policy advocacy support has become a top priority. In addition, with future rules governing trade and investment in a state of flux, it is vital to support the development of industry sector policies that promote innovation and entrepreneurship as well as global supply chains while allowing market access to US firms.

We heard this requirement expressed by almost all participants, particularly those in the technology sector. Although many participants discussed the requirement, many were unaware that some embassies are in a position to provide the service for it. They were pleased to discover the positive experiences of other participants in this area.

Our roundtable in Brussels (with representatives of more than 30 companies, European officers, and local staff based in the European Union and elsewhere in Europe) engaged in a robust discussion of partnerships on policy issues and promotion programs for the digital economy, smart cities, and health care. The Commercial Service in Europe has integrated its offices in American embassies and consulates across the European Union under the leadership of the office located at the US Mission to the European Union to focus on customized solutions for US business on policy issues and emerging market opportunities. The work that our embassies in Europe have done on this and other commercial diplomacy programs in recent years offers lessons that extend beyond

MUCH LIKE COUNSELING,
policy advocacy has no defined
program area, service standards,
or outcome metrics similar
to those that exist for
project advocacy.

the European single market and might serve as a model for possible replication in other regional markets. What is needed is a common set of guidelines as to the criteria to determine national interest and the empowerment of ambassadors and their economic/commercial teams to carry out this new program. Given the increasing complexity of the sector, and regulatory and standards issues, the quality of this program also will be heavily dependent on the quality of the Foreign Service team at each post and on strong front-office leadership and personal involvement.

- **Preference for Whole-of-Society Programs:** While the requirements for counseling and policy advocacy stand out as separate program areas, participants shared a strong preference for the development of programs that explicitly embrace “whole-of-society” approaches to problem-solving. “Whole of society” refers to the engagement of all key stakeholders on the development of a particular activity or the resolution of a policy dispute. The private sector, which is selling or investing, needs partners, including the host government or regional governments and US foreign affairs agencies, to help develop and defend an emerging business sector in an increasingly complex and integrated marketplace.

Within this call for more collaboration, there was strong support for transformational public-private partnerships together with more joint interagency operations. Many of our interviewees had experience in the defense sector and were aware of innovative mechanisms developed over the last decade to increase joint civil-military centers to resolve post-conflict issues or to prevent states from entering into conflict. There was a sense that our foreign affairs agencies might also benefit from more jointness and private sector collaboration to promote global economic growth and US commercial interests.

For example, the US Agency for International Development is innovating in the public-private partnership space, in recognition of the fact that it is the most impactful approach to confront development challenges and opportunities, and also in acknowledgement of the reality that financial resources dedicated to support economic growth programs are in sharp decline. It was a wonderful surprise to rediscover and learn more about the Commercial Law Development Program (CLDP) located in the Office of the General Counsel at the Commerce Department. This gem of a program, funded from foreign assistance resources, provides technical support to governments to assist them in the writing of legislation and rules that create an innovative, dynamic business climate. Many business participants, when informed of this program, were unaware of its mission and expressed great interest in learning how it could be employed more strategically in markets and sectors that need new laws and regulations.

There was a sense that either the USAID partnerships or the CLDP’s technical assistance would have much more impact if they were inserted more strategically into the design and development of a next-generation commercial diplomacy program. Given that in the past some programs and resources have remained too “stovepiped” or opaque to a broad business audience, participants called for more jointness and for public-private approaches as well as the use of more channels to promote the full range of government programs that can be made available to the broader business community.

- **Consultative Mechanism to Obtain Business Feedback and Direction:** One of the most surprising results of our research was our inability to find an appropriate and robust consultative mechanism with the broad US private sector. While both the Commerce and State departments have a series of formal and informal mechanisms for interacting with the private sector, we were unable to find a committee or process that could gather, in a systematic and regular

manner, business perspectives on support requirements, global market coverage gaps, and capacity limitations of Foreign Service Officers and their locally engaged staff. In several high-level settings, the executive branch and the private sector do engage to discuss economic policy issues or develop positions to advance in trade negotiations. (For example, the bilateral business associations are a wealth of knowledge and expertise limited to the particular countries that are part of the associations.) Other mechanisms exist wherein the private sector supports and provides advice for local events and programs. Yet there does not appear to be a mechanism at the executive, operational level that focuses on the issues raised in this report. Although all programs provide for individual companies to have “stovepiped” access, there is no overarching mechanism for US business to systematically obtain strategic and operational advice on government programs and resource allocation decisions.

In a similar way, our interviews revealed a strong interest in engaging the private sector for timely and relevant perspectives on emerging markets in which there are no or few diplomatic resources dedicated to meeting US commercial and economic requirements. On the topic of identifying new emerging markets of interest well in advance, participants often mentioned a desire for a workable early warning system to inform the resource allocation decisions of the relevant agencies.

- **Foreign Affairs Human Resources Talent Management (Recruitment, Development, and Alignment of Commercial/Economic Expertise):** If our research yielded one central finding, it is that Foreign Service Officers and Civil Service professionals in both State and Commerce as well as in USAID and the US Department of Agriculture/Foreign Agricultural Service, together with the extremely knowledgeable locally engaged embassy staff, are crucial to the design and execution of our commercial diplomacy programs. Our research also determined that if only one requirement identified in the report could be met, it should be the pressing need to elevate the talent-management programs in the foreign affairs agencies dedicated to supporting our commercial programs. Talent management refers to the spectrum of human resources programs: recruitment, training and education, career development, and interagency coordination. A new coordinated approach to talent management would address the entrance examinations and processes utilized to bring new talent into the agencies, assess the most efficient and effective way to incorporate new skills and experience now required for this next-generation program, and create new career development paths and alignments up through the most senior leadership levels.

Business participants recognized the requirement for more customized commercial training on current issues. Yet we also determined that the training and education budgets for the foreign affairs agencies engaged in commercial diplomacy programs are not always transparent to other interagency partners or within subunits of the same agency. More troubling, it is very clear that funding for economic/commercial training at the National Foreign Affairs Training Center/Foreign Service Institute is in decline. We were pleased to learn of the substantial new commitment that the Global Markets/Commercial Service unit at Commerce is able to make to training at this time.

**OUR RESEARCH ALSO
DETERMINED THAT IF ONLY**
one requirement identified in the
report could be met, it should be
the pressing need to elevate the
talent-management programs in
the foreign affairs agencies.

These six findings represent the principal conclusions gathered from our meetings with US companies and the leadership of the relevant components of the four foreign affairs agencies. We note that participants showed significant interest in the issue of the reauthorization of the Export-Import Bank, and expressed support for the innovative and highly successful programs supported by the Overseas Private Investment Corporation and the Trade Development Agency. Although these finance programs and services are vital in the commercial diplomacy effort, they are not the central focus of this report.

The next, and last, section offers recommendations to suggest a way forward in the design and execution of a new generation of commercial diplomacy programs that will meet the requirements set forth by our companies, which are engaged in the heated competition for global markets.

IV. Recommendations

The requirements for our next-generation commercial diplomacy program, as identified in our meetings and interviews, can be grouped into three broad categories: policy, programs, and human resources talent management. What stands out immediately is the challenge and opportunity to deploy resources in a more efficient and collaborative manner. Our recommendations, therefore, are focused on the setting of policy that will govern a whole-of-government and whole-of-society approach to commercial diplomacy and that will more strategically coordinate programs and human resources talent-management policies, with an initial focus on customized training programs on current industry sector and specific business issues. It is our belief that existing resources can be more effectively allocated and leveraged in new, innovative public-private partnerships.

For purposes of our policy recommendations, we have included the US Department of Agriculture and its Foreign Agricultural Service (USDA/FAS) together with the US Department of Commerce and its Foreign Commercial Service (USDOC/FCS) and the US Department of State. For the other recommendations we have included just USDOC/FCS and State, as our research did not focus on agricultural exporters or marketing companies. While it is clear that other agencies have a stake in and would be involved in the interagency process to implement these recommendations, we believe it is important that the principal agencies collaborate and lead this effort.

Recommendation #1: Develop, as rapidly as possible, a policy framework to guide the development of a next-generation commercial diplomacy program that will advance US commercial interests in the ever-more-challenging global economy.

We recommend that over the next year Commerce and State, working collaboratively with USAID and USDA/FAS, develop a new policy framework to address the findings described in this report. While much of the support provided to US firms developing global markets is transactional, the overall framework needs to clarify more strategic components of the effort to enhance US global competitiveness. Components of this review would include, among other elements, guidance to:

1. Develop a new, overarching mission statement for all commercial diplomacy programs, one that focuses on enhancing the US global competitive position and takes into account the challenges and opportunities now found in the ever-more-competitive global marketplace. This new mission would take into account support for inward and outbound investment and enhancement of US participation in global value chains so as to produce the optimum result for American workers, companies, and communities. It would define the US national interest and establish the appropriate metrics to measure successful outcomes.
2. Systematically and regularly review policies and programs of our principal competitor countries in order to identify best practices and assess approaches that can be adapted to work in the US marketplace. Our principal competitors, aware of the same challenges and opportunities documented in this report, have undertaken strategic reviews of their commercial diplomacy efforts in the last decade.
3. Develop appropriate feedback loops where policy issues that emerge from the execution of commercial diplomacy programs are elevated to the appropriate interagency coordinating committee for prompt determination of an appropriate response.
4. Ensure that this new policy framework provides sufficient strategic advice and guidance that operational leadership can be delegated as much as possible to field operations that are often best placed to lead on tactical issues. The framework should also establish appropriate tools for the strategic oversight and accountability of field operations. The policy guidance should be

crafted to delegate authority to the field and to incentivize maximum ambition, aggressiveness, and creativity by ambassadors and field staff.

Recommendation #2: Review existing commercial diplomacy programs to identify programmatic and personnel gaps and to present solutions so that ambassadors and their teams will be fully equipped to advance our national interests.

We recommend that the Commerce Department engage collaboratively with the State Department at the Under Secretary level to jointly conduct a formal gap analysis of existing programs and services provided by both departments. The insights and perspectives documented by our report justify a joint effort to assessing these new private sector requirements. What does business feel is or is not working? How can programs be strengthened, or what replacement programs can be justified? While not formally a part of this report, it will be vital to include the full range of programs now on offer to support the new exporter or the exporter looking to enter more than a few markets in this gap analysis. Do these programs and the resources dedicated to them respond to the US national interest in the current and evolving global economy? Are they able to counsel on the benefits or opportunities provided by global value chains and investment? Are the cost-recovery fees that are assessed to these programs appropriate and effective?

It also is vital to engage human resources professionals in this gap analysis in order to identify and reset core competencies and skill requirements to guide human resources talent management programs. Given the wide range of programs and services on offer, we recommend that the scope of this initial effort focus on the areas identified in Section III of the report. These are the areas in which both the Commerce and State Departments offer services to the same client group of experienced global companies, and thus offer the most robust opportunities to identify occasions for coordination and collaboration.

For each area, the first priority is to establish or agree to program standards, client service standards, and performance measurement. With these elements understood, gaps in program coverage, skills, and competencies can be identified. Priority program and service areas are:

1. **Counseling Services:** This is a current and future requirement but has no set of program or client service standards or agreed performance measurement metrics. In many cases it is minimized so as to promote cost-recovery services and products. The requirement going forward is for more customized and higher-value-added counseling services, which will have an important impact on human resources strategies for the intake of officers and locally engaged staff, as well as on training and education programs.
2. **Project Advocacy Enhancements and Issue Resolution:** With its more than 20-year history, this program has excellent feedback loops to gather client requirements and to discuss current issues in global public procurement. Section III of the report highlights three areas for joint work: speed and flexibility of engagement; emerging, alternative threats to the preferred Government Procurement Agreement approach to project procurement; and criteria to make national interest determinations. There are excellent best practices that offer possibilities to be replicated. See Recommendation 4.
3. **Policy Advocacy:** As noted in Section III, this is a program area that, like counseling, is performed on a regular but uneven basis. Performance therefore is inconsistent. It was the top-priority new requirement identified by business in our meetings. Policy advocacy, much like project advocacy, is provided by State and Commerce staff overseas, often to the same client companies. Like counseling, consideration should be given to establishing more formal joint guidance. Issuing guidelines such as those issued jointly in 1993 to govern project advocacy could be helpful.

Recommendation #3: Develop a private sector consultative mechanism to ensure systemic oversight of commercial diplomacy programs and identification of emerging global market and industry priorities.

We recommend that Commerce take the lead in developing a mechanism that will provide broad-based business advice and feedback on requirements to be met by commercial diplomacy programs as well as on the identification of emerging new markets that require a more robust embassy support infrastructure for market development. State and other key agencies should be full partners in this effort. We envision that these consultative sessions, perhaps held annually or at most semiannually, would deal with broad policy directions and priorities, not detailed company or sector-specific policy issues. Getting the right cross-sector participation from the US business community will be critical and quite challenging. Our report was unable to identify a current advisory committee structure or relationship that allowed this strategic operational advice to be offered and new forms of public-private collaboration and partnership on commercial diplomacy programs to be discussed.

Recommendation #4: Assess new collaborative programs and partnerships with the private sector to advance national economic and commercial interests across the global marketplace.

We recommend that State and Commerce jointly collaborate on an effort to review and evaluate best practices both in the whole-of-government area as well as the broader whole-of-society approach. This collaboration will be immensely helpful in informing the joint gap analysis outlined in Recommendation 2. It will be important to conduct a joint work program with the following elements:

1. Perform a joint survey of embassies to capture pilot projects that offer lessons for replication and that demonstrate success in terms of US commercial/economic outcomes or whole-of-society approaches. The survey also should capture post-specific examples of best practice in terms of ambassadorial leadership and team engagement. Results would inform future institutional work on programs and executive leadership.

Our overseas seminar in Brussels provided a powerful example of how Commerce is moving forward on a regional basis to respond to requirements from business for more customized solutions to issues that impact the EU and countries near the EU. This effort could serve as a basis for a joint State-Commerce review as it impacts the three priority program areas covered in Recommendation 2.

2. Enhance cabinet and ambassadorial leadership roles. Of the many examples presented of best practice and successful advocacy, the one unifying thread was the quality and vision of ambassadorial/front-office leadership. Within an embassy front office, the roles of the Deputy Chief of Mission and the principal officer at consulates in important commercial centers also are crucial for the support of ambassadorial leadership. Anecdotally, our research identified excellent examples of ambassadorial leadership. At many large posts, the larger country team of agency heads meets two or three times a year to set strategic goals for the commercial diplomacy program. As documented in Section II of the report, in the early years of our modern commercial diplomacy effort, considerable effort was spent on empowering ambassadors and also training

WE ENVISION THAT THESE consultative sessions, perhaps held annually or at most semiannually, would deal with broad policy directions and priorities, not detailed company or sector-specific policy issues.

senior leadership teams on the priority of the commercial diplomacy effort. These efforts included joint State-Commerce cables to ambassadors. Awards were also established to recognize and reward performance. The importance of these efforts should not be underestimated. Leadership cables from State-Commerce and the recognition provided through award programs serve as important means to establish commercial diplomacy at the center of our foreign policy and to reinvigorate our next-generation program.

Recommendation #5: Develop a formal collaborative mechanism to oversee human resources talent-management systems for economic and commercial officers and local employees so as to enhance successful outcomes in recruiting, retaining, and developing the strongest possible team to execute commercial diplomacy programs across the foreign affairs platform.

It is clear from our interviews with more than 50 business representatives that the requirements of future commercial diplomacy programs will be met only if we are able to recruit, retain, and train a highly qualified workforce. The principal asset of the Foreign Service is our human capital, including more than 1,000 locally engaged staff that work on economic and commercial issues in the top 95 percent of our markets. With some important modifications to our human resources approaches, much progress can be made in the short term, recognizing that decisions taken today will have a major impact over the medium and long term.

In 2015, Secretary Kerry approved a new Quadrennial Diplomacy and Development Review (QDDR) that, among other priorities, signaled out the need to focus on increasing recruitment, development, and alignment of economic expertise. The State Department will be implementing actions over the coming year to emphasize expertise in economics, better recruitment, improved training, and coordination with the economic interagency. At the same time, the Commerce Department has prioritized resources for its Global Markets/Commercial Service agency, and FCS officers and staff have recovered to historically high levels. It is our understanding that both agencies will be undertaking a review of their core competencies and skill requirements for the first time in a decade. Thus, there exists an important moment to establish a formal mechanism to collaborate.

With this in mind, we recommend the following:

1. Under the QDDR, the State Department is establishing an Economic Career Board, convened by the Under Secretary of State for Economic Growth, Energy and the Environment. This board will work with the Bureau of Human Resources to facilitate recruitment and work with the National Foreign Affairs Training Center to review and improve training options. It also will look to increase opportunities for detail assignments and exchanges. We recommend that the new board reach out to Global Markets/Commercial Service at Commerce and jointly establish the mechanism to collaborate on the development of policies and programs that relate to the intake of officers and that define procedures for officer exchanges and the establishment of permanent, new, career-enhancing joint positions at both agencies. There is a need for more *joint* State-Commerce collaboration on training, assignments, career development, and recruiting.

In addition, a more formalized engagement with the private sector offers the mechanism to deepen partnerships and resources—via either an endowment or issue-specific resources and developmental-exchange assignments. These new partnerships also offer the possibility to learn from the significant experience of the private sector in the human resources and talent-management area, and to provide a mechanism to collaborate on the expansion of existing programs (such as the Eagleburger Fellowship, where officers are embedded in companies and nonprofit organizations on limited-term assignments).

2. Both State and Commerce are now engaged in a review of criteria used to evaluate new officer selection and to set in place criteria and procedures that will impact the next 20 years of performance, likely in a resource-constrained environment. Both departments confront similar issues: for example, are we asking the right questions on entrance examinations or recruitment campaigns? Given future requirements for commercial diplomacy programs, should we on-board more new officers that already possess significant skill sets and experience? It is imperative to take advantage of this moment. We recommend that State and Commerce collaborate and explore out-of-the-box solutions.

Recommendation #6: Develop a formal collaborative mechanism to coordinate economic/commercial training and education programs, with a particular focus on developing new partnerships with private partners to meet the priority business requirement of short customized courses on cutting-edge issues and emerging new business sectors, many of which are vastly complex in the emerging technology sector.

It is vital for State and Commerce to more jointly plan for economic and commercial training and education. At a minimum, an annual discussion of specific courses and budgets is required, creating the opportunity to collaborate and partner. Distance learning in particular is attractive, as is the possibility to partner more consciously with universities and private sector providers with particular expertise in industry sectors or business issues. For immediate action, we recommend these ad hoc actions by both departments:

1. We recommend that the National Foreign Affairs Training Center/Foreign Service Institute collaborate with FCS and the Economic and Business Bureau at State to develop training modules (both in-person and online) focused on priority industry sectors and emerging policy challenges faced by US companies abroad. These modules should be developed in collaboration with US trade and business associations. A special priority should be to identify practical ways to make short, issue-focused policy training accessible to both State and Commerce officers and relevant locally engaged staff. A best practice identified several times in our meetings was the recent seminar on the digital economy presented to European economic officers by the US embassy in London. Other examples and topics included Internet governance, localization policies, intellectual property, and investment. One specific idea for consideration would be working with key-sector trade associations in Washington to organize periodic industry joint briefings for State and Commerce staff in Washington, ideally with follow-on access online by overseas staff.
2. We recommend that this same group initiate a joint effort to design a new education and training curriculum. This will serve to bridge the gap between the future requirements of our most competitive private sector companies and the current capacity of our embassy teams. Priority requirements of business are the short customized courses on priority issues, many of which are vastly complex in the emerging technology sector. This curriculum design also must address the need for post-specific training for transfers into new assignments, including protocols to facilitate the hand off of contacts and programs between position incumbents.

Appendix 1. US Business Views on Global Value Chains and Foreign Investment

In conducting our research, several business representatives offered unsolicited advice regarding some important US government policies and/or programs that they feel are adversely impacting US firms' ability to compete in today's, and tomorrow's, global marketplace. Two specific and related issues came up with particular regularity and some passion—US investment abroad and global value chains. In the view of some influential business leaders, our next-generation commercial diplomacy programs will not be able to fully and effectively meet these new challenges given present US government policy positions and attitudes. This appendix attempts to reflect and provide some context and conceptual framework for comments from a range of company representatives we encountered.

We do not necessarily endorse these policy views or prescriptions as a magic wand to bring about effective commercial diplomacy programs or as a policy panacea. Certainly, coherent counterarguments and policy prescriptions are out there. But given the regularity with which these issues came up in our interactions with business representatives, we simply encourage US government policymakers to reflect on these business views as they design and implement commercial diplomacy programs for this new global and globalized economy.

Regarding global value chains (our preferred term for what are often called “global supply chains,” since it more readily includes services and other business lines beyond manufacturing), several business representatives emphasized how radically different their business models for US companies are today from only a decade ago. With the ever-accelerating pace of technological change, shorter and shorter product life-cycles, the explosion of international competition, and the increasing role of developing and emerging nations as markets, partners, and competitors, the old model of a single huge integrated factory or services team that sells to the world from one location is no longer viable.

To succeed in today's global markets, firms in many sectors feel they simply have to be global. They need to maximize efficiency in each segment of their business or production system. And they need to establish international specialization and partnerships—in other words, they need to build value chains.

In many sectors, the old model of a single, multistage manufacturing hub that converts raw materials and all manner of basic inputs into finished products has become obsolete. Leaps in information technology and transportation/logistics have helped enable a new world of efficiency-driven supply chains. To compete internationally and serve growing markets around the world, companies have devolved various stages of the manufacturing processes to different locations, often spread around the world, based on comparative advantages of specific locations or partners.

Our business interlocutors cited some of the issues or policy implications about which they feel the US and other governments may not be fully keeping up with the sort of new global supply chain world business now confronts. They include:

- The critical role of trade facilitation, customs, logistics, transportation infrastructure, etc., to business competitiveness. No one is arguing for lax security standards or procedures, but with just-in-time delivery and reduced inventories and redundancies, inefficiencies and delays can have serious impacts on our companies' ability to compete internationally.
- Efficient movements of people, from senior executives to skilled technicians, key customers, etc., are essential for US companies to minimize inefficiencies. While real progress has been

made, companies still report horror stories of delays in getting visas, for either short temporary visits or longer job transfers. Some US companies report holding major conferences outside the US, sometimes just across the border in Canada, simply to avoid US immigration problems. One major information technology company invested in a major research-and-development facility across the border in Canada—costing US jobs, patent filings, and visitor revenues—to avoid the complications of US immigration.

- As more intermediate goods get shipped around the world, often multiple times, everyone's imports and exports grow. Promoting/facilitating exports but blocking imports simply does not work in today's world.
- US economic sanctions, and especially the extraterritorial application of some sanctions to foreign-based subsidiaries, complicates some US firms' ability to maximize efficiency from a global value chain.

Each of these examples is itself complicated and difficult. And, of course, the US companies will follow US law; indeed, they will forgo international opportunities out of an abundance of caution in respecting US laws and regulations.

For some in the business community, the fundamental frustration seems to come not so much from specific regulatory or policy challenges but from a sense that some US government officials, and indeed some agencies, simply don't understand (or maybe don't want to understand) how much the international business environment has changed. The old models—where the US could consistently enjoy technological or quality superiority—are being challenged in many areas. The idea that the world will just have to wait while Washington sorts out an issue, and will then just follow our lead, is certainly no longer universally true. The US is still the major global leader in most sectors, but in today's competitive business environment competition waits for no one, not even the US Senate or, say, a Food and Drug Administration regulator.

It's a completely new day out there internationally for US business. They already know it's hard, and believe that US business and the US government can and should work together to advance key national interests. Business just wants to make sure that its government interlocutors come to those discussions/decisions with a real understanding of the current environment our businesses are facing today—and not an outdated, idealistic, overly US-centric model that no longer exists in the real world.

Around the business community, there is particular concern that the US government's policy on foreign direct investment (FDI) is based on an old, outdated, pre-value-chain conceptual framework on international investment as built around an outdated, mercantilist model—which, as noted above, does not really reflect the global supply chain/global value chain approach that drives much of US and global business or the increased and intensified international competition confronting US-based firms here at home and around the world.

Business representatives perceive that key aspects of US trade and investment policy are based on a simplistic mercantilist view that exports are good but imports are bad; that inward investment/FDI is good but outward investment is bad. Businesses report that their globalized competitive world is driven by fast-moving technological progress and based on overlapping and evolving global value chains that dictate that global companies must locate various stages of production around the globe to take advantage of competitive factors and synergies and to compete in fast-growing international markets. In today's business model in the US or elsewhere, more and more components are imported, then incorporated into products which move to the next stage in the assembly process at another location, and then are often exported/imported to another country along the value chain. The old model of all inputs being shipped to and warehoused at a single integrated assembly plant

to transform raw materials into a finished product is increasingly rare in today's and tomorrow's globalized economy.

Many business voices feel that US government policies seem stuck in that old model. With specific reference to investment, they perceive that the bias that “outward investment is bad” is pervasive in current government policy. They cite the way political leaders and senior government officials attack US companies for investing abroad, where the assumption is that every outward investment is based simply on closing a plant in the US, thus “outsourcing production” and “exporting jobs”; that government officials call for “eliminating tax breaks for companies that export jobs”; that politicians attack companies and executives as greedy and unpatriotic for investing abroad rather than at home; and that tax policies seem to be uniquely hostile to overseas investment and operations. To business, these clearly demonstrate that the government doesn't really understand the way business is done today, or that the government is more interested in scoring political points with one or more constituencies than in finding the best ways to help US business succeed.

Across various sectors, company representatives noted that US-based companies now confront a world where 95 percent of the world's consumers, nearly 80 percent of global purchasing power, and the fastest-growing global market segments are all located outside the US. It is counterproductive (some said it is “shooting ourselves in the foot”) for the US government to be hostile toward outbound FDI. Business representatives cite several studies showing that about 95 percent of the production of US investment abroad is sold in foreign markets. Investing abroad is not about moving production overseas, “outsourcing” in pursuit of lower labor costs, and then exporting that production back home. In many sectors the only way to compete successfully is to invest around the world, closer to key raw materials, global partners, and fast-growing emerging markets. With the US the only major industrial nation to tax its companies on a global basis, American companies feel they are being forced to compete internationally with one hand tied behind their backs.

Some in business find it frustrating that US government policies (from tax policies to investment support and incentive policies) and broad political attacks on outward investors all seem to reflect the old view that while inward investment is good, outward investment is by definition harmful to the US economy. The Department of Commerce's innovative and widely praised SelectUSA program to help attract much-needed inward investment to the US earns high praise from many US business representatives, but some also regret that SelectUSA is conspicuously silent on the other side of the investment coin, outward investment.

Some business representatives report frustration at seeing their companies vilified, rather than supported, by the government when their corporate leadership struggles to run a successful global company based in the US, including a global investment strategy to succeed and grow, which thereby continues to benefit their American workers, shareholders, and communities. Some in the business community feel they are sometimes treated as a political football, abused by some politicians who are simply pandering to particular constituencies with an anti-business agenda.

Many business representatives would welcome a serious, substantive review by the government on US global investment policy, both inward and outward, in today's and tomorrow's globalized economy. The State and Commerce departments could obviously play leading roles in any such review. State and Commerce officials based overseas, from ambassadors through attachés and local staff, could be very well positioned to bring particularly valuable insight on the experiences and contributions of US investors in foreign markets, as well as comparing how other governments treat their outbound investors.

Obviously other key agencies, including USAID, USTR, the Treasury Department, and OPIC, would also need to play major roles in any comprehensive policy review. Such a review should be a serious, in-depth, apolitical exercise, and should include real dialogue with key stakeholders, including but not limited to the US business community. Such a policy review should deal with realities, not simply political rhetoric or outdated stereotypes of business strategies.

Two analytical studies on the related issues of global value chains and foreign direct investment were commissioned by the US Council for International Business and the Business Round Table and prepared by Matthew Slaughter, professor of the Tuck School of Business at Dartmouth College and a former member of the President's Council of Economic Advisors. While these papers are perhaps not the most recent or the most econometrically rigorous, they include case studies that convey a sense of business perspectives on how the global environment and competition for US business has evolved in recent years, and how, in some instances, government policies or programs may not have kept up with the new realities. We recommend them for further reading on this topic:

- Matthew Slaughter, “American Companies and Global Supply Networks,” sponsored by the US Council for International Business (USCIB) and the Business Round Table (BRT), 2013, http://www.uscib.org/docs/2013_american_companies_and_global_supply_networks.pdf.
- Matthew Slaughter, “How US Multinational Companies Strengthen the US Economy,” sponsored by the USCIB and the BRT, 2009, http://uscib.org/docs/foundation_multinationals.pdf.

Appendix 2. US Department of Commerce Programs and Resources (provided by the Department of Commerce)

1. Mission

The International Trade Administration (ITA) is the largest bureau in the Department of Commerce that works on international trade. ITA is composed of four units: Global Markets, Industry and Analysis, Enforcement and Compliance, and Executive Direction and Administration. While the central focus of the paper is on the Foreign Commercial Service (FCS) portion of the Global Market unit, the paper discusses topics that are central to all four units whose functions are:

Global Markets (GM): Combines the ITA's country/regional experts with the overseas (FCS) and domestic field staff, and certain trade promotion programs to support American jobs and competitiveness. This is accomplished by promoting exports, expanding market access for US businesses, advancing commercial interests abroad, and facilitating inward US investment. The Global Markets unit:

- Advances US commercial interests by engaging foreign governments and businesses, identifying and resolving country-specific market barriers, and leading interagency efforts to advocate for US firms;
- Expands US exports by developing and implementing policies and programs to increase US access to, and presence in, foreign markets;
- Provides market contacts, knowledge, opportunities, and customized client-driven solutions to US firms, especially small and medium-sized enterprises (SMEs); and
- Expands inward investment by promoting the US as a prime investment destination.

Industry and Analysis (I&A): Brings together the ITA's industry, trade, and economic experts to advance the competitiveness of US industries through the development and execution of international trade and investment policies and promotion strategies. I&A will leverage the ITA's relationships with manufacturing and services industries to increase US exports.

Enforcement and Compliance (E&C): Enhances the ITA's responsibilities to enforce US trade laws and ensure compliance with trade agreements negotiated on behalf of US industry.

Executive Direction and Administration: Provides strategic direction and support to the other three units. It houses the Office of the Under Secretary for International Trade, the Office of the Chief Financial Officer, and the Office of the Chief Information Officer.

2. Programs and Services, and Performance Measures

While all three program units (GM, I&A, and E&C), are involved in helping US companies to be successful in exporting, this report focus on diplomatic capabilities of the organization, and so the services covered below are ones that GM features.

- **Export Counseling**—GM staff both domestically and through the FCS guide companies through the export process from beginning to end on topics including how to develop new international sales, compliance with applicable laws and regulations, fulfilling documentation requirements, and overcoming trade and market access problems in a given market.
- **Market Intelligence and Planning**—GM assists companies in identifying target markets and business opportunities, and developing effective market entry and expansion strategies.

- **Matchmaking and Contacts**—GM promotes exports of US goods and services around the world through trade shows, customized promotional events, online resources, and other media. GM provides customized services to help companies identify and engage prospective partners, agents, distributors, and customers.
- **Market Development Programs**—GM advances US strategic commercial interests by fostering pro-growth trade policies that help expand access and opportunities for US companies in foreign markets.
- **Foreign Government Access and Advocacy**—GM initiates government action to systematically help US businesses overcome market access barriers and unfair legal and regulatory issues. GM also coordinates US government efforts to ensure that foreign government procurements are based on full and fair evaluation of the commercial and technical merits of all offers.
- **Interagency Market Access Strategies**—Using a variety of tools and techniques from direct bilateral discussions to formal consultative mechanisms, GM coordinates federal efforts to implement country and regional market access strategies for addressing broad market access barriers that keep US exports out of foreign markets.
- **SelectUSA**—GM promotes the strength of the US as an investment location and provides clients (e.g., foreign investors, state economic development organizations) with information, counseling, and advocacy/ombudsman assistance.

GM provides assistance to US companies, foreign buyers, and inward investment clients through its web presence (www.trade.gov), public and private partnerships, and a global network of more than 1,500 global trade and investment experts and diplomatic staff in over 100 domestic and over 100 international offices, as well as in Washington, DC.

GM is organized into four subprograms under the Operations and Administration appropriation:

- International Field-Foreign Commercial Service
- US Field
- Advocacy Center
- SelectUSA

International Field-Foreign Commercial Service

The Foreign Commercial Service program includes Foreign Service Officers (FSOs) and locally employed staff (LES) located in markets of US commercial significance worldwide, and headquarters-based country and regional experts. These staff advance US commercial interests, identify opportunities for US exports, clarify local regulations and standards, resolve disputes with foreign local government officials, and counsel companies on the best strategies to succeed in overseas markets.

The program assists companies of all sizes to identify target markets for entry or expansion and develop effective strategies to succeed in those markets. This includes bringing foreign buyers and US companies together through business matchmaking services, promotional support and representation at trade shows and fairs, trade events, product launches, and technical seminars. Program staff also conduct advocacy on behalf of US firms, providing official support for companies bidding on government contracts in overseas markets. Staff also help US companies find new foreign buyers, partners, or distributors resulting from rapid economic development, rising middle classes, and consumer expansion in key emerging markets such as India, China, and Brazil.

GM collaborates with US businesses and trade associations, other Department of Commerce units, and US embassies to investigate transactional problems or market access barriers that could disrupt a US company's access to foreign markets. GM specialists work to resolve trade problems before companies have to resort to lengthy, formal dispute settlement procedures. The country and regional experts in GM provide technical knowledge and detailed country and issue expertise needed for addressing and resolving trade issues through formal and informal bilateral and regional discussions. GM analyzes market barriers, develops detailed data and information related to technical problems and obstacles, and conducts economic and commercial analyses necessary for US business clients, as well as supports successful negotiation of trade agreements.

GM's regional units initiate a variety of public-private programs to promote pro-growth policies in foreign markets and preempt potential trade barriers. GM operates such programs through government-to-government and public/private dialogues seeking to improve the overall level of US trade. These activities support increasing exports and building a stronger, market-oriented economic system in these areas of the world, which contributes to US economic goals and global stability.

GM targets services to SMEs that lack resources to determine their rights under US trade agreements or to resolve market access barriers on their own. GM recognizes that many US firms, especially SMEs, may not be aware of their rights, obligations, and opportunities in foreign markets, nor are they aware of the assistance the ITA can provide in resolving trade problems. The International Field, working with the US Field, continues to pursue an outreach program to US businesses and industry associations across the country.

In addition, GM provides market research and services to the more than 300,000 US exporters to expand US business opportunities in core market areas. GM uses local experts who identify market trends and opportunities as they develop, communicate that market intelligence to the US business community, and provide targeted services so that more US companies can find local partners/distributors and buyers for their exports in important markets. Key regional initiatives include a focus on Asia and Sub-Saharan Africa. GM will continue the requisite support domestically and abroad to expand and maintain its overseas presence. These actions aim to help US exporters capture opportunities in important and growing markets

US Field

The US Field program includes a network of 108 US export assistance centers that focus primarily on the exporting needs of SMEs. Working alongside the International Field, US Field trade specialists help identify opportunities for US exporters, clarify foreign regulations and standards, provide support to clients who have business disputes abroad or encounter foreign market barriers, and counsel US companies on the best strategies to succeed in overseas markets. The US Field also plays a primary role in educating US firms, especially SMEs, that may not be aware of their rights, obligations, and opportunities in foreign markets or of the assistance the ITA can provide in resolving their trade problems. Working with other ITA programs, the US Field organizes educational outreach programs to US businesses and industry associations across the country.

Unlike large corporations, most US SMEs do not possess internal international business expertise in critically important functional areas, such as marketing, global logistics, international strategy development, international taxation, and trade finance. Working with Trade Promotion Coordinating Committee partners, the US Field's international trade specialists fill this gap, enabling SMEs to compete more effectively in the global marketplace. Staff help US exporters develop international marketing strategies, find partners, and overcome a range of hurdles to exporting.

Since 58 percent of US exporters ship to only one market, there is considerable potential for increased US exports if these companies consider selling goods and services to additional markets.

Through market research, business matchmaking, and counseling, GM helps lower the fixed costs many exporters face when moving to additional markets. GM works collaboratively with the Small Business Administration (SBA) to serve SMEs. GM focuses on assisting new-to-market firms expand to new overseas markets and refers new-to-export firms to the SBA for follow-up.

Advocacy Center

The Advocacy Center coordinates federal resources and authority to help level the playing field on behalf of US business interests as they compete against foreign firms for specific foreign government contracts. In doing so, the Advocacy Center helps support and retain US jobs through exports, and is an essential element in the success of GM initiatives. GM overseas staff provide counseling to companies on advocacy; perform and coordinate advocacy efforts overseas; and provide key market intelligence that guides national interest determinations and advocacy campaigns. GM domestic staff provide outreach to clients and counsel companies on advocacy services.

In 2012, the Advocacy Center was given authority through Executive Order 13630 to call upon the resources of participants of the Interagency Task Force on Commercial Advocacy to carry out its duties internationally. The Advocacy Center was designated as the primary interagency coordinator across 14 different agencies to execute a “whole of government” approach to help US exporters win business overseas.

Advocacy services include:

- Assessing advocacy requests, including formulating national interest determinations;
- Providing and facilitating government-to-government advocacy by overseas staff, US ambassadors, and senior federal officials;
- Coordinating with other trade-related agencies (e.g., Department of State, USTR, Export-Import Bank, Overseas Private Investment Corporation, and the Trade Development Agency) to ensure coordinated US government advocacy on projects, including working with trade finance agencies to help US companies successfully bid on major projects; and
- Assisting US companies that are seeking business with multilateral development banks (MDBs), including coordinating and leveraging federal, MDB, and other resources to expand outreach; enhancing access; and leveling the playing field on behalf of US business, thereby helping US business win contracts and secure financing, increasing US market share in developing countries, and expanding the national contribution to global economic development.

SelectUSA

Since its creation in 2011, SelectUSA has assisted hundreds of US economic development organizations (EDOs) and foreign firms, facilitating more than \$18 billion in FDI and creating and/or retaining thousands of US jobs. In addition, SelectUSA works with US companies to locate manufacturing or service activities back into the US (i.e., “reshoring”).

SelectUSA coordinates investment-related resources across more than 20 federal agencies and operates as a complement to state and local economic development efforts to promote the US as the best market for investment in the world, as well as addressing business climate concerns that may impede investment. SelectUSA serves as an information clearinghouse for the global investment community, serves as an ombudsman for investors, and advocates for US cities, states, and regions.

SelectUSA provides information on the benefits of establishing operations in the US, as well as information needed to move investments forward, including federal programs and services available to the investment community. Through the Interagency Investment Working Group, SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues—helping investors navigate an unfamiliar system.

SelectUSA also works closely with EDOs at the state, regional, and local levels to provide counseling on strategy and best practices. SelectUSA can leverage resources from across the US Commercial Service network in over 70 international markets to connect EDOs with information and on-the-ground assistance through promotional events and investment missions that bring EDOs and investors face to face. When US state and local governments find themselves competing with a foreign location for a project, SelectUSA coordinates the advocacy of senior US government officials on behalf of the US location in order to bring jobs to the US. This is done with strict geographical neutrality; SelectUSA does not promote one US location over another.

The SelectUSA program also leverages the resources of GM’s international operations and the US Department of State around the world to deliver on its mission of promoting inward investment in the United States. With the cooperation of US commercial and economic teams overseas, coordinated global teams actively work with current and potential investors, EDOs, service providers, foreign governments, and multiplier organizations to facilitate FDI and create US jobs.

Performance Goals And Measurement Data

Performance Measure:	FY						
Percentage of GM clients that achieved their export objectives with GM assistance	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Target	Target	Target	Target	Target
With Change	66%	73%	71%	71%	71%	71%	71%
Without Change	66%	73%	71%	71%	71%	71%	71%
Description: This measure evaluates Global Markets’ effectiveness in helping companies achieve their export objectives. GM offers US companies a robust set of capabilities to help them achieve their international exporting goals, whether those goals are to set up an overseas distribution channel, gain easier access to challenging markets, or meet additional foreign buyers for their goods. Global Markets focuses on understanding clients’ exporting needs, and providing services to meet those needs.							

Performance Measure: Number of GM clients assisted	FY						
	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Target	Target	Target	Target	Target
With Change	18,126	17,593	23,000	23,000	23,000	23,000	23,000
Without Change	18,126	17,593	23,000	23,000	23,000	23,000	23,000
Description: This measure illustrates GM’s annual effectiveness in providing export counseling and assistance to additional US companies. Historical data indicates that over 75 percent of companies assisted are small and medium-sized enterprises.							

Performance Measure: Number of commercial diplomacy cases successfully closed (annual)	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2019 Target
With Change	N/A	343	250	300	300	300	300
Without Change	N/A	343	250	300	300	300	300
Description: This measure captures the results of Global Markets' front-line diplomatic engagement with foreign governments based on actions directed toward a foreign government in support of a US company or the US national economic interest. In order to qualify as a success, this engagement requires an action by the foreign government, and an outcome that benefits a US company or the US national economic interest. It serves as a valuable tool to gauge Global Markets' performance in its government-to-government work and captures a critical component of the program's fundamental mandate to protect US business interests abroad.							

Performance Measure: Number of investment clients assisted	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2019 Target
With Change	N/A	1,006	1,600	2,400	2,400	2,400	2,400
Without Change	N/A	1,006	1,000	1,000	1,000	1,000	1,000
Description: This measure captures the number of domestic and foreign firms, as well as domestic and foreign economic development organizations, assisted by the Department of Commerce to attract inward investment into the United States. This is a new metric in FY14.							

Performance Measure: Percentage of clients highly likely to recommend GM assistance	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2019 Target
With Change	78%	83%	71%	73%	73%	73%	73%
Without Change	78%	83%	71%	73%	73%	73%	73%
Description: This measure illustrates the level of client satisfaction with Global Markets and will be used to improve the quality and efficiency of service delivery.							

3. Size, Structure, and Resources Dedicated to These Programs

The ITA's budget for FY 2016 is \$483 million and is distributed as follows:

Industry and Analysis:	\$56,253,000
Enforcement and Compliance:	\$78,996,000
Global Markets:	\$324,429,000
Executive Direction and Administration:	\$23,322,000

The ITA has approximately 2,240 employees, of which 261 are commercial officers who are supported by slightly more than 860 locally engaged staff (Foreign Service Nationals who reside in the host country and are subject to its labor laws). The ITA has commercial officers in 79 countries around the world. These countries account for over 95 percent of the world's GDP.

4. Training and Education Programs: Regular and Customized

The ITA provides comprehensive training for its foreign commercial officers from the day they are on-boarded through retirement. All their technical, soft, and foreign-language training needs are managed by the ITA/Global Market's Office of Global Markets Human Capital, as well as the new Commercial Diplomacy Institute.

New officers come from a wide variety of professional backgrounds, most with three or more years of business experience in domestic or international markets, as well as from other bureaus within the Department of Commerce. During the comprehensive new commercial officer training period, each employee is trained to understand and be able to deliver core business services such as gold key matchmaking, conduct advocacy for major projects, and undertake localized commercial diplomacy initiatives for more urgent matters facing companies in a given market. They are trained to prepare and deliver market research reports and oversee the market intelligence gathered by the staff they supervise at post. Having presentation and interpersonal skills are essential to the success of every officer at progressive grades during their career for their interactions with other agencies at the mission and with all business and government contacts. Training in these disciplines is provided online and in different locations, and is available to all officers. Critical to their success in the field is the knowledge of budget, administrative functions, and supervisory skills in multicultural settings. Programs are also delivered in these areas.

As officers are promoted through the ranks, their ability to lead and inspire other junior officers and local staff is enhanced through the use of assessment tools and coaching sessions. Officers are also brought together for intensive, interactive courses specifically designed for senior, deputy, and principal commercial officers to ensure that those with the most exceptional skills are at the helm of every Commercial Service office worldwide. At the end of their careers, officers are given the opportunity to retool their professional and communication skills for other work environments. In addition, they are provided with critical, updated information about the use of earned benefits including pension, social security, health care, and other resources.

Appendix 3. US Department of State Programs and Resources (provided by the Department of State)

“Our goal is to foster the sustained prosperity worldwide that will create new jobs, grow the middle class, reduce income disparities, promote gender equality, and give young people a real stake in building their societies up, not tearing them down. Every State Department officer should think like an economics officer and recognize that inclusive growth abroad is central to our security, values and economy here at home.” —Secretary of State John Kerry, April 28, 2015

The State Department’s 275 diplomatic posts are on the front line of efforts to strengthen America’s economic reach and positive economic impact. Our overseas missions and Washington offices advocate for open, free, and transparent markets; promote equal legal and regulatory treatment for American and local companies in foreign markets; and support US companies entering and expanding overseas.

The cornerstone of State’s efforts is our economic and commercial policy advocacy with foreign governments to promote attractive business climates and adhere to international trade standards. In addition to economic and commercial policy advocacy, State operates specific commercial programs and services including trade promotion and provision of foreign market information. Finally, the department engages with business and trade associations, US companies, universities, and others to highlight the services and support our missions and offices in Washington can provide to promote US economic interests overseas.

Economic and Commercial Policy Advocacy

US companies overseas face a range of barriers to trade and investment, including lack of transparency, local content regulations, insufficient intellectual property protection, and new challenges in rapidly evolving sectors like cross-border data flows and information technology. The State Department and our missions overseas encourage economic and commercial policies that advance US economic interests allowing US companies to compete on a level playing field, promoting innovation, and protecting intellectual property through regular engagement with foreign government officials. US missions around the world meet with foreign ministries and officials advocating for both general and sector-specific policies that reduce barriers and open markets. Department representatives participate in trade negotiations between the United States and foreign partners, including regional free trade agreements and negotiations at the World Trade Organization. The State Department also fosters public-private partnerships addressing a wide range of policy issues, and helps promote responsible business practices overseas.

Trade Promotion

The State Department operates specific programs that complement and extend Commercial Service (CS) customized services for US clients in markets overseas.

CS-State Partner Post Program—The State Department leads US trade promotion efforts in over 90 markets where Commerce is not present. The CS-State Partner Post Program is designed to establish robust regional working arrangements in key markets whereby State Foreign Service officers (FSOs) and local staff at State partner posts can better assist US business by drawing on the

expertise of nearby embassies. The program authorizes State partner posts to provide customized CS (e.g., gold key service, international company profile) to US businesses that assist in finding local partners and provide due diligence on potential partners for a fee. State partner posts utilize the expertise of their regional CS office to provide high-quality services. Fifty-seven State posts operate under the Partner Post Program, extending the availability of customized CS services to US businesses from the 75 countries where CS operates to over 130 countries.

Business Facilitation Incentive Fund (BFIF)—Through a competitive process, non-CS embassies and consulates request funds from the State Department’s Economic and Business Affairs Bureau for post-initiated US business promotion and outreach projects, especially activities to promote US exports and inward investment in the United States. BFIF projects range from escorting a local business delegation to a US trade show to engaging in business outreach outside the capital. Embassies have partnered with business associations to organize road shows back to the United States, led by the US ambassador, to promote US goods and services and to organize roundtables that highlight US innovation in specific sectors like renewable energy and information technology.

Agricultural Biotechnology Outreach Fund—The Bureau of Economic and Business Affairs allocates funds to US missions abroad to promote understanding of agricultural biotechnology. This Agricultural Biotechnology Outreach Fund provides tools and resources to address potential trade barriers for products derived from agricultural biotechnology and to raise awareness of benefits of the technology for food security and climate change. Seeking to promote fair, transparent, and science-based policies and practices, programs supported by these funds range from workshops and conferences to speaker programs and partnerships with local governments and nongovernmental organizations. These programs have influenced agricultural policy in several countries, helped open markets to American agricultural goods, and fostered open dialogue among policymakers, the private sector, and consumers to advance acceptance of biotechnology.

The Intellectual Property Enforcement Public Diplomacy Program—This strengthens protection and enforcement of intellectual property rights (IPR) in host countries by increasing awareness of the importance of IPR protection for innovation, entrepreneurship, economic growth, and development; alerting the public to the threat to public health and safety posed by counterfeit goods, including substandard and falsified medical products; changing the organizational culture and behavior in countries with a history of digital piracy and lack of understanding of the importance of intellectual property rights; and encouraging governments to improve their IP laws, processes, and policies.

Foreign Market Information

State Department representatives regularly provide individual and group briefings to US companies at our missions overseas and in Washington on the political and economic environment in a country or region.

Investment Climate Statements (ICS): The ICS reports are the flagship product of the Department of State’s Economic and Business Affairs Bureau, and are drafted by economic officers working at nearly 180 posts overseas. They provide important information for American investors, by identifying barriers and market distortions which can deter foreign investment, and describing investment conditions so those investors can better assess business risks. They also serve as a basis for engaging foreign governments on modernizing investment regimes. The reports are available to the public on the Department of State website, and are also incorporated into the Department of Commerce’s Country Commercial Guides.

Direct Line: The Direct Line (DL) to American Business Program connects US businesses directly to our ambassadors and economic and commercial experts overseas to provide actionable market intelligence via webinar or teleconference. The DL Program is free, and US companies can sign up for upcoming one-hour calls or webinars and receive alerts when new calls are posted via the Direct Line website (<http://www.state.gov/e/eb/directline/>). The calls are off the record and not for attribution, which allows our embassy teams to provide candid assessments of on-the-ground business conditions. Often the DL calls will focus on sectors that offer opportunities for US business (e.g., energy, infrastructure, green technologies). US company participants have the opportunity to ask questions of the embassy team during the calls. Since the DL program started, the department has hosted over 150 calls, from a range of locations and covering a range of topics.

Business Information Database System (BIDS): The BIDS is an online platform (<http://bids.state.gov/>) to inform US businesses about significant international commercial opportunities. The BIDS features an interactive map that displays descriptions and locations of projects that represent potential contract or tender opportunities for US businesses. The database includes multilateral development bank tenders as well as tender opportunities or leads from US embassy personnel.

Resources

Supporting America's economic security is a core function for the State Department and its over 73,000 employees working in Washington or at one of 275 embassies, consulates, or other diplomatic missions around the world. Overseas, the commercial diplomacy efforts of US ambassadors are supported by the State Department's roughly 1,600 Foreign Service Officers who are hired and trained as economic officers, together with locally engaged economic staff, as well as (at many overseas posts) staff of the Commerce and Agriculture departments. In Washington, some 450 Foreign and Civil Service staff advance US economic and commercial diplomacy efforts through their work in the State Department's Bureau of Economic and Business Affairs, Bureau of Energy and Natural Resources, and Bureau of Oceans and International Environmental and Scientific Affairs; the subject matter experts in these bureaus work closely with economic officers and country desk officers in the department's regional bureaus, as well as with interagency partners. The Under Secretary of State for Economic Growth, Energy and the Environment leads the department's commercial and economic diplomacy efforts.

Training

Foreign Service and Civil Service employees of the State Department engaged in commercial diplomacy efforts, whether working in Washington or overseas, bring to the department a range of previous experience. All have access to courses offered by the department's Foreign Service Institute (FSI). FSI's Economic and Commercial Studies Division offers three dozen classes, ranging from in-depth training for newly hired economic officers to weeklong specialized classes in functional areas (such as intellectual property rights). In addition, training programs for new ambassadors and their deputies, as well as those for all new Foreign Service Officers, have modules on commercial diplomacy, offered in many cases in conjunction with private sector groups like the Business Council for International Understanding.

Appendix 4. US Department of Agriculture Programs and Resources (provided by the Department of Agriculture)

1. Mission Statement

The Foreign Agricultural Service (FAS) links US agriculture to the world to enhance export opportunities and global food security. FAS facilitates international trade and trade cooperation, which are critical to the economic vitality of the US agricultural sector. Increased economic activity in food and agricultural-related sectors of the economy help rural communities build and maintain prosperity. Nowhere is this more evident than in agricultural trade. FAS's strategic goal is to increase agricultural exports by \$10 billion over the official US Department of Agriculture (USDA) Baseline Projection released in 2015, through market development programs, trade shows, prevention/resolution of market access issues, trade capacity building, and market-expanding trade agreements by the end of 2018. FAS plans to achieve this goal through eight objectives aligned under three core activity pillars: trade promotion, trade policy, and capacity-building/food security.

2. Programs and Services to Support US Companies in Global Markets, Including Metrics Used to Measure Outcomes

Trade Promotion

A substantial portion of US agricultural cash receipts comes from export sales, making the vitality of rural America dependent on international trade. FAS commodity analysts and country experts in Washington, and Foreign Service Officers around the world, provide timely analysis of global trends, which enable policymakers and private exporters to respond promptly to changes in the international market through its online GAIN reporting system. FAS also has a full cadre of foreign field offices staffed by highly trained and knowledgeable locally employed staff who help match foreign buyers to US sellers, advise private exporters, and perform myriad other market promotion activities. FAS's relationships with US producer groups, known as cooperators, allow US agriculture to respond to such changes in the international marketplace for food and agricultural exports. FAS programs that contribute to food and agricultural exports include:

The Market Access Program (MAP)—Partners with approximately 65 US agricultural trade associations, cooperatives, state regional trade groups, and small businesses to share the costs of overseas marketing and promotional activities that help build commercial export markets for US agricultural products and commodities. FAS provides cost-share assistance to eligible US organizations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance.

The Foreign Market Development (FMD) Program (also known as the Cooperator Program)—Helps create, expand, and maintain long-term export markets for US agricultural products. Under the program, FAS partners with US agricultural producers and processors, who are represented by nonprofit commodity or trade associations called “cooperators,” to promote US commodities overseas. The FMD program focuses on generic promotion of US commodities, rather than consumer-oriented promotion of branded products. Preference is given to organizations that represent an entire industry or are nationwide in membership and scope. FMD-funded projects generally address long-term opportunities to reduce foreign import constraints or expand export growth opportunities. For example, this might include efforts to reduce infrastructural or historical market impediments.

ments, improve processing capabilities, modify codes and standards, and identify new markets or new uses for the agricultural commodity or product.

The Emerging Markets Program (EMP)—Helps US organizations promote exports of US agricultural products to countries that have—or are developing—market-oriented economies and that have the potential to be viable commercial markets. Through the EMP, FAS provides cost-share funding for technical assistance activities such as feasibility studies, market research, sectoral assessments, orientation visits, specialized training, and business workshops. The EMP supports exports of generic US agricultural commodities and products, meaning projects that endorse or promote branded products or specific companies are not eligible.

The Quality Samples Program (QSP)—Enables potential customers around the world to discover the quality and benefits of US agricultural products. The program focuses on processors and manufacturers rather than consumers, and benefits an entire industry or commodity rather than a specific company or product. Projects focus on developing a new market or promoting a new use for the US product. QSP participants obtain commodity samples, export them, and provide the recipient with guidance on how to use the samples. When a project is finished, the USDA reimburses the participant for the costs of procuring and transporting the sample.

The Technical Assistance for Specialty Crops (TASC) Program—Provides funding to US organizations to address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of US specialty crops. Eligible activities include seminars and workshops, study tours, field surveys, pest and disease research, and preclearance programs. Eligible crops include all cultivated plants and their products produced in the United States except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco. The TASC program is intended to benefit an entire industry or commodity rather than a specific company or brand. US nonprofit, for-profit, and government entities are all eligible to apply.

The Export Credit Guarantee Program (GSM-102)—Provides credit guarantees to encourage financing of commercial exports of US agricultural products. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries—mainly developing countries—that have sufficient financial strength to have foreign exchange available for scheduled payments. The program is available to exporters of high-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine, and beer; intermediate products such as hides, flour, and paper products; and bulk products such as grains, oilseeds, and rice.

The Facility Guarantee Program (FGP)—Boosts sales of US agricultural products in countries where demand may be limited due to inadequate storage, processing, handling, or distribution capabilities. The program provides credit guarantees to help finance the establishment or improvement of agriculture-related facilities and related activities such as port dredging. Under the FGP, the Commodity Credit Corporation reduces the financial risk to lenders by guaranteeing payments due from approved foreign banks to US exporters or financial institutions.

Trade Missions—FAS-sponsored international trade missions open doors and deliver results for US exporters, giving them the opportunity to forge relationships with potential customers, gather market intelligence, and, most importantly, generate sales.

Trade Shows—Trade shows in the United States and abroad can help US companies expand their reach to potential customers around the globe. FAS endorses the international and US trade shows that will provide the best exposure and marketing opportunities for US companies and producers. FAS works with show organizers and other partners to create a “US pavilion” to showcase the

variety of quality of made-in-America products. FAS also provides participating companies with marketing and promotion services, market intelligence, logistical support, and on-site assistance.

Trade Lead System—Helps connect US exporters with interested international buyers. After registering, exporters will have access to information about customers worldwide who are seeking to buy US food and agricultural products. The system enables users to search leads by one or more product names or by Harmonized Tariff Schedule codes.

Trade Policy

US agricultural exporters face both tariffs and nontariff barriers to trade, including sanitary and phytosanitary measures and other technical barriers to trade such as testing, certification, labeling, packaging, and certification requirements. FAS works to maintain and expand access to foreign markets in the face of unfair trade barriers. Removing existing barriers, while ensuring new ones are not introduced, directly helps rural America thrive and also adds jobs and income to allied sectors such as storage, transportation, and insurance. FAS draws on headquarters staff and attachés covering more than 167 countries to negotiate with foreign governments to open markets. It also works with international organizations to develop fair, transparent international trading rules and standards that facilitate trade.

Today, FAS trade negotiators hold seats at the table for US agriculture in two major negotiations, the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. FAS experts are an integral part of the negotiating team led by the Office of the US Trade Representative, and the USDA's economic analysis underpins the negotiating strategy on agriculture.

Capacity Building/Food Security

FAS is the link that enables the US to share both its food resources and its technical agricultural expertise with developing economies. FAS has significant experience administering food assistance, training and technical assistance, and technical exchanges that build in-country productivity. These capabilities complement those of the US Agency for International Development and support US government foreign policies led by the Department of State. FAS's ongoing effort to improve internal operational processes will enable the agency to continue to conduct in-country food assistance and capacity building programs, as well as US-based technical training, with prospective future trading-partner countries. These base resources allow FAS to play a lead role in coordinating the linkage of agricultural expertise to US international development activities, ensuring alignment with US trade and foreign affairs policies as well as the national security strategy.

The Norman E. Borlaug International Agricultural Science and Technology Fellowship Program—Promotes food security and economic growth by providing training and collaborative research opportunities to fellows from developing and middle-income countries. Borlaug fellows are generally scientists, researchers, or policymakers who are in the early or middle stages of their careers. Each fellow works one-on-one with a mentor at a US university, research center, or government agency, usually for 6-12 weeks. The US mentor will later visit the fellow's home institution to continue collaboration. Since the program's inception in 2004, approximately 700 fellows from 64 countries have participated in research and training focused on a wide array of agriculture-related topics, including agronomy, veterinary science, nutrition, food safety, sanitary and phytosanitary issues, natural resource management, agricultural biotechnology, global climate change, agricultural economics, and agricultural policy.

The Cochran Fellowship Program—Provides short-term training opportunities to agricultural professionals from middle-income countries, emerging markets, and emerging democracies. Cochran fellows come to the United States, generally for 2-3 weeks, to work with US universities, government agencies, and private companies. They receive hands-on training to enhance their technical knowledge and skills in areas related to agricultural trade, agribusiness development, management, policy, and marketing. Since its start in 1984, the Cochran Program has provided training for more than 16,300 fellows from more than 120 countries.

The Food for Progress Program—Helps developing countries and emerging democracies modernize and strengthen their agricultural sectors. US agricultural commodities donated to recipient countries are sold on the local market and the proceeds are used to support agricultural, economic, or infrastructure development programs. Food for Progress has two principal objectives: to improve agricultural productivity and to expand trade of agricultural products. Past Food for Progress projects have trained farmers in animal and plant health, improved farming methods, developed road and utility systems, established producer cooperatives, provided microcredit, and developed agricultural value chains. Program participants have included private voluntary organizations, foreign governments, universities, and intergovernmental organizations.

The McGovern–Dole International Food for Education and Child Nutrition Program—Helps support education, child development, and food security in low-income, food-deficit countries around the globe. The program provides for the donation of US agricultural commodities, as well as financial and technical assistance, to support school feeding and maternal and child nutrition projects. The key objective of the McGovern-Dole Program is to reduce hunger and improve literacy and primary education, especially for girls. By providing school meals, teacher training, and related support, McGovern-Dole projects help boost school enrollment and academic performance. At the same time, the program also focuses on improving children’s health and learning capacity before they enter school by offering nutrition programs for pregnant and nursing women, infants, and preschoolers. McGovern-Dole projects are conducted by nonprofit charitable organizations, cooperatives, the United Nations World Food Program, and other international organizations.

The Embassy Science Fellows Program—Places US scientists at American embassies overseas to provide expertise, advice, and assistance with issues relating to the environment, science, technology, and health. Since the program’s inception in 2002, FAS has sponsored more than 40 fellows in 25 countries to work in areas of strategic importance to USDA, including trade capacity building, biotechnology, food safety, animal health, and sanitary/phytosanitary issues.

The Faculty Exchange Program—Enhances the teaching ability of agricultural educators from institutions of higher learning in developing countries. Participants come to the United States for one academic semester (4-5 months) to increase their knowledge of, and ability to teach, agricultural economics, marketing, business, and law in a market-based economy. Since 1995, the program has provided training opportunities for 310 agricultural educators from 23 countries.

The Scientific Cooperation Exchange Program—Supports collaborative relationships between teams of scientific and technical experts from the United States and the People’s Republic of China. Since 1979, the program has facilitated exchanges for more than 2,100 participants on topics including food safety and security, animal and plant health, and agricultural biotechnology and emerging technologies. The program helps to promote US agricultural priorities, encourage long-term cooperation in agricultural science and technology, create a positive atmosphere for agricultural trade, and enhance overall relations between the United States and China.

The Scientific Cooperation Research Program—Supports joint research, extension, and education projects—lasting up to two years—among domestic and international agricultural professionals. These projects address issues including agricultural trade and market access, animal and plant health, biotechnology, food safety and security, and sustainable natural resource management in the United States and internationally. Since 1980, the program has supported more than 400 projects with approximately 95 partnering countries, enhancing the technical skills of more than 1,000 agricultural professionals.

3. Size, Structure and Resources Dedicated to These Programs

FAS is located in Washington, DC. In addition to a highly specialized Washington-based staff, the agency maintains a targeted and highly efficient network of 95 offices providing coverage in more than 167 countries around the world that serve as first responders in cases of market disruption, provide critical market and policy intelligence to support our strategic goals, and represent US agriculture in consultations with foreign governments. As of December 2015, FAS had approximately 450 permanent full-time employees at its headquarters in DC, and 444 employees in field locations (107 Americans and 337 locally employed staff).

FAS employs a wide variety of personnel from diverse backgrounds. While many FAS officers graduate with master's degrees in agriculture economics, more and more employees are entering FAS with marketing, business, and private sector backgrounds.

4. Training and Education Programs: Regular and Customized

FAS Foreign Service Officers enter FAS as Foreign Service Trainees (FSTs) and receive in-house and classroom training to prepare them for overseas assignments. FSTs are assigned to one of several program areas for one to two years, and then often switch program areas to gain a broader knowledge of the agency and its mission. Upon assignment, an FST may be transferred to a program that best suits their assigned post. For instance, FSTs assigned to Brazil will transfer to our Office of Global Analysis to learn how to best prepare agricultural production reports. As our FSTs come from diverse backgrounds, all take an in-house course called Ag 100, a weekly seminar-type course that covers subjects ranging from production agriculture to marketing to trade policy. All assigned officers take State Department area studies and language courses to familiarize themselves with the region of responsibility. Before their first assignments, FSTs normally interface with US agricultural exporters. This occurs through the normal course of work, on training tours, and at conferences and other events with producer and export trade associations.

Appendix 5. Notes and Sources

We gathered perspectives on current and future requirements for US commercial diplomacy programs from 15 interview sessions with more than 50 experienced corporate executives. The executives represented a diverse group of the most successful and innovative US global corporations in the manufacturing, services, and technology sectors. Perspectives and experience were offered from personal expertise and opinion and not on behalf of executives' current corporate affiliations.

Of the 15 total sessions, 10 were organized as roundtables, as follows:

By program or functionality

1. Project advocacy (with 6 executives)
2. Policy advocacy (2 sessions with a total of 12 executives)
3. Innovation and technology (with 5 executives)
4. Inward investment (with 7 executives)

By geographic area

5. Asia (with 5 American Chamber of Commerce staff and executive members)
6. European Union American Chamber (with 5 executives and staff)
7. A Business Council for International Understanding (BCIU) and Commercial Service Europe team event in Brussels (with more than 40 business executives and 25 Commercial Service Europe team members)

By organization

8. BCIU (with 6 executives)
9. USCIB (with 6 executives)
10. Procter and Gamble (with 5 executives)

In addition, the Greater Seattle Trade Development Alliance organized a two-day program in Seattle. This program allowed us to interview seven executives from successful small and medium-sized global companies, and also to meet with eight executives from state and local government and nonprofit partner organizations that work with federal commercial diplomacy programs.

A partial list of the corporate affiliations of our interviewees follows.

- ACE
- Aero Controls, Inc.
- AIG
- Amgen
- Apple
- Black and Veatch
- Boeing
- Brashkem
- Caterpillar
- CB&I
- Chevron
- Citibank
- Development Finance International
- Disney Worldwide Services
- eBay
- Ellicott Dredges
- Exxon Mobil
- FedEx
- Fluor
- General Electric
- Global Intellectual Property Center, US Chamber of Commerce
- Google
- Greenpoint Technologies
- Iberdola
- IBM
- Intel
- Intellectual Ventures
- Magna
- Medtronics
- Michelin
- Motion Picture Association of America
- Oracle
- Pfizer
- PMI
- Procter and Gamble
- Sightlife
- Tatoosh
- Thermo Fisher Scientific
- Unienergy Technologies
- UPS
- Wipro

We also held extensive meetings with senior executives and their teams at the Department of State and the Department of Commerce. There were two sessions with executives of USAID and one session with executives of FAS. Our principal point of contact at the Department of State was the office of Under Secretary for Economic Affairs Cathy Novelli. In addition, we met with the Assistant Secretary for Economic and Business Affairs, Ambassador Charles H. Rivkin; along with his Deputy Kurt Tong, and Special Representative for Commercial and Business Affairs Scott Nathan; we also met with Senior Advisor to the Secretary of State, Ambassador David H. Thorne, and his team working on the shared prosperity agenda; and we met with the Director of the Foreign Service Institute, Ambassador Nancy McEldowney, and her leadership team for economic and commercial studies. In total we held 12 meetings at the Department of State.

At the Department of Commerce, our principal point of contact was the office of the Under Secretary of International Trade and Deputy Under Secretary Ken Hyatt. In addition, we worked closely with Assistant Secretary and Director General of the US & Foreign Commercial Service Arun Kumar and Deputy Director General Judy Reinke. A total of nine meetings with senior executives of the International Trade Administration were held at the Commerce Department, principally with the Global Markets/US & FCS unit. We also met with the leadership of the Commercial Law Development Program (USAID), an innovative program unit attached to the Office of the Secretary.

Two senior officials from State and Commerce must be specially recognized for their support and collaboration on this project. Pat Kirwan, director of the Trade Promotion Coordinating Committee at Commerce, and Michael Dodman, chief of staff to the Under Secretary for Economic Affairs at State, were tireless in assisting us with interviews and setting up opportunities for us to brainstorm with key officials and their staffs. Their perspectives and feedback were vital to improve our understanding of the subject matter. We could not have put together this report without their support and encouragement.

For those readers who would like to develop a deeper understanding of US commercial diplomacy programs, we recommend the following references, which also served to inform this report:

1. Department of Commerce Executive Leadership Development Program. “National Export Initiative—A Benchmark Study of Seven Countries.” Part of the Action Learning Project. 2011.
2. “Focus on the Economic/Commercial Function.” *Foreign Service Journal* (February 2011): 17-44.
3. Ford, Charles A. “Commercial Diplomacy: The Next Wave.” *Foreign Service Journal* (April 2005): 19-30.
4. Freund, Caroline, and Martha Denisse Pierola. “Export Superstars.” Trade and Integration Team for the World Bank Development Research Group. Policy Research Working Paper 6222. October 2012.
5. Kopp, Harry W. *Commercial Diplomacy and the National Interest*. Washington, DC: American Academy of Diplomacy, Business Council for International Understanding, 2004.
6. National Association of Manufacturers, Coalition of Service Industries, and American Farm Bureau Federation. “Doubling Exports in Five Years: What Will It Take?” Statements submitted for the public record. Docket Number 100624279-0279-01. July 26, 2010.
7. “Report to the President on the National Export Initiative: The Export Promotion Cabinet’s Plan for Doubling U.S. Exports in Five Years.” Washington, DC: National Export Initiative, 2010.
8. US General Accounting Office. “Export Promotion: Rationales for Government Programs and Expenditures.” May 23, 1995

Support for AMERICAN JOBS

Part I: Requirements for Next-Generation Commercial Diplomacy Programs

US commercial diplomacy programs must adapt quickly to confront the challenges of today's global marketplace. Today's successful American companies, large and small, do business in fundamentally different ways than they did even five or ten years ago. Their operations are driven by global value chains and integrated global production networks, with relentless pressures for ever-greater efficiency. These components are now core contributors to business success internationally and thus to the creation of new jobs at home.

Furthermore, the international consensus on the accepted "rules of the game" has broken down, with the emergence of alternative approaches that have yet to fully mature into next-generation rules to guide world trade and investment. Intellectual property rights, copyrights, trademarks, designs, and trade secrets will be crucial to maintaining America's competitive edge, yet they will only work if our economy has skilled workers and creative entrepreneurs who are supported by the right policy environments. New, reinvigorated commercial diplomacy programs that support US jobs and our national competitive position in this evolving global marketplace must become a core tenet of our foreign policy.

This report, drawn from interviews with more than 50 experienced corporate executives and senior executives at the Departments of State and Commerce, identifies requirements to inform the development of these next-generation programs in policy framework, programs and services, professional development, and training and education. Six core recommendations are made for US government action.



AMERICAN ACADEMY OF DIPLOMACY



UNA CHAPMAN COX FOUNDATION