

ECONOMIC STATECRAFT: U.S. FOREIGN POLICY IN AN AGE OF ECONOMIC POWER



"...our problems have never respected dividing lines between global economics and international diplomacy. And neither can our solutions. That is why I have put what I call economic statecraft at the heart of our foreign policy agenda."

– Secretary of State Hillary Rodham Clinton

The world's economic system has evolved. So must America's foreign policy. Emerging nations increasingly deal in economic power as their primary means of measuring and exercising influence. At the same time, America's global leadership is linked to the vitality of its domestic economy. Simply put, America's economic strength and its global leadership are a package deal. A strong economy always has been a pillar of American power, and we must position ourselves to lead in a world where security is shaped in boardrooms and on trading floors, as well as on battlefields.

THE SECRETARY'S VISION

Secretary Clinton is placing economics and market forces at the center of U.S. foreign policy. Economic Statecraft means both harnessing global economic forces to advance America's foreign policy and employing the tools of foreign policy to shore up our economic strength. We have backed this vision with an ambitious agenda, covering four broad elements:

Updating Our Priorities

For the last decade, our foreign policy has, by necessity, focused on the places where we faced the greatest dangers. Responding to threats will always be central to our foreign policy, but it cannot be our foreign policy. In the decade ahead, we need to focus just as intensely on the places where we have the greatest opportunities, including:

- **Pivoting to Asia** through efforts such as the Trans-Pacific Partnership, Asia Pacific Economic Cooperation, and the U.S. – Korea Free Trade Agreement.
- **Deepening Integration in Latin America** through existing and new partnerships in the upcoming 2012 Summit of the Americas; and harmonizing regulatory barriers to trade with Canada and Mexico.
- **Cooperating with Europe** to advance our shared interests in third-country markets, and to boost jobs and competitiveness within the Trans-Atlantic market.

Playing Better Offense: Our trade, investment, and commercial diplomacy agenda

Future U.S. competitiveness depends on our ability to curb the growing host of market distortions that too often skew the playing field against U.S. firms—including unfair subsidies and regulatory regimes, lax labor and

environmental standards, and sub-market export financing.

- **Jobs Diplomacy.** State is launching a comprehensive trade and commercial diplomacy agenda that aggressively promotes America's economic renewal.
- **Elevating Inward Investment.** We are partnering with Commerce to launch SelectUSA. Secretary Clinton has instructed embassies to tackle investment barriers globally—for example, pushing back against unfair joint venture and tech transfer requirements. Our Missions work with a broad range of local partners across the globe to help attract investment to the United States.
- **Competitive Neutrality.** We are working to identify unfair practices around state-owned enterprises and to create a level playing field for U.S. firms.

Using Economic Tools to Solve Foreign Policy Challenges

Many of America's national security objectives hinge on key economic dimensions, and economics must play a central role in our policy responses. The Department is better harnessing market forces to advance U.S. political and security interests. For example:

- **Creating a MENA Trade and Investment Partnership** and efforts encouraging entrepreneurship to lay the economic foundations for democracy across the Middle East and North Africa.
- **Launching a New Silk Road initiative** to promote regional stability, connectivity, and economic growth by building economic links between Afghanistan and its neighbors.

Building the Capacity of the Department of State

We are expanding our capacity to advance this agenda by ensuring that our diplomats have the knowledge, skills and resources to execute it. Actions include:

- **Establishing a new Under Secretary for Economic Growth, Energy, and the Environment;** a new Bureau of Energy Resources; and the Department's first-ever Office of the Chief Economist;
- **Launching a comprehensive review of hiring, promotion, and training** to ensure that our officers have the requisite economic tools.