

NATIONAL COUNCIL ON U.S.-ARAB RELATIONS
19TH ANNUAL ARAB-U.S. POLICYMAKERS CONFERENCE

“Arab-U.S. Relations: Going Where?”

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**RONALD REAGAN BUILDING & INTERNATIONAL TRADE CENTER
WASHINGTON, D.C.**

**"PRESIDENT OBAMA'S 'NATIONAL EXPORT INITIATIVE' AND ARAB
MARKETS: Growing Relationships"**

Mr. Francisco J. Sánchez - Under Secretary of Commerce for International Trade and Head of the International Trade Administration.

FRANCISICO J. SANCHEZ

Under Secretary of Commerce for International Trade

[Under Secretary Sanchez] Good afternoon, Dr. Anthony thank you for that kind and complete introduction and to all of you know that you had a very, very full day a good day of speakers and panelists so I know that they have been thought provoking but nevertheless the day has been long. So I'm very grateful to you diehards who are hanging in here and willing to sit in for yet another speech and hear me speak and I'm grateful to you. All is well.

I'm very happy to be speaking at this conference for a lot of reasons but not the least of which because I've made several trips to the Middle East in the last six months and I have seen firsthand the opportunities that exist to strengthen our commercial relationship between the United States and that region of the world. So I hope very much that my remarks this afternoon can help make this meeting, the nineteenth U.S.-Arab Policymakers Conference all the more successful and productive.

Part of the progress that needs to be made is the economic empowerment of the MENA region, and trade is fundamentally important to our common efforts to advance the region economically. From my perspective as Undersecretary of Commerce for International Trade, as I have said, I have traveled to the region and I have seen firsthand in trips to Kuwait, to Iraq, just two weeks ago, to Qatar, to Saudi Arabia, to Algeria, and Libya, how the Middle East and North Africa are integral to achieving our export goals and in turn increasing economic activity in the region.

Our largest markets in the region -- the UAE, Saudi Arabia, Israel and Egypt -- each play an important part in this effort. Earlier this year the International Trade Administration identified Saudi Arabia as a next tier market, a distinction that it shares with countries like Indonesia, Columbia, Vietnam, South Africa and Turkey. Saudi Arabia is the largest economy in the Middle East and has the world's largest oil reserves.

In 2009 Saudi Arabia's imported approximately \$10.8 billion from the United States making it our 20th largest trading partner. Looking at the entire MENA region excluding Iran, the collective 2009 GDP was over \$1.8 trillion. This is larger than Russia and roughly the same size as Brazil. The region's GDP growth rate from 2009 to 2010, again excluding Iran, was estimated at 13%. In today's global economic scenario I can assure you and I don't need to tell anyone here that a 13% growth rate is pretty impressive and something that we have to pay attention to.

The region's 2009 population was over 290 million people. That's more than 100 million more people than either Russia or Brazil. These aggregate figures too easily hide the complexity of the region but they do tell a story of purchasing power, of growth and a large potential for a customer base.

Our work in the MENA region focuses on increasing trade missions that we organize to broaden the number of economic opportunities for all parties involved. In addition to the trade missions that I took to Algeria and Libya followed by Saudi Arabia and Qatar and most recently to Iraq, which was the first U.S. trade mission in Iraq since the transition from a combat role in to a civilian led mission. The trade missions to Iraq provided 14 U.S. companies with first-hand

information, access to government and decision-makers and one-on-one meetings with business contacts including potential agents, distributors and partners.

The mission sought to improve our industry's understanding of commercial opportunities in Iraq, to facilitate matchmaking between the U.S. and Iraqi businesses and to facilitate meetings between Iraqi government officials and American businesses.

We are also finalizing plans for missions in the region next year and you'll hear more about these in coming months. I'm very happy to report to you this afternoon that I'll be returning to Saudi Arabia in early December to lead an energy and infrastructure mission to Riyadh and the Dhahran.

Another trade mission is being organized to Israel in the West Bank and Jordan in February. This mission will focus on clean tech and healthcare IT. Another executive led mission will go to Egypt and Morocco in March to promote logistics, infrastructure projects, security, safety and energy infrastructure. Both trade missions are currently being recruited by the U.S. and foreign commercial service and I encourage all of you to look into them and keep those missions in mind as you plan your strategy for next year.

The free trade agreements that we have successfully negotiated with Bahrain, Israel, Jordan, Morocco and Oman are a key part of our commercial strategy. In a recent meeting with the Oman Commercial Attaché to Washington, a representative of a large American telecommunications company said that above all else an FTA give overseas markets a U.S. stamp of approval. While not all problems go away, the risk from a U.S. company's viewpoint to engage in commerce drops dramatically when an FTA is signed between countries.

All of our work in the MENA region furthers President Obama's National Export Initiative. To support long-term economic growth in the United States the President launched the NEI back in February. It has as its stated goal to double exports in the next five years and thereby support 2 million jobs. President Obama recognizes that expanding export opportunities for U.S. businesses will lead to increased demand for workers in American offices and factories. Exports create jobs, increasing American exports is critical to rebuilding the American economy. And a successful American economy allows the United States to continue being a leader in the world.

At that heart of the NEI is the reality that exporting presents real opportunities for U.S. business growth and for anyone who is interested in the emerging nature of the new world in which we live. Our nation's share of GDP generated by exports is slightly more than 11%, but contrast to this to other countries in the world. 41% of Germany's GDP and 29% of Canada's GDP are generated by exports.

As we reset the American economy we must also reset how important groups such as the business representatives at this conference think about exporting. The NEI has and will continue to assist American businesses capitalize on the world economy. The International Trade Administration, which I have the privilege of leading is front and center in this effort.

ITA's U.S. and Foreign Commercial Service trade professionals are located in 108 cities across the United States and 77 countries around the world. They work day in and day out to connect U.S. businesses with potential foreign buyers and distributors. These officials should be partners with the participants in this conference to promote common economic interests as they relate to trade.

And for those of you who are trying to do business in the region but are facing barriers to those markets you should be in touch with the desk officers of our Office of the Middle East and the Market Access in Compliance unit of ITA. They can assist you with breaking down those barriers and creating a level playing field for your company and for all American companies in the region.

As part of the NEI the President assembled an Export Promotion Cabinet to create a government wide trade promotion effort. This is significant. All Presidents in the United States have been supportive of exports. This is not anything new. One of the things that's significantly different with the NEI is that the President elevated the importance of export promotion by creating this Export Promotion Cabinet and now in the United States it's not just the Secretary of Commerce or the Secretary of State who traditionally do commercial advocacy, if you will, every cabinet member, undersecretaries when they travel abroad, they are now commercial advocates.

To this end Secretary of State Clinton sent out a directive to all ambassadors around the world that part of their performance will be measured by the extent to which they engage in commercial advocacy and Secretary Locke gave some memos and tips on how to engage in commercial advocacy to all of his fellow cabinet members and I am happy to report that all of them are actively working to help implement the NEI through commercial advocacy.

The President also relaunched the President's Export Council. This is the principal national advisory committee on international trade. This team of business and labor leaders are led by Boeing CEO James McInerney and Xerox CEO Ursula Burns and they understand like all of us that when the American business's succeed America succeeds and the world is better for it.

The NEI consists of five components: improving our advocacy efforts as I have mentioned, increasing access to export financing, reinforcing efforts to remove barriers to trade, and to open new market opportunities for American exporters, and promoting policies that lead to strong, sustainable and balanced economic growth.

The fifth component, helping achieve sustainable and balanced economic growth should be of specific interest to this organization for trade missions and free trade agreements are only a part of how we can make economic progress in the region.

The most important factor in our success is the willingness for all of us to understand how the MENA region, with all its complexities, challenges and conundrums, fits within this larger worldview.

I am absolutely confident that all of you participating in this conference are willing to do your part to make us succeed. We have a lot to gain by better understanding, by forging these

commercial relationships, and I want to reiterate that the International Trade Administration and the Department of Commerce stand ready to work with you shoulder to shoulder to strengthen these commercial ties for the prosperity not only of U.S. companies and workers but for companies and people throughout the region.

I thank you very much for your attention this afternoon.

[Dr. John Duke Anthony] Mr. Under-Secretary will you take a couple of questions?

[Sanchez] Happy to.

[Anthony] One of the questions is for you to discuss or describe the nature of the competition. Let's just say that there is a major tender, contract for a multi-billion-dollar mega-infrastructure objective, what is it that their competitors bring to the table that we do not have, in terms of laws, in terms of backup support, in terms of seconded officials to the agencies that write the specifications, whether it's in feet or whether its in centimeters and meters can make it a defining difference between exporters from the U.S. and exporters from the EU?

[Sanchez] Do you have a specific tender in mind Dr. Anthony, it sounds very particular.

[Anthony] Let's just say that the French and others have more creative marketing techniques that are permissible within the legal environment in France than are applicable or implementable by Americans competing for the same contract.

[Sanchez] Let me respond to that question this way. U.S. companies, I believe, can compete with anyone in the world. We continue to invest more in research and development. We continue to be the most innovative country in the world. So I'm confident that if we have a level playing field we can compete. And so part of our mission in the region is to encourage our trading partners in the Middle East to adopt policies that foster investment and that foster trade and I do that not just so that some of the countries that you mentioned, that may take advantage of an un-level playing field, not just so that we remove those advantages but it's in the interest of those countries to have a level playing field.

I'm happy to see Saudi Arabia just five or six years ago in the World Bank Index of doing business was ranked somewhere around 70. I don't have the exact number but I think it was 72 and today I believe it's ranked around 13.

Saudi Arabia didn't do that to make it easier for American companies to do business there. Saudi Arabia did that because it was in their interest to create that kind of business environment. So part of our mission is to continue to encourage countries not only in the Middle East but throughout the world to follow the example of Saudi Arabia in terms of creating a business environment that's conducive to trade, that's conducive to investment. So to the extent that some of those challenges exist part of our mission is to show why it is in everyone's interest to create an open business environment and we are going to continue to do that.

[Anthony] The other one is a follow on to that and it's about a phrase that was used earlier, we've unilaterally disarmed in some of our competitiveness, effectiveness or another way to put it, that we have shown a remarkable ability to shoot ourselves in the foot and an extraordinary record breaking ability to reload faster than anyone else.

With regard to three controversial pieces of legislation, when they were enacted those proponents or advocates said the rest of the world will follow us because we're a superpower, and we are the leader there. And those three were the Anti-Arab Boycott Legislation of 1975, the Foreign Corrupt Practices Act of 1976, and the Export Control Act of 1978, none of which any other country has enacted in the more than a quarter of a century since then and have indeed proved to be obstacles to American marketing technique because no other country has followed those.

[Sanchez] Well, I'm not going to speak for Congress, but let me give another aspect that I think is included in your question. When I went to Saudi Arabia back in June I was one of the first senior officials from the Commerce Department to visit that country in more than seven or eight years, and so two things.

Number one, I think as I said earlier, I think American business can compete with the best of them with anybody in the world. But we have to show up, and that includes American officials. And I believe that our relationship to the region is so important that as I said in the last six months, last eight months I've been to Algeria, Libya, Saudi Arabia, Qatar, Iraq, Kuwait. I'm going back to Saudi Arabia and Bahrain and I'm going there for a couple of reasons.

One because I believe that we need to reengage and we need to show that commitment and so we're doing that.

Number two there are going to be times particularly in commercial relationships, where we are going to have frictions and we're going to have frustrations and when we have those frustrations we have to look at the bigger picture. The bigger picture here is that we have much to gain from strengthening our commercial relationship. So while there may be irritants such as the one you describe, those of us who are charged both in the public and the private sector with forging these relationships have to figure out a way to navigate through them and look at the broader opportunities that exist. That's what the Obama Administration intends to do and I'm very proud to be a part of it.

[Anthony] Last question. Security barriers seem to continue to block investments in the Middle East from the American side, or the western side or North American side. Let's just focus on the Americans side. How does your department address that and as a related aspect the missions that you've led that have had American business representatives what did they share with you in terms of their greatest needs, concerns, interests and objectives in terms of the hesitancy, their reluctance to engage.

[Sanchez] When you speak about security are talking about physical..

[Anthony] Yes, whether its civil war, insurgencies, extremism, and unexpected violence here and there that has a chilling effect an off-putting as to who would be..

[Sanchez] If I may start with Iraq in part because it's the most recent trip I've taken but I had 14 companies that came with me. And I would be lying to you if I said that everything was back to normal in Iraq and that there were no physical security concerns. That's not true there still are. But you have to look and see the improvement that has been made over the last several years. It is much, much improved, and the opportunities are there.

I think what these 14 companies saw is that if they wait for it to be perfect in terms of physical security there won't be any opportunities for American companies because the French, the Chinese, the Brits and just about everyone else will have been there and will have taken these opportunities.

So what I can say is, yes there are still challenges but there are ways to overcome them and the opportunities are there so the time is now. It's not a year from now. It's not two years from now. Of course you have to recognize those physical security concerns and deal with them.

Some of the bigger issues I hear from American companies have to do with business environment policies and more about that than physical security. So transparency, issues of corruption and to some extent IPR protection. What I would say is the most important thing that we can do in addition to providing a physically secure environment is creating a business environment that is attractive to an investment, that is attractive to two-way trade, that's probably the biggest thing that I hear and what we are continuing to try to do in cooperation with our trading partners in the region is to help create that environment for mutual prosperity.

[Anthony] Super and this is one of the most interesting and dynamic and enthusiastic and engaged high-ranking US government official I've seen in quite some time. Thank you Undersecretary.

[Sanchez] Thank you, Dr. Anthony.

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