

Fostering Economic Prosperity at Home and Abroad

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At the State Department, where we use diplomacy to help foster economic prosperity at home and abroad to reinforce America's national security, energy has taken on a new and special importance.

Record world economic growth, the emergence of major new energy consumers

such as China and India, and concerns about supplies have strained world energy markets. Energy security will be a central U.S. foreign policy concern far into the future. Secretary Rice has underscored our commitment to meeting America's energy future by assuring that the State Department organizes itself effectively to deal with this challenge.

Energy

This recognition of energy's importance has prompted some name changes. The Department of State's senior economic official is now the under secretary for economic, energy, and agricultural affairs—assuring that energy will continue to be addressed from the very top. My bureau now has “Energy” in its title, deepening our focus. To help coordinate among the many State Department bureaus and offices that touch on energy—economic, environmental, regional, and others—Secretary Rice named a special advisor and international energy coordinator, Gregory

Manuel. Mr. Manuel will work to ensure that the department collaborates more effectively internally and with other federal agencies on the many foreign-policy-related energy challenges.

This new emphasis supports our efforts to advance the four key elements of U.S. energy-security policy: diversification of sources of supply, coordination with other oil-consuming nations, dialogue with oil exporters, and reducing global dependence on oil.

Reliable, affordable, and sufficient sources of energy are indispensable to the overriding U.S. policy objective of fostering growth in the United States and the global economies. To that end, the United States works closely with other industrialized consumer nations through the International Energy Agency and other fora on questions of strategic oil reserves and enhancing energy efficiency. We are helping China and India shape secure, sustainable energy policies through a variety of bilateral and multilateral dialogues.



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San Diego State University engineering professor Jim Burns sits at the wheel of his hybrid auto at his campus laboratory in October 2005 in San Diego, California. The dashboard consists of a computer screen to monitor all the car's functions. The hybrid gets more than 34 kilometers per liter and goes from zero to 96.56 kilometers per hour in 4.3 seconds.



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At the Sandia National Laboratories in Albuquerque, New Mexico, President Bush tours the Department of Energy's National Solar Thermal Test Facility, where mirrored dishes and solar panels generate electricity. He is joined by Sandia's president, Thomas O. Hunter (left), and Senator Peter Domenici, Republican of New Mexico.

Sustained Economic Growth

Even as we work to secure energy supplies, the United States is also advancing other specific policies to create the conditions for sustained economic growth.

First, we are working worldwide to encourage strong protections for investment and to open new markets for American exports. The U.S. economy is competitive because it is already among the most open in the world. We benefit from our exports, which have risen nearly 60 percent during the last 10 years, and from our imports, which improve our competitiveness by lowering production costs, helping control inflation, and boosting demand for our exports.

Hence, we strongly support the successful conclusion of the Doha Round of multilateral trade negotiations and are working vigorously to advance the process. Further reducing barriers to trade and investment flows would be one of the most effective ways to set the stage for economic growth and higher living standards around the world.

The United States also opens markets through regional and bilateral trade agreements. The largest is the North American Free Trade Agreement (NAFTA). Since NAFTA went into effect in 1994, U.S. trade with its two partners—Canada and Mexico—has more than doubled. The new seven-country U.S.-Central America/Dominican

Republic Free Trade Agreement is also beginning to show results.

The United States has bilateral free trade agreements (FTAs) with Bahrain, Chile, Jordan, Israel, Morocco, Oman, and Singapore. FTA negotiations have been initiated or completed with Colombia, Ecuador, Malaysia, Panama, Peru, South Korea, Thailand, and the United Arab Emirates. We also negotiate bilateral investment treaties (BITs), with provisions nearly identical to those in our FTAs. A BIT with Uruguay entered into force in 2006, and others are under negotiation.

We also work to ensure open markets and a level playing field with our second largest trading partner, China. Trade in goods between our two countries surpassed \$300 billion last year. To strengthen the U.S.-China economic relationship, China must live up to its commitments to the United States and others in the World Trade Organization (WTO). To help accomplish this, the administration has initiated the U.S.-China Strategic Economic Dialogue. Led by the Treasury Department, this will be an ongoing dialogue with semiannual high-level meetings in alternating capitals.

Aviation, the Internet, Biotechnology, and IPR

To further support trade and growth, our bureau has played a central role in making international aviation more open to the transport of people and goods through a more liberal legal and regulatory framework. The State Department has led U.S. delegations that negotiated almost 80 "Open Skies" agreements since 1992, expanding trade, investment, employment, and travel by increasing service options and reducing fares.

The bureau is also at the forefront of promoting the economic development and the freedom of the Internet. Secretary Rice established the Global Internet Freedom Task Force (GIFT) in February 2006 to track efforts to censor the Internet. The task force reports on ways governments use technology and regulation to restrict the free flow of information. The bureau is involved in other initiatives for Internet freedom, to promote the U.S. telecommunications sector, and to better manage international satellite communications.

Our bureau also has a central role in U.S. policy to promote agricultural biotechnology and biotech crops. These crops offer enormous potential, and worldwide plantings have increased more than 50-fold since they were



Two caribou pause as they walk down a road at the Prudhoe Bay oil field on Alaska's North Slope in August 2006. The hundreds of caribou that wander around the oil field have the right of way and are not allowed to be interfered with. Vehicles are prohibited from honking their horns and must yield to the animals and wait for them to leave the road. © AP Images/Al Grillo

introduced in 1996. The State Department has worked with interagency colleagues to engage foreign governments to reduce unjustified barriers to biotech crop exports. Together with Canada and Argentina, we are very pleased with the recent decision by the WTO Dispute Resolution Settlement panel that the European Union and its member states provided no basis for banning certain biotech crops.

Promoting growth also means fighting intellectual property rights violations, such as piracy of patents and copyrights and counterfeiting of trademarks, which cost U.S. industry up to \$250 billion a year, according to the U.S. Chamber of Commerce. We work through various fora, including the G-8, the U.S.-European Union IP Working Group, the WTO, the World Intellectual Property Organization, and bilateral and regional free trade agreements, to prosecute violators.

Terrorism

Terrorism is a potent threat to economic growth. Our bureau performs an important role in fighting terrorism by seeking to stop its financing. The Office of Terrorist Financing and Economic Sanctions Policy is a key player in efforts to freeze terrorist assets and disrupt the activities of terrorist organizations. We work to build international support for antiterrorist efforts, to encourage countries to freeze terrorist assets, and to develop new initiatives

to strengthen international cooperation against terrorist finance.

We also face the prospects of failed states with few economic prospects that can export terrorist threats that could reach our shores. While poverty abroad does not cause terrorism, by addressing poverty and disease and promoting economic growth, reform, and anticorruption around the world, we can help eliminate conditions that breed the kind of hopelessness and despair that give terrorists the opportunity for recruitment.

Reconstruction and Anticorruption

The bureau participates in reconstruction efforts in post-conflict countries such as Haiti, Iraq, Lebanon, and Liberia. We are helping to develop the Iraq Compact, which explains to donor governments and organizations the Iraqi government's objectives and the basis for international support.

We have also led anticorruption efforts that help improve the investment climate and the prospects for private-sector-led growth around the world. These include President Bush's Kleptocracy Strategy and the Extractive Industries Transparency Initiative (EITI). The United States supports the U.N. Convention Against Corruption as the first truly global anticorruption forum.

The bureau is also involved in initiatives to provide debt relief and debt stability to the poorest countries. We are monitoring a new challenge of substantial commercial lending to low-income developing countries by large emerging market countries that have not participated in debt relief efforts. We are working to improve creditor coordination and to restrain non-concessional lending to debt relief recipients.

The range of our work at the Economic Bureau is very broad, from trade with the largest countries to debt relief

for the poorest. Linking them together is our overriding priority to foster economic growth at home and abroad. With our new focus on assuring the security of critical energy supplies, we will help create the conditions to encourage growth throughout the 21st century. ■

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