AMERICA’S GLOBAL LEADERSHIP
A Strategic Investment for U.S. Jobs
Today, America is facing unprecedented fiscal and economic challenges but also tremendous new opportunities around the world. With 95% of the world’s consumers living outside of the United States, it is increasingly clear America’s economic prosperity is linked to economic currents elsewhere in the world. The key question is how should America respond to this reality?

Key to American jobs is elevating and strengthening our development and diplomacy programs funded by the International Affairs Budget. An essential driver in creating more and higher paying American jobs is clearly exports, currently supporting more than 10 million jobs in the United States and accounting for a substantial percentage of U.S. economic growth. Half of U.S. exports today are to the developing world, and trends reveal those markets will grow at a far faster pace than many of our more traditional partners. Clearly, these emerging and developing markets are central to the future of American economic prosperity.

American businesses need a wide array of available tools to succeed in these new environments, and the International Affairs Budget is one of the most cost-effective tools we have to help our economy grow. These programs promote American exports and investment, support economic reforms overseas to open markets, contribute to the development of stable democratic societies governed by rule of law, and help lift people out of poverty, all of which are essential for U.S. companies to thrive. At merely one percent of the overall federal budget, the International Affairs Budget is a cost-effective investment in America’s future economic growth.

Other countries around the world recognize the future of the global economy is in the developing world, and the time is now for the U.S. to be actively engaged in those markets to ensure we remain competitive. America’s competitors—other nations worldwide—work very hard to ensure their businesses are successful in these emerging markets, and America should do the same. America will continue to be a global and economic powerhouse, and a strong International Affairs Budget is a critical part of keeping this a reality.

Sincerely,

William C. Lane
Washington Director, Caterpillar, Inc.

John G. Murphy
Vice President, International Affairs,
U.S. Chamber of Commerce

Co-chairs of U.S. Global Leadership Coalition Economic Working Group
“95% of the people we want to sell something to live somewhere else, and America’s access to and leadership in foreign markets is critical.”

THOMAS J. DONOHUE
President and CEO, U.S. Chamber of Commerce
At a time of serious economic and fiscal challenges for the United States, we are also at a moment of great opportunity. The changing global economy provides new ways to create American jobs and spur economic growth if the U.S. builds the necessary foundation to ensure our companies can be competitive. Since September 11th, Americans have understood that our national security is inextricably linked with the stability of the rest of the world. The time has come to realize that our economic prosperity is just as tightly bound to economic currents and trends emerging in other parts of the world. In the past, American companies could afford to focus, first and foremost, on market opportunities at home, but now today, U.S. economic growth is increasingly dependent on global economic growth, particularly in developing markets.

American Success in the New Economic Reality

America’s economy must grow if we are to overcome the employment and fiscal challenges facing us today. That means understanding future growth will happen in remarkably different areas of the world than in the past. The facts are increasingly clear: 95% of the world’s consumers live outside of the United States. Nearly half of the revenues and profits of the S&P 500 now come from international markets. Even the poorest two-thirds of the world’s population represent $5 trillion in purchasing power. American businesses and workers have the ability to seize the opportunities presented in an increasingly interdependent world, but we must use a range of available tools to help us to achieve success in these demanding environments.

Exports are an essential driver in creating and supporting high paying American jobs. America cannot afford to ignore the tremendous opportunity for growth presented by emerging overseas markets. Exports support more than 10 million jobs in the United States, and export-related jobs pay, on average, 15% more than the average wage. U.S. exports accounted for nearly all of U.S. economic growth in 2008. There is also a strong link between exports and U.S. job growth. Studies indicate that every 10% increase in exports is associated with a 7% increase in employment.

“In a globalized economy, our security and prosperity are linked with that of other nations.”

JAMES BELL
Corporate President, CFO and Executive Vice President, The Boeing Company
Markets in the Developing World are a Key Driver to U.S. Growth

Developing countries already account for nearly half of U.S. exports and represent the greatest opportunities for U.S. export expansion, rather than more traditional developed markets like Europe and Japan. In fact, the combined populations of Brazil, India and China are triple the population of Europe. Our exports to developing countries are growing three times faster than exports to other countries. In sub-Saharan Africa, 17 countries have maintained rates of economic growth of 5-7% per year for the last decade. The World Bank forecasts that Latin America’s economies will grow by 4.5% this year. Even the smaller countries in the region are growing fast. Peru experienced 9.3% growth in the last year alone.

In the future, the numbers will be even more skewed. The International Monetary Fund (IMF) forecasts that nearly 87% of world economic growth over the next five years will take place outside of the United States. By 2030, the global economy will add 2 billion new middle class customers. The economies of Brazil, India, and China are predicted to grow at annual rates of between 8-12% in the coming years compared to only 2-4% growth for Europe. Total household spending in Africa already exceeds that in India, and the economies of Africa are forecast to grow to $2.6 trillion in 2020, from $1.6 trillion in 2008. These markets represent tremendous opportunities for American companies and businesses, but we must continue to adapt and innovate in order to seize those opportunities. For America to continue to lead the world as a manufacturer of products and provider of services, we need to use all of our available tools to succeed in markets overseas.

“From an economic perspective, what happens in one country has ripple effects throughout the world.”

CHRIS POLICINSKI
President & CEO, Land O’Lakes

New Medium and Long-Term Official Export Credit Volumes, 2008

Export-Import Bank of the United States Report to Congress on Export Credit Competition
There are a wide range of tools that are necessary for American companies and workers to be able to innovate and create opportunities in developing markets. Investments in education and workforce training, use of trade tools to open overseas markets to U.S. competition, and support for innovation are all important components of an overall strategy. One critical and cost-effective tool is the International Affairs Budget. While only 1% of our federal budget, these programs support American jobs by expanding exports, fostering stability and democracy, opening markets overseas to U.S. products and services, and advancing the rule of law and free market economic and financial reforms. These programs are a cost effective investment in America’s economic future.

**Supports American Jobs**

The International Affairs Budget funds a broad range of programs to facilitate U.S. exports. These programs support American jobs and offer a strong return on an investment of only modest seed money. The Overseas Private Investment Corporation (OPIC), which provides risk insurance and capital to U.S. companies seeking to do business in difficult environments around the world, is actually a source of federal revenue through loan repayments and fees for services. The Export-Import Bank of the United States, the official export credit agency of the United States, assists in financing the export of U.S. goods and services to international markets, enabling U.S. companies to turn export opportunities into real sales. Throughout its history, the Export-Import Bank has helped to support more than $400 billion in U.S. exports. This financing supported an estimated 200,000 jobs in 2010 alone. The U.S. Trade and Development Agency (USTDA) supports research and feasibility studies as well as hosts trade missions that allow U.S. companies to secure one-on-one meetings in foreign countries with foreign government decision-makers and business contacts. USTDA generates $47 in exports for every $1 it invests in feasibility studies and partnerships abroad.

**Fosters Favorable Investment Policies that Promote American Business Success**

U.S. businesses succeed in overseas markets in conditions where there are stable governments, transparency, predictability, adequate financial infrastructure, free market economic policies that allow for competition, and rule of law. The U.S. government helps promote environments around the world where private investment and entrepreneurship can flourish. Programs to bolster weak and fragile states and promote democracy create more stable markets for investment. Economic development and investments in health, education and agriculture supported by the International Affairs Budget are essential in creating markets where American products can thrive.

In many of today’s emerging nations, conducting business involves overcoming enormous challenges. Infrastructure is generally inadequate, transparent rule of law is lacking, and often basic health and educational provisions are minimal. Instability is all too common. These challenges cannot be overcome by the business community alone, but require a coordinated approach that includes U.S. government engagement.
“As a business person, I understand the value of getting a good return on your dollar. And that’s what we get when we fund our diplomatic efforts and international programs.”

JAMES W. OWENS
Former Chairman & CEO, Caterpillar

Programs funded by the International Affairs Budget directly promote sustainable economic reforms in developing countries that ultimately benefit American companies and workers. For example, the Millennium Challenge Corporation (MCC) provides grants to countries for economic reforms only if they demonstrate a commitment to democratic governance and economic freedom. The U.S. Agency for International Development (USAID) supports programs that help countries improve their business regulatory environments and open their economies to foreign competition. These programs can move developing countries away from rigid government-controlled economies toward competition and market orientation, which in turn creates new opportunities for American companies and workers. These programs have already helped to transform countries such as South Korea and Colombia, both of which formerly relied heavily on foreign assistance, into some of our most important trading partners.

The International Affairs Budget also supports the multilateral development banks (MDBs), including the World Bank, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development. In addition to an array of educational and health programs, the MDBs support programs that strengthen governance institutions and build infrastructure that facilitates U.S. investment and exports. MDB loans come with conditions, such as strengthening transparency, promoting good governance, and improving the investment climate, that open developing country markets to U.S. goods and transform them into more reliable trading partners.

With a mere one percent of the entire U.S. federal budget, the International Affairs Budget supports all of America’s civilian tools of development and diplomacy.
The International Affairs Budget funds the majority of America’s civilian foreign policy programs, including diplomatic relations, security assistance to allies and strategic partners, trade and economic relationships, agricultural development, health clinics and schools in the developing world, and humanitarian relief efforts. These programs are not only the right thing to do; they are the smart thing to do because they advance America’s economic interests and sustain American leadership in the world.

• **STABILIZING SOCIETIES:** The International Affairs Budget funds programs to prevent countries from falling into conflict, stabilize those emerging from conflict, and strengthen the U.S. capacity to respond to crises.

• **PROMOTING U.S. EXPORTS AND CREATING AMERICAN JOBS:** Numerous programs and independent agencies funded by the International Affairs Budget create opportunities for American workers and companies at home and help the United States remain competitive overseas.

• **PROMOTING GOOD GOVERNANCE AND THE RULE OF LAW:** Programs funded by the International Affairs Budget help strengthen democratic institutions and uphold human rights standards, promote principles of good governance and the rule of law, fight corruption, and encourage greater transparency.

• **SUPPORTING ECONOMIC REFORMS AND THE GROWTH OF OVERSEAS MARKETS:** The International Affairs Budget supports efforts to reform economies and create a more favorable business environment for U.S. businesses.

• **REDUCING GLOBAL POVERTY AND PROMOTING ECONOMIC DEVELOPMENT:** The International Affairs Budget reduces global poverty, promotes global health, improves education, and supports agricultural development, creating more stable and prosperous export and investment markets for U.S. companies and workers.

For more information about the International Affairs Budget see http://www.usglc.org/international-affairs-budget-overview
America is far from the only country that supports its companies and workers in overseas markets. To the contrary, countries ranging from India and China to Japan, France, Germany, and Canada provide significant and often greater support to their companies. U.S. companies risk falling behind if we do not maintain a significant economic presence overseas or provide American businesses with tools that can help level the playing field.

**Foreign Government Support for Our Economic Competitors is Growing**

Some of America's toughest competitors provide substantial government subsidies to their companies doing business overseas, giving them a competitive advantage over American companies that cannot tap into enormous government revenue sources. In FY 2008, studies estimate that China provided $59.6 billion in export credit support, more than the United States and the rest of the G-7 countries combined. In the same year, India's export credit agency provided $13.7 billion in export credit support, more than the United States or any other G-7 country. Countries with economies smaller than the United States, like France and Canada, dedicate a much higher percentage of their overall budget to providing export support.

Every indication is that this public assistance for exports will only increase in the coming years. Some studies estimate that China’s government-supported economic development programs in Latin America, Asia, and Africa grew by 25 times in the five year period from 2002 to 2007. In its first ever official report on foreign aid policy issued earlier this year, the Chinese government claims that its budgeted foreign aid grew by nearly 30% per year between 2004 and 2009. While the U.S. and most industrial countries have been moving away from tied aid, China’s support is often tied to requirements to use the funds to purchase products or services from Chinese companies. For example, the Chinese government has offered loans to African governments on the condition that they buy telecommunications equipment only from Chinese companies.

The United States cannot cut back support for American businesses at a time when support for their foreign competitors is growing. To do so would weaken America’s competitiveness at precisely the time when American businesses face strong competition for new opportunities in growing markets.

**America’s Commercial Diplomacy is Vital to Maintain U.S. Economic Competitiveness**

In recent years, the U.S. presence overseas has in some ways diminished. While USAID had nearly 16,000 people running programs in Latin America, Southeast Asia, and Africa in 1968, it currently has only about 2,000 full time staff managing a much larger portfolio worldwide.

The U.S. presence is fundamental to leveling the playing field for American businesses overseas and promoting U.S. job creation. Many countries explicitly discriminate against American companies, particularly with respect to government contracts. U.S. embassies overseas vigorously assert American business interests and promote U.S. competitiveness. Reducing the U.S. government’s presence overseas would amount to unilateral disarmament at a time when other countries are moving forward.
A strategic investment in economic development and diplomacy is critical to advancing America’s interests by fostering global prosperity and opening new markets abroad that create jobs in the United States. These programs, funded by the International Affairs Budget and representing about 1% of the entire federal budget, constitute a vital investment in our future economic growth. It is an investment that the United States can ill afford to cut at a time when other countries are moving forward with even greater investments. The world is not standing still, and American businesses and workers run the risk of being left behind if the United States does not continue to play its traditional role in maintaining a level playing field and opening markets. The question is not whether the United States can afford to make this investment; it is how we could possibly afford not to.

We call on our policymakers to embrace the following principles of America’s global leadership as a key strategic investment for growing American jobs:

- Pursue a strategy of U.S. global engagement that spurs economic growth, expands markets, and creates American jobs by strengthening our diplomatic and development programs under the International Affairs Budget.

- Bolster investments in development including agriculture, infrastructure, health, education, good governance, and rule of law, which form the foundation of societies in developing countries where American businesses can flourish.

- Strengthen America’s capacity to engage in commercial diplomacy, which is increasingly vital to ensuring a competitive edge in the global economy.

- Increase and facilitate the use of public-private partnerships in order to tap expertise and resources of American businesses and entrepreneurs and maximize the effectiveness of international development programs.

- Ensure a strong and effective International Affairs Budget through enhanced accountability, transparency, and monitoring and evaluation in order to ensure these programs are delivering the best possible value for American taxpayers.

Nearly 95% of the world’s consumers live outside of the United States.
Market-based economic reforms in Vietnam have substantially increased U.S. exports. Under the Vietnam STAR (Support for Trade Acceleration) Program, the U.S. Agency for International Development (USAID) helped Vietnam improve its domestic business regulatory environment and open its economy to foreign competition by providing extensive, low cost assistance in revising Vietnam’s commercial legal, regulatory, and institutional framework to promote and permit investment. Part of this effort has included a meaningful voice for the private sector in reforms. The program has led to the revision or enactment of over 100 laws and regulations affecting the economy. The total cost of USAID assistance in this program has been approximately $1 million per year. Returns on that investment for the U.S. economy have been dramatic. The reforms have substantially increased U.S. exports to Vietnam. During STAR’s 2001-2010 operation, the United States became one of the leading exporters to Vietnam, with exports increasing by over 700%.

Development assistance to South Korea has helped to transform the country into a prosperous trading partner that has become an important market for U.S. exports. South Korea relied heavily on foreign assistance to recover from the devastation of World War II and the Korean War. In the 20-year period from 1953 to 1973, the United States provided $4 billion in assistance to South Korea. The U.S. was the single biggest supporter of South Korea’s economy until 1965, with assistance ending entirely in the early 1970s. In 1995, South Korea “graduated” from the World Bank’s lending list as a recipient country. Today South Korea is itself a provider of foreign assistance to developing nations. It has the world’s 13th largest economy and is the 7th largest trading partner for the United States. U.S. exports to South Korea have doubled since 1990 to nearly $39 billion in 2010.

“The more that American businesses export, the more they produce. The more these same businesses produce, the more workers they need. This means job creation for Americans.”

ERIC CANTOR
Majority Leader, U.S. House of Representatives
SUCCESS STORIES FROM THE INTERNATIONAL AFFAIRS BUDGET

VIETNAM

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SOUTH KOREA

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Development assistance to Colombia has helped provide the stability required to make it an important U.S. export market. Since 2000, the United States has provided over $6 billion in aid to Colombia. In addition to cutting the homicide rate in half, the aid has helped transform Colombia into a significant market for U.S. products. In 2010, U.S. exports to Colombia were over $12 billion, a 228% increase since 2000. As U.S. Ambassador to Colombia William Brownfield states, “We’re pretty much where we wanted to be when we set out on the path to Plan Colombia a decade ago... We had expected to start with a lot of money and see it gradually reduce over time, and that has happened. We had hoped to see a country that first dealt with its security and drug problems, and would then tackle its social development problems. And that has also happened.” The stability that has been provided by this assistance has turned Colombia into a prospering market for U.S. products.

U.S. commercial diplomacy efforts have successfully opened the market for pistachios in India to American companies, supporting U.S. jobs. Until this year, India maintained one of the highest tariffs in the world on pistachios at 30%. These tariffs made it difficult for American companies to compete in this growing market. For many years, the U.S. pistachio industry worked with U.S. diplomats and other federal agencies to reduce this burdensome tariff. Earlier this year, the combination of commercial and government advocacy and diplomatic efforts led to a dramatic reduction in the pistachio tariff to 10%. Paramount Farms, the world’s largest vertically integrated grower and processor of pistachios, along with its grower partners, employs over 6,000 people who work in the United States farming, processing, and marketing pistachios. When India’s tariff on almonds was lifted in 2000, consumption there went from 48 million pounds annually to over 101 million pounds annually in just five years. The opportunity created by the tariff reduction for increased exports to India is expected to bolster jobs here in the United States.

U.S. commercial diplomacy successfully restored U.S. poultry exports to Russia, protecting American agricultural jobs. In 2009, the U.S. poultry industry, the world’s largest poultry producer and exporter, exported 750,000 tons of poultry valued at $767 million to Russia. On January 1, 2010, Russia imposed a ban on chlorine-treated poultry products from the United States, claiming new safety requirements. In meetings between President Obama and Russian President Dmitry Medvedev in the United States in June, 2010, the two reached an agreement that allowed the U.S. poultry industry to resume exports. That agreement benefited U.S. farmers and supported agricultural jobs in the United States.

“Our exports to developing countries over the last decade grew six times the rate of growth of our exports to the major economies.”

Timothy Geithner
U.S. Secretary of the Treasury
A feasibility study funded by the U.S. Trade and Development Agency helped lead to sales and services contracts for over 22 U.S. companies, supporting jobs here in the United States. USTDA-funded feasibility studies link foreign project sponsors with U.S. businesses at the critical early stage of a project when technology options and project requirements are being defined. These studies provide the comprehensive analysis needed for major infrastructure investments to achieve financing. Without these studies, many projects would simply not get off the ground. As a result of a USTDA-funded feasibility study, Thailand’s state-owned oil and gas company, PTT, is building the country’s first liquefied natural gas receiving terminal. At least 22 American companies from 13 states have entered into contracts to provide services and technologies to what will be a $1 billion project.

The Export-Import Bank of the United States is providing a $41 million loan guarantee that will support the export of 121 customized firefighting vehicles and related equipment from U.S. companies to Ghana. The Ghana National Fire Service will purchase the equipment from four subsidiaries of Oshkosh Corporation, headquartered in Wisconsin. The export is helping Oshkosh maintain employment of its highly skilled workforce in the United States. Ex-Im Bank Chairman and President Fred P. Hochberg notes, “This deal demonstrates the solid business opportunities for U.S. exporters in sub-Saharan Africa that Ex-Im Bank can help them achieve. This large export to Ghana will help maintain American jobs at these companies and expand their market share in Africa.”

A $310,200 grant from the U.S. Trade and Development Agency (USTDA) helped facilitate the sale of seven Boeing aircraft worth approximately $1 billion, supporting approximately 6,800 U.S. jobs and providing a strong return on investment. The USTDA grant provides technical assistance to Azerbaijan’s State Civil Aviation Administration to help it meet the aviation safety and security standards set by the International Civil Aviation Organization. Meeting international safety standards will facilitate direct flights to and from the United States, creating additional opportunities for U.S. exports. In addition to the direct benefits to Boeing and its workers, every Boeing aircraft 777 incorporates about four million parts reflecting the workmanship of thousands of small, medium and large suppliers, the vast majority from the United States.

Foreign agricultural development assistance the United States has provided over the years has benefitted for the U.S. economy in return. For example, the U.S. invested $134 million in wheat and rice improvement research to help alleviate poverty and hunger in the developing world. The new plant varieties developed from that research benefitted the U.S. economy by up to $14.7 billion in increased yields, lower production costs, and cheaper food for American consumers. 50% of U.S. agricultural exports are to low and middle income countries, and 19% of agricultural employment is tied to exports.