

U.S. Global Leadership Coalition

**2011 Washington Conference
Investing In The Future:
A Smart Power Approach To Global Leadership**

America's Global Leadership: A Strategic Investment for U.S. Jobs

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**Chris Policinski,
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**Robert Zoellick,
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WILLIAM LANE: First of all, good afternoon. I'm Bill Lane. I work for the Caterpillar Company, or Caterpillar. I've been with them 36 years, and I got to tell you, I work for a great company, and I love working for Caterpillar. But there's one thing I enjoy equally as much, and that's being co-president of this organization, the U.S. Global Leadership Coalition. It's a terrific coalition. And as I know you've heard many times, it's a strange-bedfellow coalition that focuses on everything from the importance of the international affairs budget on security, on values, but also on business.

And with that, I would like to turn over the program to the only company that I know of that exports more than Caterpillar. And I wonder what company that would be.

JULIE FELGAR: (Chuckles.) Hi, I'm Julie Felgar. I work for the Boeing Company, and we are proud to serve as a long-term supporter and board member of the U.S. Global Leadership Coalition. I, too, wear many hats in my job, and I have to say that from a business perspective, this is a very worthwhile imperative for us to be part of this coalition. But from a personal perspective, I find it incredibly meaningful, the work that this coalition does, and what it means for the global environment.

Since 9/11, Americans have clearly understood the reality that America's national security is inextricably linked with the stability and security of the rest of the globe. Our military leaders have led the way in addressing this reality with a call for elevating and strengthening development and diplomacy.

A few years ago, the USGLC set out to better educate policymakers and opinion leaders that America needs a smart-power foreign policy. The USGLC's 100 generals and admirals who make up the National Security Advisory Council have amplified this message, along with former Secretary Gates, General Petraeus and many others, as we saw this morning.

But the time has come to recognize that the national security rationale for the international affairs budget tells only one part of that story. Our economic prosperity is as tightly bound to economic currents emerging in other parts of the world. The business community understands that the international affairs budget is a critical driver to our economic future, and the presence of companies like Boeing and Caterpillar are a testament to this. And we spend a lot of our time working on this issue here in Washington, D.C.

Not everyone understands the link between American jobs and our development and diplomacy programs. Earlier this year, the USGLC set out to more effectively make this case, and we are pleased to launch our economic initiative today.

MR. LANE: Now, this is where it really gets good, because a couple months ago, we pulled together about 20 business leaders and we tried to make the case for the importance of the international affairs budget on jobs and on the American economy.

Now, I know you all have a lot of things you're going to do tonight. You're going to see your family; you're going to probably share a nice glass of red wine after dinner. But if I were

you, while you're doing that, I'd pull out this report. And I'll tell you – you know, in fact, I'd bring the whole family together and sort of talk about it.

The report, which is a – which is the result of all this terrific work by these 20 business leaders, is called “America’s Global Leadership: A Strategic Investment in U.S. Jobs.” Now, you know, at Boeing, at Caterpillar, we’re actually pretty optimistic about the future. And I know there’s a lot of doom-and-gloom going on, but we do have a way of working out our problems.

And you know, when you think about it, we all like to use the analogy about, is the glass half full or half empty? What you’re going to find when you read this phenomenal report – and in fact, you may want to take a couple home with you tonight and share with your neighbors – you’re going to realize that while we only focus internally, often, 95 percent of the potential customers are outside the United States.

I know at Caterpillar, we have always been an important exporter. But something’s changed in the last five years. Over half of what we make in the U.S., we export, but over half of what we export, we now export to non-OECD countries. That’s a huge change, and it’s a change that’s going to continue. And if the developing countries continue to develop, it’s even going to accelerate.

Secondly, there is a realization that while security is absolutely critical, our security is also tied to our economic well-being and our ability to grow. We need to have markets available for us today. We need to have markets available to us in the future. You can be as competitive as possible, but if you don’t have access to growing markets, it’s not going to allow you to succeed.

And then lastly – and this is the thing you need to take home – while the international affairs budget is important for security, it’s important for promoting our values, it’s also important for our economic wellbeing. And the two are – the two are absolutely linked. And that’s what we tried to point out here.

Now, later, in a few minutes, we’re going to hear from our leaders of today. They’re pretty good. What’s more important is what we can learn from our leaders of tomorrow. And with that, we have a little video we’d like to show you.

(Begin video segment.)

(Music plays.)

MS. : With our economy the way it is today –

MR. : – some people are asking why we’re spending so much money overseas –

MS. : – and not on creating jobs right here at home.

MS. : Well, actually, we're not spending much money –

MR. : – just 1 percent of our national budget goes to the international affairs budget.

MS. : That's not a lot.

MS. : And helping create American jobs is just what that money's doing.

MS. : If you want to create jobs, you have to create more demand for products and services.

MR. : You need more customers.

MS. : And where are American companies finding more customers?

MS. : Not here, but here.

MR. : And here.

MR. : And here.

MS. : Ninety-five percent of the world's customers live outside the U.S.

MR. : Ninety-five percent.

MS. : When we sell goods to them, they're called exports.

MS. : U.S. exports counted for a big part of our economic growth last year.

MR. : Half went to developing countries –

MS. : – and their economies are growing three times faster than developed countries.

MR. : And every 10 percent increase in exports equals a 7 percent increase in jobs here.

MS. : So how do we increase exports?

MS. : Build new markets for American goods and services.

MS. : Remember that 1 percent?

MS. : America's international affairs budget helps fund programs –

MS. : – that improve health and education –

MR. : – supports agriculture development –

MR. : – builds a stable economy –

MS. : – and creates new markets.

MS. : So if we don't go to the biggest, fastest-growing group of consumers –

MS. : Other countries will.

MS. : Other countries already are.

MS. : Investing a small amount in global development and diplomacy –

MS. : – is not only the right thing to do –

MS. : – it's also the smart thing to do –

MR. : – to make our economy stronger –

MR. : – to create more jobs –

MS. : – for my mom –

MS. : – for my dad –

MS. : – for my neighbor –

MS. : – for me.

(End video segment.)

(Applause.)

MR. LANE: I got to tell you, I – that is terrific. Now, listen, you all have a challenge here. I'm supposed to tell you to Twitter it out or something like that, but let's get this thing out. I mean, you know, it's one thing if you all see it, but let's try to make this thing go viral. Tell your kids they're not allowed to see this – (laughter) – and then we'll be sure that it'll go all over.

And I mean, we – I mean, literally, this is how you can have some fun. And you know, that – I get my best talking points from these kids, anyway.

OK, our panel today. We've got a terrific panel, and I guess are they coming out right now or – OK, well let's start out. We've got the president of the World Bank. Now – OK, well,

I'll just go. We've got our three speakers today, the president of the World Bank, Bob Zoellick. I've known Bob since he started at USTR.

I thought Rob Portman might be here today. I was going to temper my thoughts, because he used to be USTR. But I think Bob Zoellick's the best USTR we ever had. He did a terrific job. He opened lots of foreign markets, got the Doha Round started, just a great job. And ever since he's been at the World Bank, he just gets all sorts of kudos as far as really getting that organization moving forward.

We got Chris Policinski. He's the chairman of Land O'Lakes, operates in 50 states and 50 countries. And so you know, he really sees where the tires hit the road, or at Caterpillar, we say where the tracks hit the dirt. But he really knows how to make the international economy work and how important exports are.

And then we've got one of the co-chairs of the coalition, one of my best friends, and – John Murphy, who is the vice president over at the Chamber of Commerce not only is terrific on these – on these issues, but he has one attribute that very few people in this town has. He makes everyone he works with look good. He never takes credit for anything, but anyone who works with him looks phenomenal. And it's one of the reasons why I've been able to survive as many years as I have.

So we've got John Murphy and Chris and Bob Zoellick. Please come on up, and thank you very much. And remember, what are you going to do tonight? Going to read this report, that's right. Thank you. (Applause.)

FRANK SESNO: Well, good afternoon, everybody. I'm the director of the School of Media and Public Affairs at the George Washington University. I am, unlike Chuck Todd, a recovering journalist – although I'm not sure you can ever fully recover – for many years at CNN, where I had the great pleasure to travel the world and cover historic figures like this gentleman here and previous administrations and lives and see some of the work you got to do up-close. And I will moderate the conversation here this afternoon.

What we really want to do after welcoming our panelists is take a look at this intersection of development, diplomacy, and the economic impact that it can and does have on this country, because as Chuck pointed out just a moment ago – a few moments ago – there is quite an explanation job, a sales job. And maybe we need those kids sitting up here, because they were pretty good. And I know that I listen to my kids, so – (chuckles) – maybe other people will as well.

Last year, I had the honor to moderate with USGLC a discussion on President Obama's new global-development policy. Secretaries Clinton, Gates and Geithner were there; Administrator Shah and the CEO of the Millennium Challenge Corporation; Yohannes, as well. And much of that conversation that we had at the time focused on the role of development in terms of our national security. And I remember still the words of Secretary Gates, who said, development is much cheaper than war. And it surely is, in every way.

But today we want to expand on that conversation. We want to bring this economic component, the jobs component in. As we know from the numbers and the statistics and the stories, the real-life stories in this country and the political impasse, we need to make this connection if we're going to make the sale and if we're going to have a persuasive – an informed conversation.

Since 9/11, surely Americans understand that national security is tied up with these issues. But today, we increasingly come to understand, and having just come back from China and points in Asia, it's ever more graphic that our economic prosperity is tied in with these issues.

So let us get started. And Mr. Zoellick, perhaps we can start with you. And thank you very much for being here –

ROBERT ZOELLICK: Glad to be here.

MR. SESNO: – taking out a few minutes from World Bank business. I wonder if you could explain a little bit – you have a term you use called – that you describe when you talk about your mission, “modernizing multilateralism.” And rather than simply giving assistance to help build capacity and other things in local governments, you want to build that capacity so they can promote their own economic growth. How do you view those investments in infrastructure and rule of law and all those other things as promoting economic growth and tying into economic growth in this country?

MR. ZOELLICK: Well, first, if you permit me, I just want to thank all of you for taking part in this. This is a great group. It's coincidental, because of the years I worked with the Congress when I've had a chance to go up with some of the appropriators and talk to them about building coalitions, some of them come a little bit from an economic background or a security background.

And I emphasize that the critical need is the business community, the economics, the security, but also many of the church groups. If you get some pretty important events in Southern Sudan just over the weekend with the independence, and one of the things that's really transformed the international politics is the support of these groups.

So I think bringing these together and kind of seeing their interconnections is particularly important. And I apologize, but I just have to thank Bill Lane and Julia, because when I was trade representative, Caterpillar and Boeing were really absolute stalwarts. And for Bill, I don't know where you are, but I can just assure you, I'm going up to see Rob Portman later today, I'll relay your message – (laughter) – but find out a little bit what's going on in the budget side.

MR. LANE: He was saying very good things about you.

MR. ZOELLICK: (Chuckles.) Modernizing multilateralism. Let me real briefly give you the context of this, because it really fits what this group's about. The perspective that I bring

to this actually goes back to the one that, you know, some of us learned in school, which was the whole creation of the multilateral system for trade and development and finance, you know, started in Bretton Woods in 1944 by some far-sighted people that said, the 1930s were the economic collapse that partly led to the crisis in World War II.

So they tried to create a system to try to avoid some of those problems. Well, if you think about the huge changes between the world of 1944 and 1950 and today, Bill really started to encapsulate some of them. And they really – I've seen them in my own sort of recent career over the past 10 years, when I started with USTR, whether it be in trade, whether it be in development, in climate change, monetary and financial affairs.

And it's the rise of emerging markets. And this has happened – while people look at the numbers in general, I don't think it's begun to filter through the policy and politics. And just to give you one sense, about half of global growth today comes from developing countries. In the '90s, it was just in the 20 percent. I mean, it's that big, OK? About 47 percent of the oil is now going to developing countries.

China alone takes about a quarter of the soybeans and about a third of the eggs from the agriculture area. And if you get up to some of the minerals, the zinc and the iron, it's like 40 percent, 45 (percent), 50 percent.

So you used in the video the kind of – the reference about, 95 percent of the public. When we used to use that 10 years ago, people would say, yeah, but they don't necessarily buy that much; they're poor. You're growing at 8 (percent) or 10 percent and it changes the world pretty quickly. And China's been growing at about 10 percent for 30 years.

But let's also even take this to Sub-Saharan Africa. A lot of people don't realize, Sub-Saharan Africa was growing at about 5 percent a year for a decade before the crisis. And those are countries, some of which were struggling with war and kind of sinking and some that were going up.

So there's been this huge transformation that hasn't yet been reflected in the multilateral system. And so when I talk about modernizing multilateralism, it's everything from changing the World Bank so we're faster, more flexible and kind of adjust to some of the changing needs in infrastructure of safety nets or global food security, but it's also some of the aspects of the system beyond us, and whether it be trading regime or climate change or other aspects.

So one of the parts that I really appreciate all of you getting engaged in this, all of you have familiarity with Washington. You understand, the preoccupation is often what's going on in Washington or what's going on in the home district. And I'll tell you, I really get concerned about the fact that the United States is not keeping up with the page of changes.

And, you know, it's partly on the trade side. You know, when you talk about development assistance, which of course is everybody's favorite item to whack, I'll just point out that Britain, which is having a very, very tough budget effort, is actually increasing their development assistance. Australia's doing the same.

These numbers, as the report showed, are not big, but I'll tell you, they're a huge investment for what you get. So whether it's the case of, you know, if you think about infrastructure development now, about a third to 50 percent of what developing countries buy for infrastructure comes from developed countries – so the types of machinery that Cat sells or some of the other products of the design.

And one of the areas that, you know, when you look at the U.S. economy, you see it's increasingly a service economy. But if you think about trade these days, it's no longer the traditional barriers. It's often the behind-the-border barriers. So it's logistics systems, it's customs systems, information systems; it's how to make the ports (grow ?).

And again, a lot of U.S. firms can be very, very competitive and are competitive in that market. So to me, the challenge that I'm trying to do at the Bank is make this sort of grand old institution created 60 or 70 years ago be able to keep up with affairs in terms of the agenda we set. But frankly, the bigger challenge is, is United States going to play a role in modernizing this system? And frankly, I have to tell you, that's a question mark.

MR. SESNO: It's a question mark. Now, when you sit down with a dubious congressional member, do you say, look, this is a dollar-for-dollar investment? How do you make – how do you take that and make the sale?

MR. ZOELLICK: Well, I'm an old trade representative, so I learned to do just a little retail. So the main thing is, I try to find out what their interests are. It depends what state they are. If they're an agriculture –

MR. SESNO: Their local businesses.

MR. ZOELLICK: Well, in agriculture, I was just in Kansas City on Friday talking to the Kansas City Fed, the Kansas City Economic Club. And obviously, if you're in the farm economy, you darn well know the importance of international markets because if you're looking at soybean prices, corn prices, wheat prices, cotton prices, you know, much of that is driven by the international environment.

So some of that, if you're in the certain manufacturing sectors, you can make part of the case. But for some congressmen, as I mentioned, it may be an interest in Liberia, which church groups have an interest in. It may be an interest in Southern Sudan. It – we're one of the biggest and most effective players in Afghanistan. So if you're concerned about the economics of security in Afghanistan or Pakistan, we're working right now on – you hear about the security strategy for, sort of, withdrawal or sort of coming out over time; there's an economic component to that. There'll be a negative economic multiplier effect that the people really haven't focused on.

So the main point is to recognize, when people used to think of development as sort of charity or do-good or, in the European terms, solidarity, it's now self-interest. And the question is, what's the degree of self-interest? Is it trade? Is it investment? Is it sort of our concern about

disease over the world? Is it our concern about kind of some of the values aspects? But it's ultimately making the political sale on the self-interest of America.

MR. SESNO: Chris, let's talk about self-interest and in a business context because you're a businessman. We were talking backstage about this great mark that's been around for –

MR. POLICINSKI: That's right.

MR. SESNO: – a hundred years?

MR. POLICINSKI: That's right. About a hundred.

MR. SESNO: I was a little kid with this stuff on the toast, you know; if you were good, you got Land O'Lakes butter on it.

How many countries are you in?

MR. POLICINSKI: We operate about 70 countries. A lot of that is development-driven, but we're global.

MR. SESNO: You signed this letter that talked about the key to American jobs is “smart power”-formed policy: One that – and I'm quoting from it now – elevates and strengthens our development and diplomacy programs funded by the international affairs budget.

As a CEO, why does a CEO sign a letter like that? Why are business leaders caring about global development?

MR. POLICINSKI: Well, there's a couple reasons. One I'll mention, and it's worth mentioning: There's a humanitarian motivation that's out there, and I think businesses may be looking at the long, long haul. I've seen that for a while; I know that's true in our company. But when you get right down to the short-term motivation – you heard it from Bob, you heard it from the kids – it's about growth. Our economic growth is linked to global growth, and it's not just the fact that 95 percent of the world lives outside of this country, it's the fact that their growth rates are far superior to the developed world. So you've got 8 to 10 percent growth in the near term in the BRIC countries, a fraction of that in the developed countries, 2, 4 percent. So it really is about growth.

And it's not an academic discussion. Twelve percent or so of our GDP is already associated with global exports. You know, 1 in 5 or 1 in 7 jobs can be linked back to global trade or global exports. And you know, getting right back to Land O'Lakes, you might say, what about this company that's been around a hundred years and is known for its butter? That's a big part of who we are, but we also have animal feed and crop inputs, and our best future growth prospects, as a farmer-owned company located in the Midwest of the United States – we've achieved a level of scale here – our best growth prospects are overseas.

MR. SESNO: Can you connect some of your efforts in terms of global development with business breakthroughs or progress?

MR. POLICINSKI: Yes. And I think we can do a better job as a company and, frankly, I think all of us can do a better job making that linkage.

Let me give you an example. We have for years, in our development funds, we've accessed – we started our development group about 35 years ago. Some smart folks said, you know, we know a lot about getting food from farm to market. It seems like that skill would be useful in parts of the world where they have trouble with that.

MR. SESNO: So you went over as a company?

MR. POLICINSKI: As a company, and we ran that at break-even, accessing USAID or USDA funds in development projects. And you turn the clock forward until this era, and we've got a program in Malawi where we give cows to individual Malawi producers, and their lives are changed.

And we've historically talked about that entirely in humanitarian terms. We've said, look at what this does to a family in Malawi? We give some cows to a woman, a head of household, and her life changes. She can afford health care for her children, she can afford education for her children, she can buy fertilizer for her crops. They go from poverty to a level of wealth, and that's all accurate.

But you know what? I think we need to pivot just a little bit and say, what we've also done is create a safe, reliable, high-quality supply of milk. Because what we've done is give cows to produce milk, to go to a collection station, to link to a market, and that's part of the project we ran. But as we describe this more in commercial terms and make that linkage between development and the commercial side of the equation, I think a lot of good things happen.

You know, we're providing a safe raw material – high-quality raw material to what? To the beverage market. And Africa is, as Bob says, a growth market. And if you're at one of the great beverage companies here in the country, this country, don't you think that that's one of the markets you want to focus on?

MR. SESNO (?): Right.

MR. POLICINSKI: Absolutely. What's one of your barriers? Access to raw material.

So I think your question, Frank, is a really good one, and it's the linkage of the development side of our – of our work with the commercial side of our work, and I think there's a big opportunity because then we can scale things more aggressively.

MR. SESNO: John, I want to come to you in just a minute and talk about support for businesses.

But before I do, Chris, I'm interested in something, and that is, you know, Americans are skeptical today, and they're scared. And we see that in the political rhetoric all the time. We hear it, but when you go around and you talk to farmers and you talk to others and you talk others and you talk to – do they get it? I mean, they know that a lot of their business is coming through exports; do they connect – is this an easy sale to connect development and diplomacy to actual business?

MR. POLICINSKI: Well, it's not an easy sale, but it's a sale that can be made if you really step back and slow down. And the debate with our owners about spending time overseas with markets isn't all that different then the debate we see in society right now about the development budget.

But you know, it's a little bit of effort, a little bit of the spending; the 1 percent that goes into our foreign assistance budget has a huge payoff. So it is a – it is important to recognize that you have to explain the rationale to this. But once you do, the facts are so friendly: Ninety-five percent of the world – the kids had it right – 95 percent of the population is outside of this country. Their growth rates are superior to ours. What – when we ship to those markets, we create jobs here at home. And that story – it's pretty simple – carries the day with our owners, and I think it's one that we need to tell better in society.

MR. SESNO: John, let's talk about competitiveness for just a second and open this up. And by the way, we're going to take your questions here. Do it a little bit differently: You'll see cards on your tables; so fill those out, and they'll be brought up here. We've got the first one. Oh, we're going to do audience mic and questions on cards.

OK, so if you're not bashful, there's a microphone for you. But if you want to be literate – (laughter) – and precise with the written word, put it on a card and send it up, and we'll incorporate that in.

John, competitiveness – you know, a lot of countries – China among them, but also our allies – provide a great deal and more – a higher percentage of their overall budget to international economic programs that provide export assistance. How should the United States be doing that? How should we ensure that our companies and our corporations are as competitive in this incredible global marketplace?

JOHN G. MURPHY: Well, I do think that in the business community, there's a very strong conviction that the international affairs budget is an important part of how we're going to be able to tap those growing markets. You know, it's 95 percent of humanity; ninety-five percent of the people that you want to sell something to live outside the United States. The investment that we make in the international affairs budget is really the diplomacy and the development that's the front line of America's ability to get out there and make those sales. Let me give a couple of examples.

You know when President Obama, late last year, went to India, he was able to announce \$15 billion worth of sales by American companies. Now, American diplomats play a critical

role in helping a number of those deals to go forward. You know, some of them would have happened anyway, but if we're not making the investment in the safety and security and the training of American diplomats, you had better believe that President Sarkozy is going to be out there, and French diplomats are going to be making the case.

Another example I would mention is the U.S. Export-Import Bank, which is also funded out of the international affairs budget. It's been around for 70 years; it's underwritten trade finance for more than \$400 billion worth of American exports in that time. It's doing a great job, and it plays a critical role for American companies being able to finance competitively their sales overseas.

But last year, Canada, which is a country that has an economy about a tenth the size of the United States, their export credit agency was able to underwrite three times as much the exports finance as our export-import bank. And Chinese export credit agencies were able to underwrite 17 times as much trade finance for Chinese exports.

The point is that if we don't make this investment in the international affairs budget, we'll – it's a competitive world, and that would be tantamount to unilaterally economic disarmament as we go into competition for foreign markets of that size and scale.

MR. SESNO: When you're talking about numbers of that size and scale – 17 times; China growing 10 percent for 30 years running. I read someplace a few years ago that if the United States has grown – had grown as fast as China over a 20-year period, we would have been where we were, plus we would have created a Japan.

But how did – so what is required? You say, you know, it's not just a question of not cutting what's there – and that's going to be hard enough – how much growth is required?

MR. MURPHY: Well, what we're talking about today, in this difficult fiscal environment, is at the least being able to have a robust international affairs budget that allows our diplomats to do their work, that allows an agency like Ex-Im, like the U.S. Trade and Development Agency, to go out there and make the case for American business to be able to make those sales. You know, it's a – it's a – it's a formula that's working today.

You know, already American exports support one in three factory jobs. It's one in three acres on American farms that are planted for export. We have the ingredients for success in competing in this global economy, but we know – you can't afford to be going out and eating the seed corn that helps that to happen.

MR. SESNO: Let me ask all of you, and sort of throw this out as a jump ball: If we think about the growth in developing countries, and just what success stories and how fast this has all happened – look at Brazil and South Africa and certainly China and Indonesia and Korea, and on and on it goes – how has economic growth in these countries, this very rapid growth, created opportunities, new opportunities – and why don't you start us off, Bob – for American companies?

MR. ZOELLICK: Well, there's a couple things that – right? – are just drawing on this. You know, we talk about money, but there's a lot of things the U.S. government could do without money. You know, not to put too fine a point on it, and you got people in the audience who've worked on it, the United States has been dead in the water in trade agreements for five years. OK, so you're now having a debate on the Hill about Colombia which I almost finished, and I left in January 2005. So the – you've got Panama, which again was one we started; South Korea. And here's the interesting question – and I spent time on the Hill: Ask people what's next? What's – what are they thinking about?

MR. SESNO: And what are they thinking about – what are they –

MR. ZOELLICK: You know, or you want to trade something with – well, they don't think about it because, frankly, people need to be looking over the hill to decide, do you want sectorial agreements? Do you want a free trading agreement with Japan? Do you want something with European Union? If you don't have a vision, you're not going anywhere, OK?

Now right now, it's all hung up with trade adjustment assistance. But here's – there's some very interesting work done by a guy named Matt Slaughter up at Tuck School. It's all tied up with TAA.

OK, well there's a trade adjustment assistance, there's a workforce investment act, there's an unemployment insurance system that's about 90 years old – these involve billions and billions of dollars. Why doesn't somebody take those and say, well, how do we actually restructure to get people back into jobs in an effective way and overhaul systems that are 70 and 80 years old? I'm trying to modernize multilateralism, which is 50 or 60 years old. You got some programs out there that some people can push. So part of it is, let's get a trade agenda going forward with an effective support for workers. I mean, you've got some representatives of political candidates here; jobs would probably be a pretty good selling point; you can connect this to jobs.

A second point is that – we talk about this still a little bit – it's kind of a one-way street, you know, with the developing world and sort of exports. I'll tell you what we're also missing: There's a lot of ideas out there in the developing world and people in the United States, if they're not open to them, things are going to move past them.

We've talked about debt in the world, OK? And we know all the states are in difficult financial situations. I can't go to a developing country without people talking about how to get private capital into infrastructure. Every one of them is trying to design models, and I'm actually setting up an infrastructure center of excellence in Singapore to kind of come up with the right investment packages.

What about toll roads in America? Mitch Daniels privatized his toll road, made a big – you know, his big political issue; he made about \$4 billion on it, and it has a much better running toll (work ?). So we look about liabilities; what about assets?

Now I'm telling you, if you don't look at the rest of the world, you're going to miss what's going out there. So the – and you talked about investment. We created – I have a private sector I'm calling IFC – we created an asset management corporation because we did what Willie Sutton did. We went where the money was. (Laughter.)

We went – we went to sovereign wealth funds, and we said, OK, how do we get you to invest in the developing world? And we've had about a 20 percent rate of return over 20 years at IFC. So we took pension funds, sovereign funds, and we created a billion-dollar investment fund basically for sub-Saharan Africa. And when I went to the pension – one of the pension funds, and said, OK, now why are you interested in this? They say, well, we now know developed markets are risky too, and developing markets are where a lot of the growth is, but we kind of don't know where – you know, the transactions' information cost.

So we're going to change that over the course of five or 10 or 15 years, and there's going to be a lot of capital, and there's going to be a lot of investment opportunities. And some of those are going not just into traditional manufacturing, but they're going into health care systems, they're going into logistics systems, they're going into a series of education for training service systems – things where America as a knowledge economy should be able to compete pretty well.

But I'll tell you: If you go up to the Congress, you go – and ask people, what are you thinking about to make America more competitive? They don't look beyond the border. And I'm telling you, from my nature of my work – first in trade, but now particularly work with 187 countries – the United States has had an advantaged position over the world, but it's not God's gift.

MR. SESNO: If they're not looking beyond the border, how you are going get them to look beyond the border – (inaudible) – you've got a border to look beyond?

MR. ZOELLICK: Basic –

MR. POLICINSKI: You know, Frank, I think part of that answer is, we need to tell our stories, and we need to make them very tangible. And I can tell you, one, for our company, a company a hundred years old formed by dairy farmers and local cooperatives in rural America, when I said our best growth prospects are global, you know, one example would be to serve this exploding population in Asia, where you have not just population growth, but the emergence of a – of a middle income. And what do they do? They improve their diets.

So right now, out of domestic facilities, we are shipping as much as we can make – dairy proteins overseas. And you might say, that's pretty interesting, and it does create jobs. But you know what? It leads to future growth because as we go over into Asia, we're working with – who? – big transnational companies who value quality. Our prices are a little higher than other alternates they might have, but our quality is, I believe, pretty darned good.

But they say, boy, you've got an animal feed division and, you know, we're over here in China, and we're interested and we need a locally sourced supply of milk, and can you help our

local producers with better animal feed? You betcha we can. We can send you a value-added feed product or ingredients to China to supplement the locally produced –

MR. SESNO: What impact has this had on the jobs that you provide?

MR. POLICINSKI: Well, it's – on one hand, it's transformational in terms of our horizon, our vision, of what we can be over the next – over the next a hundred years, over the next 5, 10, 15 years. We see our play – our role as a much more growth-oriented company than a company that serves this domestic market.

So it's really transformed the way we think about our business. And you know, we are gearing up for that kind of growth. But it does – I think we have to tell our stories better, Frank, to really get folks to realize that it's – there's a real practical element of this.

You know, I can point to jobs in a plant in Tulare, California, that otherwise wouldn't be there without this global growth opportunity. I can point to jobs in St. Louis, Missouri, at our feed facility or our feed research facility that otherwise wouldn't be there. And the more we tell those stories, I think it's – the easier it is for us to talk about that 1 percent in a real practical way.

MR. SESNO: John, I know that Wal-Mart USA recently announced a partnership to work with rural farmers in Central America to build capacity and get food to market. The World Bank works with private sector around the world, obviously, in diverse sectors such as health and climate – climate adaptation.

I was at a very interesting conference a couple weeks ago, a U.S.-India business group, and Fred Smith was there from FedEx. Two hundred and ninety-thousand employees in over 200 countries, and they are providing some educational and other benefits on the ground to their employees. Has the private sector across the board become more involved in promoting healthier, more productive societies? Is the chamber working with them? Is this a concerted effort, or is this still a very sporadic sort of thing?

MR. MURPHY: I think that there are a great deal of these – there's so many of these success stories that we're seeing today, and we often put them under the name of trade capacity building. And some of it comes from governments, but a great deal of it comes from the private sector: as you mentioned, you know, Wal-Mart helping to train Honduran farmers on how to raise produce at a level that's good enough for them to sell in their supermarkets and help them become part of a modern economy.

I think also of Guatemala where after the free trade agreement with Central America came into force, companies like FedEx came in and worked with the customs authorities in Guatemala really to reinvent an express delivery clearance system there. So the private sector is playing that kind of role.

Too often we don't tell the story very well, as Chris is pointing out, and there's a great deal more that we can do.

The World Bank has had a project that they're undertaking right now on the Aid for Trade initiative as well, which is bringing together companies and the public sector to try and do that a little better. And you know, it's all part of being able to make the case for open economies and for the kind of investments we're talking about here.

MR. SESNO: OK, let me take a couple of questions here. Weave this in, and then we've got the microphones as well. The first one is on a card here: The World Bank – that's you – launched a new agriculture fund with, among others, contributions from South Korea. What enabled them to grow from donor recipient to contributor?

MR. ZOELLICK: Well, that's a wonderful story. I mean, if you look at South Korea's economy after the Korean War in 1953, it was much worse than Egypt or many of the economies in sub-Saharan Africa. And fundamentally the most basic part of development has to start with local ownership, and this is the hard lesson – is that outsiders, no matter how well-intentioned, can't do it for people. So you've got to have the property rights, the legal system, the right sort of investment climate.

Now, as some of you who know about South Korea's development, it wasn't always by any means an open economy. But what it did do was, it was open enough in the export market that it learned how to get higher levels of competition, competitiveness, which increased productivity, which increased wages. And now South Korea is actually a very generous contributor to the World Bank.

There's a little bit of this actually going on with the middle-income countries, too, more than one recognizes. In other words, part of this modernizing multilateralism is sharing the responsibilities in the system.

So just to give you a little bit of reference point, we have something called IDA, which is the fund for the 79 poorest countries. And we recycle the funds and we put some of our income in. But we get contributions every three years. This year, China was not only a contributor, but actually prepaid some of its funds on the order of billions of dollars, which is a way that we're trying to share the load.

So I think going back to your other question, Frank, I think for members of Congress, if they feel the United States is the only one carrying the load, that makes it a harder sell. And part of the responsibility for institutions like the World Bank is trying to make sure that others, whether the South Koreas or some of the other emerging markets, also contribute.

But what I also hope we can convey is, there are a lot of developed countries that are doing a lot more than the United States. And I mentioned Australia; I mentioned Britain, Canada. And so at this critical moment, frankly, while I know there's a lot of budget pressure, but other – a lot of countries have a lot of budget pressure and they're not doing what the United States is, which is almost wiping it out.

MR. SESNO: Better convince people not to – not to eat seed corn. Let's go to the microphones over here.

Q: Thank you. I'm Bob Castro. I had the benefit of working at the State Department while Mr. Zoellick was deputy secretary and doing Ways and Means trade work while he was USTR.

MR. SESNO: How did he do?

Q: But it struck me for some time – something that Chris said really makes this question open for everyone – that while the statistics are generic, the stories are what gets specific. And page eight here of the publication is great because it says, one in five jobs in the U.S. is related to trade. But all of the faces are blank. So who knows who that one is?

A consumer has a chance to look at the label and the price tag when they buy something, so they know what country it's coming from and they know they're getting a good price. Have you all done anything in your company, or are there any suggestions of how to make sure that that one in five, or whatever it is for Land O'Lakes or other companies, know? Or if it's one-fifth of their paycheck comes from overseas, does it say that on their pay stub?

So my suggestion is that you get it to the specific of people so that folks in this audience can help make that case. And so if – my question is if you have a suggestion or an improvement to my suggestion. What's the way to get people whose jobs are export-dependent to know that it's their job?

MR. POLICINSKI: Well, I'll react to it and just say, I agree. I think it goes back to one of the comments I made earlier – actually, I made it twice – that I think we can do a better job telling our stories. And you know, if you take that back to your own – to your own home, it does mean doing exactly what you've said.

And I'll add that in today's world of social media, some of your most powerful storytellers are your own employees, the vendors who are dependent upon your success, which is increasingly dependent upon a global economy.

So I think you're right on the button. I think we need to do a better job.

MR. SESNO: Do you – so do you take your farmers on your trips – you know, your members on trips around the country so that their pictures and their stories can come back and they can see where their deals are going and where their products are going?

MR. POLICINSKI: Absolutely. We're doing both of these things. Annually, I've been taking our board members on overseas trips. Three years ago was China, this year through developed Europe and a year in the middle – I've skipped a year – was to Brazil. Why? To have them see firsthand the stories, the kind of business that we're doing and the potential for future business and how that relates back to their own interests.

MR. SESNO: Get them to tell their stories. Get them to be – they can tweet.

MR. ZOELLICK: Absolutely. The second thing is, with our own employees, we are working hard. In fact, we have our communications person here today. And I hope she's tweeting. (Laughter.) But we are trying to engage our employees to do just exactly what you've described. But that's part of our success.

MR. SESNO: Go ahead, John.

MR. MURPHY: Thank you. I'll just quickly add on, the chamber actually has a program called TradeRoots where we profile small- and medium-sized companies that are already benefiting from exports. So you've got an anecdote about a real company that has been able to double or triple its jobs from – often from two to four or to six – because of exports and that often stand to benefit from being able to sell more, thanks to a trade agreement with a country like Colombia.

MR. SESNO: You're just up – you're just up against a ferocious enemy, which is misunderstanding and fear, because so much of the narrative is that trade costs us jobs. So these are the stories that you have to tell compellingly.

MR. POLICINSKI: And I think that's the power of the suggestion we heard in this dialogue. I mean, if you think about what I said, I've in the last three years taken a large number of dairy farmers and local cooperative owners to China, Brazil and through developed Europe. And once they're there – (snaps fingers) – that fear is gone. They see opportunity. And we have to make it real.

MR. SESNO: (Pretty good ?) question, thanks.

Q: Good afternoon. Steve Cakov, founder of the Cakov Group Language Solutions from Miami. We've heard today about how the Boeings and Caterpillars of the world are investing in developing markets, but what are some of the opportunities for smaller businesses?

MR. MURPHY: Well, I think that for smaller companies, you know, the things that we've seen that have worked in recent years are – often we see these companies start getting into exporting by focusing on a country such as Canada or Mexico, which are our immediate neighbors. They're less – the barriers to getting in there are lower.

We've seen that trade agreements such as the ones that have been negotiated in recent years are helpful because they take away not just tariffs but also the non-tariff barriers that can be a really big deal for a small business. You know, a small business, they can't afford to create an affiliate in a foreign country. They can't afford to hire all the lawyers to get around different provisions in law in a foreign country.

And it's also useful what we see groups like the Export-Import Bank doing. They have a program that's called Global Access which is reaching out all across the country in a roadshow that the chamber is helping with, and the NAM as well, to explain to small- and medium-size enterprises how you can get the trade finance you need to be able to tap foreign markets.

MR. ZOELLICK: There's two other quick thoughts on this. One is that, you know, if you look at the German economy today, it's been doing quite well. And one of the reasons it's been doing quite well is the middle shot, these very small, sometimes medium-sized businesses that are often engineering-based, but they are heavily export-driven.

And it's interesting you mention this, because I was actually thinking that one of the things that the chamber, that others may be in, that Congress should actually look at is, why does it work well in Germany and doesn't work here? It's a little bit of an example of what I said. We don't have to invent it all here. There's other places around the world that have made this work, and maybe we can understand a little bit better why their small- and medium-sized enterprises are very outward-oriented.

But I think there's a second reason that's connected. Look, and this is why it's a big challenge: The United States was a continental-sized economy. Frankly, Germany wasn't. So people kind of got used to this economy. And what the message of all this is, for the next 10 or 15 years, if you're only relying on the U.S., you're missing a heck of a series of changes.

So one other possibility is some of the bigger enterprises. What we do abroad is, when we do an investment, we – to support small enterprises, we have a series of logistics interconnections. We tried through IFC, our private-sector arm, to help small businesses provide the services.

I know that some of the larger enterprises actually had some of their U.S. suppliers and tried to – when they went abroad, they'd actually tried to connect some of their operations. But this is another set of idea where, I mean, my message is, we've got to get out of the old framework. It's not going to work at the pace that we need to do. And it's going to be a combination of some of the multinational corporations, as well as looking what works abroad, and maybe we can learn some things from them.

MR. POLICINSKI: Two quick builds, because I think the facts are very friendly, as it relates to small business being supported. I told you the story about that plant in the Central Valley of California that we have. And it has a few thousand workers, and a big plant. But guess what? It employs a lot of local plumbers, electricians, architects, engineers that are benefiting from that global growth. So those small businesses that are located here in a sense are benefiting from the global economy as well.

Beyond that, when I get – when I think about our development projects, for years, again, we've been involved in global development, accessing USAID funds or USDA funds. There was a project in East Africa to improve animal agriculture. You know, we didn't do that. But we found somebody who did, and that company now exists, and it's a vibrant company – I think it's World Wide Sires – that specifically enjoyed the growth from that development project.

So I think the facts are pretty friendly, as to small-business participation in global growth, not just big business.

MR. SESNO: You say the facts are – go ahead.

MR. ZOELLICK: One other point I forgot, because I think, you know, we were talking about some of the stuff abroad. We can think about some of the investment in the United States, too. I don't have the precise statistics with me, but I read it recently. It wasn't too long ago that about 4 percent of foreign direct investment came from emerging markets. Last year, it was about 14 (percent) or 15 percent, and it's only going to go up.

Now, one of the things the United States has to decide is, are we going to be open to foreign investment? Is it OK when people actually bring jobs to America or are we going to think this is a big threat? Because right now, foreign investors, not only do they help create jobs, but they bring technology, they bring marketing networks. And these are some of the issues that you got with the protectionist movement that says, oh, no, we can't allow country X or Y to buy a firm. To me, that's a loss of jobs.

MR. SESNO: You say the facts are friendly, but the facts are sometimes missing. And here's a question from Kyle Hardy from the Truman National Security Project. What kind of return on investment can the U.S. expect from investment in the developing world? Quantify it. And I have to think that that's a question that comes up in one form or another a lot. John, how do you answer that?

MR. MURPHY: You know, I think about how, you know, recently the chamber put together a coalition letter supporting the capital increase for the World Bank and the other multilateral development banks. It's a – it's a staggering record that it has, you know, the – if you look at the developing world over the past 65 years, you've seen infant mortality cut in half, life expectancy increase by 20 (years), 25 years.

You know, those are the kinds of real metrics that you see from this investment, which is really a very small one, in terms of the American taxpayer.

MR. SESNO: (Inaudible) – talking about the economy and jobs –

MR. MURPHY: Well, here's a private-sector number: Is it – IFC, our private-sector arm, which makes investments in the developing world and private-sector companies. It has had an internal rate of return of a little bit under 20 percent over 20 years.

MR. SESNO: Not bad. Go ahead.

Q: Good afternoon. My name is Teresa Yurimien (ph), from the Armenian National Committee of America. To the pleasure of co-president Lane, as a student, I have fully read the report already. But my question both stems from the report and the panel discussion. Section 907 of the U.S. Freedom Support Act provides a massive – from the '90s – provided a massive amount of foreign aid to former Soviet satellites. But that also banned any type of aid to Azerbaijan.

So every year, the president – thank you – every year, the president waives this ban under the condition that Azerbaijan does not wage war against Armenia. My question is, or my point

is, even in the report, it states that USTA – U.S. – USTDA give Azerbaijan a grant of \$310,000 for seven Boeing 777 aircrafts. The U.S. government itself in their reports gives Azerbaijan about \$200 million a year.

Is it tenable for the president to continually waive that ban when the Azeri government is threatening to wage war against Armenia? And according to the report, the jobs that it allowed for Americans in Azerbaijan, the 6,800 jobs that it created in order to create those Boeings, it risks both the –

MR. SESNO: Let's let – why don't – I think that's an important question, and it gets to the sensitive nature of national interest and consistency. You've been in USTR's office, and I don't know if you had to do with Azerbaijan, but take a shot at that. How does that balance work? How do you respond to that?

MR. ZOELLICK: Well, she was actually asking about a U.S. – development assistance. But it just so happens I was around when the Freedom Support Act was passed – (chuckles) – so I'm probably one of the few people, other than the Armenian caucus, that knows what Section 907 is. (Laughter.)

But I guess what I'd say is, look, Armenia and Azerbaijan, you got a serious foreign-policy problem there. I understand all the sensitivities. I certainly understand the strength of the Armenian lobby in Congress. God bless you for it all. I know it's really far off in California.

And what you just have to decide – this is actually a good example – is, for every Armenia, I can give you about 10 or 15 other countries that people get very sensitive. And you just want to hold up all of American business and exports for that. Obviously, you do; they have to decide whether they want to.

MR. SESNO: OK, anybody else on that? If not, we'll come to this side. Thank you.

Q: Good afternoon, Carl Hoffman, Population Services International. And I'm a member of the board of directors of USGLC. I also had the privilege, like a previous questioner, of working in Bob Zoelleck's State Department.

There are influential voices out there, such as Dambisa Moyo, for example, who argue that aid, particularly in Africa, actually frustrates growth, that it leads to corruption, that it leads to dependency. What are the best arguments against those points of view?

MR. : (Inaudible.)

MR. SESNO: Why don't you take – (inaudible)?

MR. ZOELLECK: Look, there's always that risk, you know? And so I think the first part is not to deny that there can't be problems of corruption and poor governance. But there are also are huge success stories. I mean, let's start one that John mentioned: There's a lot of lives

that have been saved because of an effort that President Bush started – it was international – with antimalarial or HIV/AIDS.

Now, do you find problems with these programs? Sure. And do you find problems that – by the way, is there corruption in the United States? You bet. And so part of the challenge will be, how do you try to encourage those within those governments that want to emphasize transparency, want to improve governance, want to fight corruption, and what lessons have we learned? And let me just give you a small example.

Literally right before I came here, I looked at report that our internal investigatory outfit has come up with dealing with roads because it turns out that roads are particularly susceptible to corruption, frankly, in the United States as well as everywhere around the world. And it's partly because of the nature of cartels and how the contracts work. So our team actually went back and said, well, what lessons can we learn about the bidding process, how you bring in the engineers, what sort of outside independent aspects can you have; so then we can work with countries that want to do the right thing on those aspects.

So you know, I think there's a very strong obligation for institutions like the World Bank to make sure that every dollar goes where it's supposed to go because it's stolen from the mouths of poor people. But at the same time, you know, I have to say, you know, Dambisa is a person who kind of benefits from some of the things that she's attacking, and so while she raises a reasonable point, I have to – I get a little frustrated because I've seen a lot of kids whose lives have been saved because of some of that foreign assistance. And she makes the case, I guess, that humanitarian support is OK; but I guess the only other aspect that I would emphasize – and this is a point that she stresses as well – the more you can emphasize private-sector development, the more you can emphasize – as we have with a Doing Business report – kind of how you make it easier for the private sector, and the more you add transparency – this is one of the big arguments arena, the big issues coming out of the Arab Spring – the more that the fighting of corruption is not just a question of auditors or my internal investigators, but you get the public involved with it.

So the best little example I can give you – it's a small one, but it's telling – is that we had a program which, for example, gave some supplies to schools, and they took the simple step of putting on the door of the school that there are supposed to be X number of textbooks bought and two teachers that show up; so you get the community involved. They say, well, those textbooks never came or we only have one teacher, not two. So one of the things – and actually there's great potential – is how you can use much broader media now – and including this spread of telecommunications revolution and all across the world, sub-Saharan Africa – to engage the social network and engage the community to fight corruption.

MR. POLICINSKI: About the only thing I'd add to that, and it's a societal problem – and as an organization, as a company that's done a lot of development work in Africa, corruption is a societal problem. And I would offer that a well-run development project that emphasizes the rule of law, respect for intellectual property, transparency, is part of the solution. It has to operate in that environment, but part of the solution is how you move the society forward.

MR. SESNO: With apologies to our remaining questioners, we're nearly out of time. I want to take the last question from a card here that raises a very interesting point. Thinking about development assistance – we're talking about education, health, infrastructure, all these things – and perhaps you could answer this because you're, you know, Land O'Lakes, after all –

MR. POLICINSKI: (Chuckles.)

MR. SESNO: – how do you expand markets while responsibly managing natural resources, thereby creating sustainable impact?

MR. POLICINSKI: Well, I'll talk about it from our business, which is agriculture. You know, by bringing good agricultural business practices and safe, proven technology, we actually get more output in a more sustainable way. You know, we've forgotten that there's a great productivity story right here in America in a sense that we're exporting as we do this.

We grow six and a half more – six-and-a-half times more corn than we did not all that long ago on 13 percent fewer acres. Why? Better on-farm management practices and better technology. And by the way, there's less crop production product used and more benign crop production product used. I would argue that that success that we've experienced here has a role in sustainable development overseas.

MR. SESNO: Do you want to have one – (inaudible)?

MR. ZOELLICK: Yeah, yeah, I'll just share real briefly. It's – is – it takes the self-interest issue and kind of broadens it. So, for example, there's huge gains to be had in the world of energy efficiency. So there's ways you can save money, use less energy, deal with climate change. And it runs through everything from the technology to the market pricing to helping financial institutions know how to do energy conservation lending as opposed to asset lending. So it's partly making markets work better.

And similarly, let's take water because you – is that, you know, water's actually an area where the world's going to be facing a challenge going forward. Most people don't price water. Well, if you don't price it, guess what? A lot of it's going to get used. So, you know, some of this is in the sense – and this gives you a little sense of what the World Bank does – a lot of our work is not traditional lending. It's trying to help with the knowledge transfer to build markets and institution and capacity, with the recognition that none of this will work unless people want to make the changes themselves. But as a little bit of this growth story you're seeing? They're moving, and they're moving fast, and so the United States better get on the train.

MR. SESNO: All right. So before we go, Bill challenged all of you to tweet out the message and get the message out. Well, in TV, we used to say, well, in the 10 seconds remaining, your prediction? I'm not doing 10 seconds. You got 140 characters.

So if you were tweeting on why it's in our economic interests in this country to raise the poorest billion out of poverty, what would you tweet?

MR. MURPHY: What happens there matters here for jobs, for prosperity and for our values.

MR. SESNO: A few more than 140, but pretty good.

MR. POLICINSKI: It's pretty hard to improve on that. We are inextricably linked to global growth.

MR. SESNO: Inextricably.

MR. POLICINSKI: (Chuckles.)

MR. SESNO: That's good.

MR. POLICINSKI: I had to get one big word. (Chuckles.)

MR. SESNO: What do you think? What would you tweet?

MR. ZOELLICK: Values, security and jobs.

MR. SESNO: Can't top that. Thanks to all of you very much.

MR. : Thank you. (Applause.)

(END)