



Principles in Action:

Economic Diplomacy as the New Face of American Global Leadership



American Security Project



White Paper

Luke Lorenz
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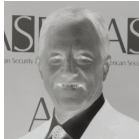
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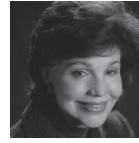
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Lieutenant General Kennedy was the first woman to achieve the rank of three-star general in the United States Army.



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In this Report:

Introduction: What is economic diplomacy?	1
How do we implement economic diplomacy?	2
Agencies involved in economic diplomacy	5
Foreign Policy Impacts of Economic Diplomacy	8
Recommendations	24
Conclusion	25

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IN BRIEF

- Strategic use of economic, trade and financial tools can yield greater results than military force in the twenty-first century.
- American economic diplomacy is facilitated through several crucial government agencies. Construction of comprehensive global strategy must include a combined approach utilizing these agencies and all economic devices at their disposal.
- Every nation is competing for limited resources, trade and opportunity. America cannot falter in its endeavors to promote informed, fair and sustainable trade policy.
- In the twenty-first century, authority in the international community will derive from economic influence. The leadership of the United States can only be threatened by poor fiscal decisions made here at home.
- Economic development creates new markets for American goods. U.S. initiatives to advance the developing world are investments in the furtherance of American exports and U.S. economic interests.
- Trade is the catalyst for rapid economic development and societal advancement in the third world. In this manner, trade could be utilized effectively to ensure American national security and furtherance of American values.
- Economic deterrents, such as sanctions, are potentially viable means of degrading the capabilities and ambitions of hostile nations.

About the Author

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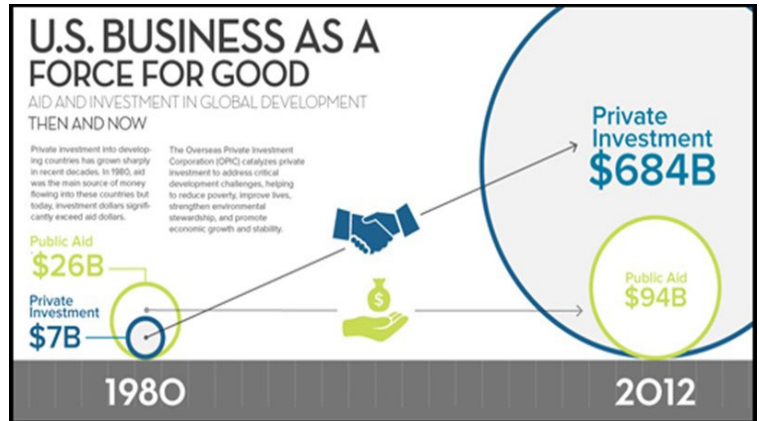
“Economic Policy is Foreign Policy”

-Secretary of State John Kerry¹

Introduction: What is economic diplomacy?

Economic diplomacy is the utilization of all national economic instruments in furtherance of the national interest when engaging with other nations. It is the new frontier of foreign policy in an interconnected world.

Strategy must take into account new considerations such as access to markets, telecommunications, energy infrastructure, financial resources and tariff/non-tariff barriers. With the interrelationship and complex nature of global trade/financial networks, actions taken by one state against another cannot occur in a vacuum.



OPIC attracts private investment. OPIC image

Each state must temper their actions and pursue wise strategy or risk disrupting the system which they depend on.

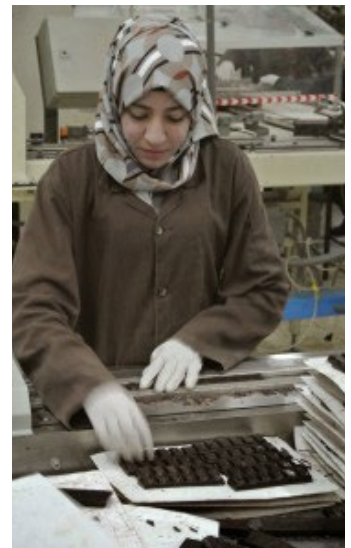
Why is it important?

The twenty-first century is met with unique and unprecedented challenges which are matched only by tremendous opportunity unlike anything that has been possible in the past.

Proper implementation of innovative economic strategy will be the force to depose despots, isolate enemies, advance the undeveloped world and further American national interests beyond the capabilities of any previous form of foreign intervention. This is a new course of action which has not the limitations of the past, but boundless possibilities.

There has been a fundamental and irreversible shift in traditional statecraft. Efforts to exert influence in the world are now as diverse and competitive as the market forces which drive them. Investment, trade and foreign assistance can be more effective in strengthening national security, advancing foreign policy and influencing allies than military action.

Every nation now contends for influence in an increasingly connected and interdependent world. The nation which has the greatest level of control over these economic factors will control the twenty-first century. That nation must be America.

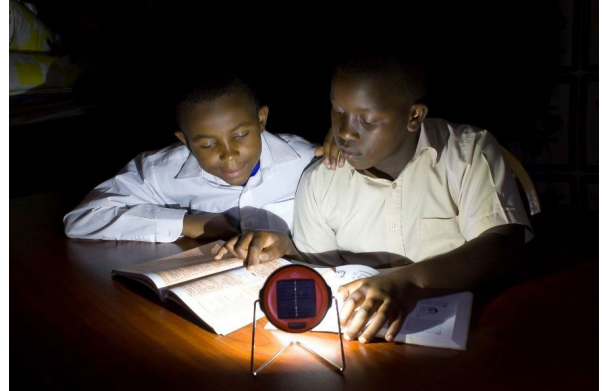


OPIC supports family businesses in Amman. OPIC image

How do we implement economic diplomacy?

The effective utilization of economic diplomacy requires an understanding of the various tools at our disposal as well as their functions. Listed below, are many of the most common and most effective means of implementing economic diplomacy and fostering economic development:

- **Trade:** the activity of buying and selling goods and services especially between countries.² For example: U.S. trade of goods with China in 2013 totaled \$562 billion combining \$122 billion in U.S. exports and \$440 billion in imports from China. This creates a \$318 billion trade deficit between the U.S. and China. Primary U.S. exports to China were grain, seed and soybeans. Primary imports from China were electronic machinery.³
- **Foreign Direct Investment (FDI):** money that is invested in companies, property, or other assets by people or organizations from other countries⁴. The intent is to gain an enduring interest in a foreign enterprise. This benefits the host nation because that investor will promote the success of long-term operations. (For example: American Foreign Direct Investments in Nigeria totaled \$8.2 billion in 2012 and were primarily focused on mining operations⁵). Debt financing involves a company or government borrowing to fund activities through selling bonds or taking loans.⁶
 - Horizontal Foreign Direct Investment: In this form of FDI, the investing firm expands its current core competencies overseas (For example: Ford Motor Company began producing automobiles in Australia in 1925).⁷
 - Vertical Foreign Direct Investment: In this form of FDI, the firm can either engage in Forward Vertical FDI or Backward Vertical FDI.
 - Forward Vertical FDI: The company's investment moves it closer to the final market, focusing on the sale or distribution of the final product (For example: Sales of services in Venezuela by majority U.S.-owned affiliates were \$37.6 billion in 2011)⁸
 - Backward Vertical FDI: the company's investment focus is on its supply chain operations (For example: Anglo American (global mining company) purchased the Amapa mine in northern Brazil in 2008)⁹
 - Greenfield: the company creates a new operation from scratch.
- **Foreign Portfolio Investment:** a collection of different types of investments owned by a particular person or company.¹⁰ Investments are made through securities without the intent of ownership or managerial control of the foreign entity. The investor benefits from the profits of the foreign company, but may buy or sell this interest when desired. (For example: In 2013, U.S. interests represented 94% of portfolio investment in Argentina)¹¹



Power Africa - an OPIC Initiative. OPIC image



USAID contributes to education in Kenya. USAID image

- **Commercial Loans:** a loan that is made to a business.¹² These loans can be used to finance the business operations or expansion of domestic firms or foreign companies. (For example: The Association of Cambodian Local Economic Agencies provides much needed loans to small businesses in Cambodia and Laos)¹³
- **Private Equity Funds:** money provided by people and organizations for investment in privately owned companies¹⁴. The investor(s) gain a controlling interest in another firm in order to create value in expectation of return on investment. That return may come from sale of the company, an Initial Public Offering or sharing in the profitability of the firm. These investments are typically long-term. (For example: Helios Investment Partners recently raised over \$1 billion for a record setting private equity fund, which will make investments in industries across Africa)¹⁵
- **Mergers:** the combining of two or more companies or organizations into one.¹⁶ (For example: The 2008 merger of Sirius and XM satellite radio)¹⁷
- **Acquisitions:** something such as buying another company, or a piece of land that is bought by a company, or the act of buying it.¹⁸ (For example: Disney acquired Pixar in a \$7.4 billion deal in 2006)¹⁹
- **Foreign Aid** (to include Official Development Assistance or ODA): help that is given by a richer country to a poorer one, usually in the form of money or food.²⁰ (For example: The United States Agency for International Development provided \$303.5 million in foreign assistance to Nigeria in 2013)²¹
- **Remittance:** money that is sent by a foreign worker back to their own country.²² (For example, remittances sent from American families to Cuban relatives are estimated at between \$1.4-2 billion per year.²³
- **Enterprise Funds:** used to promote public and private investment in underdeveloped nations. This type of funding arose due to the need for expansive and rapid development of Eastern Europe after the collapse of the former Soviet Union. Typically focused on the advancement of small to medium sized enterprises, these funds begin with a government backed grant which makes the fund more appealing to investors. (For example: The United States Agency for International Development is currently in the process of implementing Enterprise Funds in Egypt and Tunisia. The Tunisian Enterprise Fund has thus far utilized only \$2.4 million in local investments)²⁴

The difficulty in accessing new markets and the inherent uncertainty associated with such new ventures are mitigated by the work of U.S. government agencies which strive to ease these concerns. They provide services such as:

- **Political Risk Insurance:** There are markets for U.S. goods in every country around the world. But when filling orders in unstable areas, businesses risk substantial losses in the event of war, expropriation, nationalization, military coup, civil strife, etc. Several government agencies offer risk mitigation in the way of insurance plans which will allow for compensation in the event that operations are affected by the previously mentioned breakdowns in the host nation's stability. Without this safety feature, many of these markets would provide too much risk for U.S. firms to explore opportunities.
- **Loan Guarantees:** Just as U.S. companies have reservations about doing business in certain riskier areas, the banks which provide loans to them have the same concerns. Small businesses typically encounter difficulty obtaining a loan to finance an order simply because their bank is wary of an overseas client. In these situations, after conducting due diligence, U.S. agencies provide loan guarantees so that the exporter can obtain the required finance needed to venture into new markets.
- **Export Assistance Centers:** This initiative of the U.S. Department of Commerce works to "provide front-line outreach and service operations for U.S. exporters. There are International Trade specialists based in more than 100 USEACs located across the United States and Puerto Rico. The centers assist U.S. businesses that are new to exporting, want to expand to additional export markets, or want to increase their market share in existing markets."²⁵
- **Reverse Trade Missions:** "bring foreign buyers to the United States, pending an upcoming procurement, in order to observe the design, manufacture, demonstration and operation of U.S. products and services that can help them achieve their development goals. These strategically planned missions also present excellent opportunities for U.S. businesses to establish or enhance relationships with prospective overseas customers."²⁶
- **Global Entrepreneurship Summit:** First announced by President Obama during a speech in Cairo in 2009, the Global Entrepreneurship Summit (GES) has grown over five years to become an invaluable means of connecting startup potential with investment and mentorship. Public and private resources are partnered in support of promising initiatives in science, technology and social enterprise. Global networks are forged and maintained through annual summits, online platforms and the Presidential Ambassadors for Global Entrepreneurship program in which some of America's finest entrepreneurs travel abroad to serve as mentors.²⁷
- **Bilateral Trade Agreement:** involving or affecting two different organizations, countries, etc.²⁸ The United States entered into a bilateral trade agreement with Vietnam in December of 2001. Vietnam gained access to U.S. markets through a lowering of U.S. tariffs while the U.S. gained a commitment from Vietnam to reform trade and investment practices to ensure fair competition for U.S. companies and products in Vietnam.²⁹
- **Multilateral Trade Agreement:** involving or affecting several different countries, organizations, etc.³⁰ The proposed Trans-Atlantic Trade and Investment Partnership would be a multilateral agreement between the United States and all of the member states of the European Union.

What agencies are involved in the application of economic diplomacy?

Economic diplomacy involves many facets and considerations. The U.S. government has fashioned various agencies to attend to each of these unique challenges. Some specialize in facilitating investment in other countries, some are focused on assisting U.S. companies to increase exports, some provide economic analysis and some negotiate international trade and financial matters. Matters of foreign affairs fall under the authority of the U.S. Department of State, which directs the endeavors of the other agencies.

Here are some key agencies involved in the implementation of economic diplomacy:

The United States Department of State

The United States Department of State is responsible for administration and implementation of U.S. foreign policy programs and initiatives as well as supervision of Foreign Service Officers and development of a comprehensive U.S. foreign policy agenda.

The State Department represents American interests abroad using a network of Foreign Service Officers to mediate matters ranging from international trade, military cooperation or action, legal disputes, creation of international standards and regulations, implementation of sanctions, and many others.

They promote American values and work towards the advancement of international relations, promotion of democratic governments, expansion of trade and financial opportunities, global stability and national as well as international security. The State Department provides the overall framework for international policy which is then delegated appropriately to the agencies listed below.

The Office of the United States Trade Representative

The Office of the United States Trade Representative is the U.S. Government Agency responsible for developing and recommending U.S. trade and investment policy to the President, conducting trade negotiations at bilateral and multilateral levels, enforcement of trade policy both domestically and internationally, and coordinating trade policy within the government through the Interagency Policy Staff Committee (comprised of 19 agencies and 1 non-voting agency) and the Trade and Policy Review Group.

The USTR also works with the House Committee on Ways and Means and the Senate Committee on Finance, as well as preparing detailed briefings for other committees. The USTR gains input from private business through a system of 26 advisory committees.³¹

The Office of Economic Policy (United States Department of the Treasury)

The Office of the Assistant Secretary for Economic Policy is tasked with examination and analysis of both foreign and domestic economic issues and developments in financial markets. The Assistant Secretary reports directly to the Secretary of the Treasury.

The Office participates in the preparation of the Administration's budget, with input from the Council of Economic Advisors and the Office of Management and Budget. The Office determines effective economic policy through research of current economic data. In addition, the Assistant Secretary advises the Secretary on the economic effects of tax and budget policy.³²

The U.S. Department of Commerce

As part of the President's Economic Team, the Secretary of Commerce serves as the voice of U.S. businesses within the President's cabinet. The Commerce Department's mission is to make American business more innovative at home and more competitive abroad. They accomplish this through twelve agencies working diligently in the following areas³³:

- **Trade and Investment.** Expanding the U.S. economy through increased exports and foreign direct investment that leads to more and better American jobs.
- **Innovation.** Fostering a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.
- **Data.** Improve government, business, and community decisions and knowledge by transforming Department data capabilities and supporting a data-enabled economy
- **Environment.** Ensuring communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment.
- **Operational Excellence.** Delivering better services, solutions, and outcomes that benefit the American people.



U.S. Department of Commerce targets FDI.

The Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) is the U.S. government's development finance institution. OPIC addresses development challenges abroad through the proper utilization of private sector capital. OPIC achieves its mission by providing investors with financing, loan guarantees, political risk insurance and support for private equity investment funds.

By complimenting the private sector, OPIC can provide financing in countries where conventional financial institutions are often reluctant or unable to lend. OPIC stresses that it is development driven and therefore a significant tool for international diplomacy. The investment opportunities provided by OPIC are unique to that agency and are indispensable assets to the development and stability of foreign markets.

OPIC provides Project Finance (loans or loan guarantees to a creditworthy corporate entity for the purpose of undertaking a project in an OPIC eligible country). In financing these projects, OPIC ensures environmental and social compliance through its Office of Investment Policy and addresses grievances through its Office of Accountability.

Unlike most government entities, OPIC generates returns, which are returned to the treasury (in FY2014, these returns amounted to \$358 million).³⁴ Their work centers on the use of investment to build stability, avoid conflict, and increase perception of foreign nations as partners, not just markets.

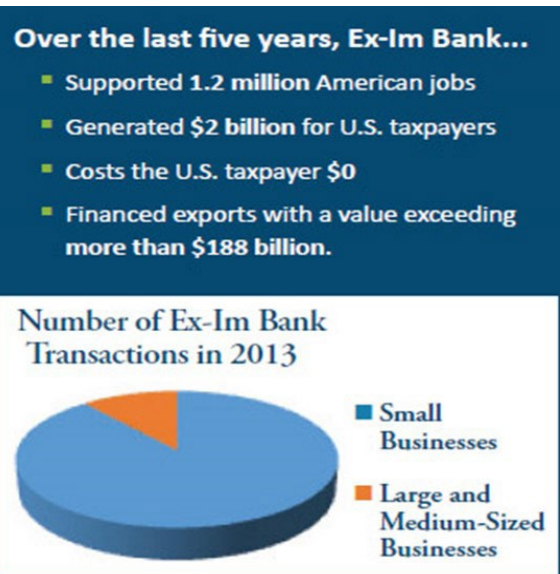
The Office of Foreign Assets Control

“The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under US jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.”³⁵

The Export Import Bank of the United States

The Export Import Bank of the United States (often referred to as Ex-Im) provides a wide range of services to American firms that wish to increase exports to new markets. Through their “Global Access for Small Business” initiative, the Export Import Bank has been of tremendous benefit for small to medium sized business enterprises across the country.

Ex-Im estimates that in 2013, 89%³⁶ of its activities were in support of small businesses and in 2014 their activities facilitated \$27.5 billion in U.S. exports while supporting approximately 164,000 American jobs.³⁷ The Export Import Bank works through local partnerships, Small Business Development Centers, and public awareness campaigns to target neglected local businesses in order to expand America’s presence in foreign markets.



Ex-Im supports small business. Ex-Im Bank image

The U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) furthers American prosperity and global development through the funding of infrastructure projects and early project planning activities. The USTDA has strict eligibility requirements for the disbursement of their grants, mostly related to ensuring that firms, contractors and subcontractors are American owned and employing American citizens.

The USTDA's reverse trade missions have been an invaluable tool in connecting foreign buyers with American businesses, including small to medium sized enterprises which have increased exports to markets previously unfamiliar or unavailable to them.³⁸

The U.S. Agency for International Development

“The United States Agency for International Development (USAID) is the lead U.S. government agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. USAID carries out U.S. foreign policy by promoting broad-scale human progress at the same time it expands stable, free societies, creates markets and trade partners for the United States, and fosters good will abroad.”³⁹



USAID image

USAID works in over 100 countries, spending less than 1 percent of the total federal budget. They work to strengthen democratic values, human rights, economic prosperity, global health, education and humanitarian assistance.

Foreign Policy Impacts of Economic Diplomacy

The national security implications inherent in the effective utilization of economic diplomacy cannot be overstated. Assistant Secretary of Economic and Business Affairs Charles H. Rivkin summarizes the goals of this strategy by stating:

“In all that we do, we are deeply aware of the symbiotic link between the prosperity that we work to advance and the security that it brings. We know that, when a country bustles with economic opportunity, its citizens are more likely to become productive members of society. They are equally likely to advocate for better education and, by extension, peace and prosperity. That makes them more likely to become one of our economic, trading and security partners. Of course, that also bodes well for our national security.”⁴⁰

Here are some areas in which the utilization of economic diplomacy can have the strongest impact:

Global Financial Inclusion

Economic Development and Opportunities

Trade Creates Allies

Creating a Global Economic System

Environmental and Climate Protection

Improving Infrastructure for Further Economic Development

Global Financial Inclusion

In global commerce, American values embody a new standard of fair and equitable policy for all contributing nations. They include human rights standards, adequate wages, safe work environments, gender equality, prohibition of child labor, anti-corruption standards, anti-monopoly laws, environmental protections and a general advancement in quality of life. American financial systems reduce corruption, increase transparency, promote responsible business behavior and empower underserved populations.

What: Roughly half the world's population has no access to the financial tools necessary to promote development and opportunity. Without bank accounts, credit and insurance, these individuals face severe limitations in entrepreneurial endeavors, trade, financial security and investment. Often, the uncertainty and lack of transparency in these financial activities result in substantial malfeasance. Denying workers their proper wages, financing criminal activities and misuse of funds through corruption are all too common in areas without an appropriate financial network.



OPIC provides netbooks for education. OPIC image

Inclusion in recognized, reputable and efficient global financial systems allows various regions to attract foreign investors, spur entrepreneurship and reform systemic corruption. By progressing from cash to digital transactions, money can be easily tracking diminishing opportunities for graft, illegal enterprise or misappropriation. Also, reducing dependence on cash transactions increases safety for consumers.

How: Bringing developing economies into twenty-first century financial networks requires several important considerations. First, there must be significant participation by the government of the host nation. As the policy makers, there can be no change in economic practice without their approval. This involves educating these figures on the benefits of financial inclusion. For many, these services and technologies are unfamiliar. The advantages are significant, but foreign to individuals who have grown accustomed to an outdated system.

Second, products must be formulated based on the unique needs of host nation clients. In developing nations, access to banks is often not possible for rural populations. However, these areas are not devoid of technology. The proliferation of cell phones allows for new opportunities in financial transactions. Recent innovations have spread access to mobile banking services.

Third, it is important to encourage public-private partnerships. While underdeveloped regions often depend on the government for many of their needs, only private sector development can spur economic development. With the innovation of new financial tools and the interest of global investors, government cooperation can go a long way in fostering an environment of investment and development.

Benefits: Even the superior military power of the United States has seen its limitations in a century defined by non-state actors and paramilitary insurgencies. Take for example, something as basic as education and its inherent opposition to extremism. In their acts of barbarity, terrorist organizations like Boko Haram have revealed the weakness at the heart of their ideology. Their belief structure is a house of cards which can only stand on a foundation of ignorance. Even the name Boko Haram, when translated, exposes their deepest fear; that the populations of the developing world will become educated and thereby no longer vulnerable to their propaganda.

Combine education with economic opportunity made possible by financial inclusion in banking operations and global financial markets, and you will have a population that seeks comfort over conflict. America can set new standards in business, trade and development. Oppressive governments and archaic cultural institutions can be coerced through economic development far more effectively than through military action. This is an effort to bring the world's population to a fair and comfortable standard in respect to human rights, environmental protections, democratic government and rule of law.



School in Sub-Saharan Africa. OPIC image

Challenges: The obstacles encountered in the pursuit of these global objectives are varied in nature. Government decision makers are accustomed to outdated systems often overloaded with bureaucracy and inefficiency. Changes in these systems may be viewed with skepticism. Investment can only flourish with a willing government partner.



USAID supports elections in Liberia. USAID image

Properly servicing populations which have no access to traditional banking systems requires innovative approaches. These new operations can be challenging for both the providers and the users. Consumers must be adequately educated on how best to use these services. Providers must ensure that the system meets the needs of impoverished communities while still providing a profitable model for the company.



OPIC invests in clean water for India. OPIC image

The Mobile Money Program offers a variety of desperately needed services in a manner that is safe, easy and convenient. Among the benefits are Prepaid Companion Cards, which are safer than cash because a customer can report the card lost or stolen and retain their balance. This simple premise can protect people from theft in more crime affected areas and further legitimate commerce. Person-To-Person payments can be made as easily as sending a text message. These are often used for individuals to send money to family, but can be used for a variety of transactions. Unlike cash, these payments produce a “paper trail” to protect customers and to prevent illegal activity. If a customer does not carry cash and their local merchants do not accept credit cards, the Person-To-Person payments can be used in the same fashion. This system improves transparency in the financial industry, enhances governance and law enforcement efforts, and reduces corruption and crime.

By simply using their cell phones, customers in rural areas can access and utilize ecommerce. They can purchase goods from other countries and sell goods that they produce. Many banks and microfinance programs have found that loans are now viable through the use of this system for reliable monthly payments. Overall, this program is significantly advancing the quality of life for populations around the world.⁴¹

In Egypt, MasterCard has proposed another ambitious program to further expand its services to previously unserved populations. Less than 5 percent of Egypt’s citizens have bank accounts, but with mobile phone penetration reaching 113 percent in 2012, the nation now has more cell phones than citizens. This makes Egypt an ideal candidate for the Mobile Money Program, but it will also serve as the testing ground for a far bolder project. MasterCard would like to provide its services through each Egyptian’s national identification card. This would allow every citizen to access financial benefits which otherwise would be unavailable to them. The cards could be used for both making payments or for receiving salaries and social benefits.⁴²

Case Study: An estimated 2.5 billion people in the developing world lack access to proper financial services. Without the ability to receive loans, utilize digital credit or finance new business ventures, this vast segment of the human population is predestined to economic dormancy. However, the proliferation of cell phones among even the most impoverished global communities, has created an opportunity to bring many of these individuals into the fold of modern financial services. MasterCard has created a program custom tailored to this market. All services are accessed through the use of a cell phone and they carry the security of money that can be tracked and recorded.



Cell phone usage is high in Egypt. Image credit Mohannad Khatib/Flickr

Economic Development and Opportunities

The significance of economic development is that it is durable, creating jobs and opportunities, attracting investment, raising living standards and expanding trade and financial opportunities in a self-sustaining and proliferating system of economic growth. This is the most effective means of spreading prosperity, peace, shared values and stability throughout the developing world. It is essential to American national security because populations which are denied employment opportunities, education and decent living standards are vulnerable to the influence of extremism and may very well become enemies of the United States. Nothing benefits terrorist groups more than populations with nothing to lose.

What: The term “economic development” is not used in relation to one infrastructure project, one foreign aid assistance package, one loan to a host country enterprise or one feasibility study for the advancement of existing transportation systems. Economic development is the comprehensive and ongoing trajectory of a nation as it propels itself and its population toward greater prosperity.

Economic development is synonymous with economic opportunity, in that there must be diverse and self-sustaining methods of employment to ensure that a nation is growing rather than profiting from a short term or limited project. This means that a population must not only receive food supplies as part of foreign aid, but must be taught how to improve agricultural practices. Education and mentorship are as much a part of this process as investment and assistance. This is why American firms are best suited for these tasks. American firms have the expertise, the ethical standards and the legal foundation to provide the tools and framework necessary to propel a nation towards sound financial practices, better trade strategy and egalitarian government policy.

How: According to The Office of the United States Trade Representative, U.S. foreign direct investment in countries throughout the Western Hemisphere totaled \$1.3 trillion dollars in 2013. That is investment in all manner of business and financial enterprise which stimulates local and national economic growth.

U.S. trade throughout the Western Hemisphere totaled \$1.8 trillion, allowing \$712 billion worth of quality American products to reach the markets where they are needed. American purchasing of foreign products fosters growth and employment among these trading partners as well.⁴³

As mentioned previously, no economy can grow without a sound and efficient infrastructure system. Early project planning and grant funding is provided for these programs through the United States Trade and Development Agency. Loans, loan guaranties, political risk insurance and private equity funds are also necessary for advancement of businesses within the host country. When commercial markets are wary of such ventures, businesses turn to organizations like the Overseas Private Investment Corporation.

It must be noted that the Export Import Bank of the United States offers similar services, though these are for the increase of American based export companies seeking new markets. Their work is important in promoting economic development within the United States, while this report is mainly focused on foreign economic relations. The significance of the work undertaken by both the Export Import Bank of the United States and the United States Department of Commerce cannot be overstated.

Benefits: Economic development benefits are both tangible and intangible. Tangible benefits include political stability, adherence to global labor and environmental standards (decreasing the number of nations which can undercut competitors due to the use of immoral labor practices and neglect of environmental considerations), increasing education, decreased conflict and expanding purchasing power which can serve as new markets for American goods.

An excellent example of this would be the fact that American exports to India have increased 339% between 2003 and 2013.⁴⁴ As the spending capacity of Indian consumers continues to increase, it will become an ever more lucrative and attractive market to American products. Intangible benefits include contentment among the populations of developing nations, increased cooperation and comradery between trading partners, positive public opinion in regards to U.S. economic partnership rather than backlash to military action, and the furtherance of American values.

Challenges: The challenges to economic development in the third world seemed for a long time to be quite daunting but now appear far more manageable due to new technologies and initiatives. The most immediate challenge with most developing economies is lack of adequate infrastructure. The United States Trade and Development Agency has taken the lead in identifying priority global infrastructure projects, conducting early project planning and awarding grants to create the efficient infrastructure needed to attract foreign investment and spur economic growth. That desired foreign investment may be wary of venturing into these new markets without loan guaranties and political risk insurance from organizations such as the Overseas Private Investment Corporation and the Export Import Bank of the United States.

Small to medium size American enterprises may be looking to explore export opportunities but lack the resources and business contacts to do so. Luckily, the Small Business Development Centers of the U.S. Department of Commerce fulfill the vital role of connecting U.S. businesses with overseas markets and export specialists.

Case Study: In 2012, the United States government, fellow G8 members and African leaders committed to the vision of the New Alliance for Food Security and Nutrition. The New Alliance's stated goals are the expansion of durable agricultural growth in developing nations as well as raising 50 million people out of poverty over the next 10 years. This initiative is heavily dependent on the inclusion of private sector investment for sustainable advancements in agricultural production. Three requisites form the foundation of the New Alliance and the contributions of its participants:

1. African leaders must commit to enacting pro-market forces.
2. G8 countries must commit to maintaining their L'Aquila pledges (2009 G8 Summit food scarcity initiative).
3. 45 private sector companies commit to delivering more than \$3 billion in investments that will help smallholder farmers to improve their agricultural production and increase their incomes.⁴⁵

Much of the private sector investments have come from seed producers and makers of agricultural machinery. According to estimates from the U.S. Agency for International Development, nearly 7 million farmers in developing nations around the world have applied new technologies or management practices to their operations as a result of this initiative (the United States' independent contribution to this global action is called Feed the Future). This program helps to increase productivity of farms, diversify crop yields and improve nutrition through cooperation between local farmers and leaders as well as a global community of investors and aid agencies. The Feed the Future program, in combination with the United States Global Health Initiative, has supplied nutrition services to 12.5 million children.⁴⁶

Trade Creates Allies

The foundation of any alliance is common purpose. Historically, this shared resolve has resulted from the identification of significant threats rather than the recognition of mutually beneficial opportunities. Today, this paradigm has been reversed. In the twenty-first century, the most influential alliances will be those based on economic activity rather than military treaties. Through the combined power of trade and financial leverage, these organizations will reshape the world in a manner which profits from cooperation and averts the costs of war.

*“Peace with trade
is preferable to war
without it.”*

-Thomas Paine



The Secretary of State leads diplomatic initiatives. DoS photo

What: International trade opens foreign markets allowing nations to capitalize on their capabilities. Manufacturing and industrialization grow exponentially when export opportunities allow domestic businesses to access billions of potential consumers around the globe. Imports allow diversification of products available in a particular market as well as the opportunity to participate in supply chains. Inclusion in international trade partnerships reduces conflict between nations, requiring dialogue and cooperation.

The population residing within the borders of any country cannot represent more than a fraction of the total global market. This means that failure to explore international opportunities will not only prove detrimental to domestic markets, they will leave entire nations alienated in an increasingly interconnected international economy.

How: Consumer demand dictates the movement of goods and services, as well as the allocation of resources. Where there is a market, there will arise a supplier to fulfill demand. It is in a nation's interest to facilitate the movement of these goods and services for the benefit of its economy and the betterment of its citizens.

Facilitation of trade requires the proper infrastructure to support all of the inherent requirements. In a literal sense, this means that a nation must possess quality seaports, roads, railways, airports, etc. But they must also have the requisite financial, legal and government infrastructure. Banks must be able to provide the necessary services which allow business to expand. Courts must ensure an environment in which business can rely on the protection of their intellectual property rights and operations. Governments must work to eliminate the destabilizing influence of corruption which pollutes the competitive nature of the marketplace.

Trade is often promoted through bilateral or multilateral agreements. In the former, two nations can embark on a specialized trade agenda which targets the unique capabilities, needs and products in their respective markets. In the latter, an effort can be made to create and enforce standards which eradicate corrupt practices, ensure proper labor standards, promote personal freedoms, advance democratic governments and prescribe environmental considerations. By including numerous trading partners in such an agreement, partner nations institute a level playing field for business while improving the quality of life for populations around the world.

Benefits: The role of international trade in the American economy is massive. U.S. exports of goods and services were calculated at \$2.2 trillion in 2012.⁴⁷ The production of those exports employed tens of millions of Americans. The economic recovery of the United States can be attributed in part to the aggressive export focused initiatives of agencies like the Export Import Bank of the United States, The Department of Commerce, the United States Trade and Development Agency, and others. America's economic strength has always relied on innovation and entrepreneurship. Policies which facilitate the export of American products are critical to advancing these cornerstones of American economic competitiveness.



U.S. Diplomats visiting Tajikistan. DoS image

Challenges: Government policy plays a vital role in enabling or impeding the optimal balance between supply and demand. Tariffs can be used to increase the cost of foreign goods, thus promoting domestic products. For example, in 2012 the United States filed a complaint with the World Trade Organization against Chinese tariffs on American cars often in excess of twenty percent⁴⁸. There are still many nations which impose discriminating and detrimental tariffs on the United States despite our proven record of opening American markets to the world. This places us at a significant disadvantage and jeopardizes American jobs and businesses.

Currency manipulation allows other nations to decrease the value of their legal tender. This makes imports more expensive and makes their exports cheaper. This constitutes an unfair advantage completely at odds with internationally recognized standards.

Export assistance can be viewed as an unnatural practice in the marketplace, but it must be thoroughly understood that nations around the world are rapidly increasing their efforts and financial support for this policy. The U.S. provides export assistance through organizations like the Export Import Bank of the United States, which has played a key role in the economic recovery and the increase of American exports between 2010 and 2015. The expenditures of competing nations far surpass ours when it comes to export assistance. As long as this practice continues, it is imperative that America not put itself and its citizens at a disadvantage by underutilizing export assistance.

Case Study: Opportunities for trade with the United States can have unique and significant benefits for partner nations. As the engine for global economic growth, the American market is the coveted destination for producers around the globe. When a special relationship is formed between the United States and a particular nation, the advantages can be exponential.

One such trade partner, whose history would be very different were it not for a close relationship with America, is South Korea. The partnership between South Korea and the United States began with military intervention and foreign aid, but has grown into a trade partnership worth hundreds of billions of dollars. Due to the personal and economic freedoms that South Korea was able to attain as a result of its relationship with the United States, it was able to swiftly progress its manufacturing and technology capabilities spurring an economic revolution.

South Korea is the United States' sixth largest goods trading partner and represents the tenth largest goods export market for U.S. products. United States exports to South Korea include everything from aircraft and medical machinery to agricultural products and organic chemicals. The U.S. imports a substantial amount of vehicles, electronics and steel products from South Korea. The U.S. services sector has also experienced the benefits of this relationship. America had a services trade surplus of \$8.7 billion with South Korea in 2012, involving military, government, educational and technical services. These opportunities make South Korea one of the most lucrative markets in the world for the United States.⁴⁹

Today, products made in South Korea can be found in homes all over the planet. The nation has become a global player and in 1996 it joined the Organization for Economic Cooperation and Development. This unique nation began its alliance with the United States out of military necessity, but that relationship has matured to depend more on economic ties than defense. The model of South Korea's economic and democratic advancement serves as a prototype for other nations seeking to achieve the same status and prosperity. But while South Korea has become an economic power, its success will always be based in an historic and mutually beneficial relationship with the United States.



A South Korean marketplace. Image Source: Smulan77/Flickr

Creating a Global Economic System

The benefits of trade can also become a liability as all nations are dependent on the global economic system. Nations that behave in a manner that is discordant with accepted international laws and values may find themselves isolated from the markets that their citizens, businesses, financial institutions and military forces require. The United States and its allies can use this leverage to influence hostile nations without the use of direct military action.

What: Due to the intrinsically linked nature of all participants in a global economy, nations find their options limited by what will be tolerated in the international community. Think of it like economic democracy. When the majority of trading partners find the actions of one nation to be contrary to the principles of the partners or disruptive to their interests (economic, political or otherwise) then those partners can take economic measures against the offender.

Restricting capital markets and foreign investment, freezing assets, limiting or inhibiting trade and halting joint projects can be detrimental to any economy. Effectively targeting these financial weapons can have substantial results and prove more influential and practical than the use of military force.

We have seen this practice used against the Iranian nuclear program, Russian aggression in the Ukraine, North Korean aggression against the United States and its allies, as well as more limited actions against the Central African Republic.⁵⁰ These actions typically take the form of sanctions. Sanctions are defined as “an official order to stop or limit trade or communication with a country in order to make it obey international law”⁵¹.

There are many rewards that a country can receive for adhering to internationally recognized standards on human rights, labor standards, environmental considerations and peaceful conduct with neighbors. In exchange for these things they are included in a global economic system which provides opportunities for employment, exports of goods, imports of needed commodities, foreign direct investment and stability among trading partners.

If a nation chooses not to adhere to those standards and conduct itself in a manner which violates any of those principles, it may find itself isolated from this vital network of trade and finance. The intent is to make the cost of that isolation prove more detrimental to the offending nation than the benefits of its unlawful activities.

How: The U.S. Department of State crafts foreign policy and this is no different in the arena of sanctions. Within the State Department is the Office of Economic Sanctions Policy and Implementation. It is the work of this organization to develop and implement economic sanctions in a way that will be most impactful and effective. This organization then has three tasks:

- Advise the Department of the Treasury on how to create the actual wording and parameters of the sanctions for effective implementation
- Work with Congress to draft legislation pertaining to these sanctions
- Garner international support for a unified, multilateral implementation of these sanctions⁵²

The creation of the actual documentation of these sanctions falls to the Treasury Department and more specifically the Office of Foreign Assets Control. The State Department must promote the use and necessity of these sanctions on the world stage and campaign for support. Sanctions are most effective when implemented in conjunction with allies.

Benefits: When sanctions are imposed unilaterally, by the United States for example, the effects are not always spectacular. In fact, they can be minimal or even counterproductive. The real power of sanctions come from multilateral enforcement. In this scenario, we can see real and positive progress.

The benefits are that we can impose authority, rule of law and ethical behavior without the use of force. They strengthen our ties with our trading partners and allies presenting a unified front against violations of internationally recognized rules of conduct. It is by such methods that we will reduce the dependence of nations on traditional military action which is costly in both human and financial considerations.

Challenges: There are numerous challenges to the implementation of sanctions. First, they must be strategically targeted in a way that is effective and practical. It is the endeavor of the State Department and the U.S. Treasury Department to identify key industries, personnel, suppliers or receivers of prohibited items, or revenue streams that directly correlate with the behavior which they seek to inhibit.

Next, the sanctions must be implemented in a way that produces minimum harm to the economic interests of the sanctioning nation. Again, the economies of every nation are intertwined to one extent or another, so sanctions can be harmful to the nation imposing them as well. This must be taken into account. The intent is not to damage the system or incentivize nations to turn to alternative financing networks.

Last, for the best chance of success the sanctions must be implemented multilaterally. This provides far more leverage and better odds of success.

Case Study: In March of 2014, the Russian Federation illegally annexed the Ukrainian peninsula of Crimea in an act of treachery that shocked the world. It was clear that action needed to be taken to curb the aggression and tyrannical behavior of the government of Russia. War with Russia is a last resort that the West has successfully avoided throughout decades of Cold War uncertainty. While this affront to decency and sovereignty must be restrained, methods other than military force must first be considered.

On March 6, 2014, the President signed Executive Order 13660, which authorized sanctions on individuals and entities responsible for violating the sovereignty and territorial integrity of Ukraine, or for stealing the assets of the Ukrainian people⁵³. In the subsequent weeks, the President would sign several additional Executive Orders implementing further authorization for sanctions on a more diverse list of offenders. Eventually, these offenders would come to include key members of Vladimir Putin's inner circle, defense companies, energy companies, financial institutions, as well as limiting Russian access to capital markets and joint ventures (for example, exploration of arctic oil reserves).



A military parade in Russia. U.S. Navy image

The results of these sanctions in addition to falling oil prices have had a tremendous impact on the Russian economy, the final effects of which have yet to be seen. At present, Russia's credit rating has been reduced to junk, the value of the ruble has plummeted to 68 rubles to the dollar, the Russian economy is expected to slide into recession with an expected contraction of 3% according to the International Monetary Fund⁵⁴, and economic outlook is grim. These penalties prove the power of economic sanctions, as well as the weakness of an economy that has not diversified beyond energy exports.

From this point on, diplomatic negotiations are needed to relieve the conflict in Ukraine. But the West can negotiate with increased leverage thanks to the financial consequences of multilaterally imposed sanctions.

Environmental and Climate Protection

Among the most serious concerns of the twenty-first century, environmental protection and clean energy initiatives have the potential to change the landscape of traditional power supply and corporate pollution practices. This also presents a significant opportunity for America to lead the world as an innovator and manufacturer of green technologies and renewable fuel sources.

What: Renewable energy and green technologies pose not only the clearest challenge to a global economy dependent on fossil fuels, but also present a significant opportunity for American global leadership in environmental stewardship and advanced manufacturing. Many agencies have seen a significant increase in demand for these technologies.

The Overseas Private Investment Corporation is one of a number of organizations which have joined the “green party” according to Sean Kidney, CEO and co-founder of the Climate Bond Initiative, due to the implementation of a new investment classification known as “green guaranties”. Green guaranties adhere to the “Green Bond Principles of 2013,” raise capital specifically for eco-friendly projects, and have recently shown an incredible surge in popularity. This “upward spiral” (according to Forbes Magazine⁵⁵) is not the result of a particular lobby forcing their agenda, but rather a result of public demand.

The United States Trade and Development Agency has also experienced increased demand for clean technology projects from clients. Through their reverse trade missions, the USTDA has introduced foreign buyers to quality American clean energy products, increased exports and thereby spurred innovation and manufacturing of these future energy sources.

How: In 2013, OPIC committed a record \$1.2 billion to a range of new renewable energy projects spanning solar and wind power, geothermal, biomass and hydropower in both utility-scale and distributed power projects from Pakistan to Chile.⁵⁶

OPIC has provided \$48.9 million in debt financing towards the construction of Latin America’s largest photovoltaic (solar power) plant⁵⁷ as well as focusing inventive strategy for the use of alternative energy in powering rural communities from Central Asia to Sub-Saharan Africa.

Benefits: The Export Import bank of the United States Chairman Fred Hochberg signed a Memorandum of Understanding in November of 2014, to support \$1 billion worth of clean energy exports to India. “When quality, reliable U.S. goods and services are brought to bear in high-demand markets like India, the benefits are felt in both of our countries,” said Chairman Hochberg.⁵⁸ That may only be the beginning.

The renewable energy sector promises continued growth for the foreseeable future, reaching \$7 trillion of expected cumulative global private-sector investment between 2012 and 2030.⁵⁹ Over \$23 million in U.S. exports of goods and services were used in the construction of the Germencik Geothermal Power Plant in Turkey.⁶⁰

Challenges: The Office of the United States Trade Representative has led the fight for fair trade practices which will allow for the growth and competitiveness of American made solar energy (an industry with significant growth potential). The USTR has challenged India's provisions for domestically produced solar power as part of its ambitious new alternative energy strategy.⁶¹ The USTR has brought this case before the WTO.

Another battle is against Chinese solar companies which are subsidized by government finance or are in fact, state run enterprises not encumbered by the considerations of free market forces.

Case Study: India's ambitious aspirations to provide power to all regions of the country and to do so with sincere commitment to renewable energy is not only admirable but pioneers a model of growth which can be replicated by other developing nations.

A common theme in most of the developing world is a lack of energy infrastructure. Without access to electricity, large populations are precluded from twenty-first century opportunities and living standards. For example, life "off the grid" is a reality for about 400 million people in India. How can clean energy be used to develop these regions, better the quality of life and increase economic opportunity?



An OPIC-supported solar power plant. OPIC image

The Overseas Private Investment Corporation has played a pivotal role in India's energy initiatives. A bold vision for a 2-megawatt solar power plant in Punjab was made a reality through the support of the Overseas Private Investment Corporation. Their assistance in the form of a \$6.2 million loan to Azure Power, fostered the creation of hundreds of jobs both in India and the United States, brought power to tens of thousands of people, enhanced the green energy movement and furthered relations between two great nations. This project has proven itself not only profitable to investors, but highly propitious among those it serves. The solar plant provides enough power for 20,000 people in 4,000 rural homes spread across 32 small villages.⁶² The project was completed in ten months and a second loan was soon issued through OPIC for the creation of a similar plant in Gujarat.

Some villages are even further removed from centralized power sources and do not hold populations large enough to justify such a project as the Punjab solar plant. In these situations, innovative and sensible business models are needed. One such strategy came from Simpa Energy India, a subsidiary of Seattle based Simpa Networks.

Their goal was to create a simple and affordable solar system which could produce enough power to provide lighting in individual dwellings. The system includes a solar panel, a battery and L.E.D. light sources. It may not sound like much, but a few lights mean that a child can study longer, read more and play games after the sun has set. "When we provide even four more hours of light each night... we provide four more hours of life" states Simpa President Paul Needham. Without a loan from OPIC, this project would not have been possible. The payment method must be tailored to the needs of low income villagers while still being cost effective for the company.



The U.S.-Turkey Geothermal Workshop was sponsored by the U.S. Trade and Development Agency. USTDA image

This balance is accomplished by a loan from OPIC to cover the upfront costs of manufacturing the devices. Villagers are charged for use on a “pay-as-you-go” system which is based on real usage. Each payment contributes to the actual purchase of the system, meaning that the customer will own the system and continue to benefit from free power after the contract ends. Simpa now has over 50,000 customers in India.⁶³ This simple concept could provide further economic opportunity for these villagers which creates stability for the region and strengthens American security.

Improving Infrastructure for Further Economic Development

Nations cannot expect to foster substantial economic development and raise standards of living throughout their state without efficient infrastructure to facilitate the rapid transport of goods, people, energy, information and resources. There are no firms that can provide these necessities with higher quality, due diligence and honesty than American firms. While countless nations seek to exploit this market with inferior quality and poor practices, the U.S. has come to represent the gold standard in global infrastructure development. American leadership in this field is beneficial for the U.S. and developing nations around the world.

What: Infrastructure is the circulatory system of a nation’s economy. It conducts goods, information and vital materials to the areas where they are needed. Without efficient and functional infrastructure, a nation cannot realize its potential and entire neglected regions could be frozen in economic stagnation. Infrastructure can refer to everything from roads, bridges, highways, tunnels, airports, seaports, rail lines, energy pipelines, sewage systems, water filtration and supply systems, electric power grids, telecommunications and internet access.

It is difficult if not impossible for a country to hasten economic growth in the face of delays and inefficiency posed by poor infrastructure. Traffic gridlocks cost hours of productivity. A poor rail system can result in the spoiling of perishable goods. Lack of internet access means isolation from ecommerce and relevant market information. Lack of power means limitations in educational capabilities and efficiency of labor. Lack of clean drinking water could mean conflict. Nations with modern and efficient transportation infrastructure will attract direct foreign investment and stimulate commerce which supports local economic opportunity.⁶⁴

How: The United States Trade and Development Agency really takes the lead on advancing infrastructure in the developing world and middle income nations. Their mission is to “help companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies.”⁶⁵ This is done through grant funding of overseas projects, feasibility studies and analysis, as well as early project planning. The USTDA focuses on three primary infrastructure objectives:

- Energy: which means turning on lights, manufacturing and increased employment opportunities.
- Transportation: which means getting goods to and from markets, increasing productivity and creating closer trade relations between nations.
- Telecommunications: which means access to twenty-first century sources of information, ecommerce, foreign markets and also creating closer trade relations between nations.



An OPIC-supported power plant.
OPIC image

These projects are assessed on the basis of level of priority to host nation, opportunity for U.S. exports and whether the project can be financed. If any of these considerations leave room for doubt, the USTDA will not pursue the project. The Trade and Development Agency seeks to assist countries in climbing the economic ladder while creating a brighter global future and ensuring American security and prosperity.

Benefits: Improvement of infrastructure provides immediate benefits. Any endeavor related to the improvement of transportation systems will create robust and diverse employment opportunities. Some of these opportunities include engineering, consulting, material suppliers, manufacturers, maintenance personnel, local expertise, skilled and unskilled workers and any economic activity resulting from the increased spending power of the employees already mentioned (restaurants to feed them, child care centers for their children, clothing and electronic stores that can now sell better products, etc.).

Suppliers of building materials benefit substantially as a number of building materials, such as cement, are much more cost efficient to produce within the host country and therefore do not need to compete with foreign competition. Property value is increased by proximity to paved roads, passable bridges, clean water and electric/ telecommunication connections. This improvement in value should correlate with improvement of living standards. Again, once infrastructure can support economic development, foreign investors and local entrepreneurs will utilize its potential and the nation will reap the benefits.

Challenges: Among the most significant challenges faced by American firms in obtaining infrastructure contracts in the developing world are poor procurement programs. In many nations lacking strong finances, the lowest price is often the one that is chosen. This has resulted in many incidents of poor quality and substandard infrastructure projects.

Several examples have come from Chinese construction firms operating in Botswana. “There are so many projects that we can point to which shows shoddy workmanship by Chinese contractors in particular” stated Ketlhalefile Motshegwa, the Secretary General of the Botswana Land Boards, Local Authorities and Health Workers Union.⁶⁶ Many of these contractors were chosen due to low bids, but the results have done little to bring about economic development. In fact, these failed projects have only exacerbated the problem.

Luckily, agencies like the USTDA have implemented practices like reverse trade missions to educate foreign buyers about identifying best quality and the long term benefits of using American firms to complete projects properly. They have also created the Global Procurement Initiative⁶⁷ to further emphasize the “total ownership” concept which relates to the durability of a project and looking beyond initial costs.

Case Study: “Infrastructure is probably the single most important need for Africa to develop” said Stephen Hayes, president of the Corporate Council on Africa. This concern significantly reduces economic output and makes transportation more than twice as difficult in Sub-Saharan Africa as it is in Asia.⁶⁸ Agencies like the USTDA have worked diligently to alleviate this situation through ventures in a variety of infrastructure projects such as roads, rail lines, energy and telecommunications. Below are just three examples of infrastructure investment.

In April of 2008, the USTDA launched the African Trade Lanes Partnership, which worked to “advance the development of sub-Saharan Africa’s most vital trade lanes and transportation networks to facilitate local, regional and global trade.”⁶⁹ This region of the world has much to offer, but lacks the capabilities necessary to attract business and investment or to properly transport its goods to markets. In the interest of developing the potential of this region, the USTDA along with OPIC and other organizations have undertaken efforts to improve infrastructure efficiency.

The USTDA, serving in the capacity of early project planner, identified a number of projects which could yield the greatest benefits. Among these was Zambia and its four major airports. In order for economic growth to be properly facilitated, these airports must increase capacity for air transportation of goods and travelers. The USTDA provided over \$700,000 in grant funds for the creation of a comprehensive, long-term strategy to advance the capabilities of Zambia’s airports to include financial planning as well as schematic designs of construction concepts. The results of studies like these, coupled with reverse trade missions for host nation decision makers, ensure a long and fruitful relationship between U.S. firms and African nations based on mutual benefit.

In December of 2014, the USTDA awarded grants for the furtherance of hydroelectric plants in Tanzania and Rwanda. “USTDA is proud to continue its leadership on Power Africa with these new grants,” said Agency Director Leocadia I. Zak. “These projects will employ U.S. expertise to help develop reliable, affordable power in Tanzania and Rwanda.”⁷⁰ The Tanzanian project will provide power to the villagers of the Lukosi River Basin. The Rwandan project will provide power to over 7,000 households and businesses across the Musanze District.

In September of 2011, the USTDA awarded a \$580,000 grant in support of strengthening Kenya’s telecommunications security. The number of internet users in Kenya has risen dramatically in recent years, but their telecommunications infrastructure is still vulnerable to attack. The purpose of the USTDA grant is to develop a National Cybersecurity Master Plan. The improvements to Kenya’s telecommunications capabilities as a result of this plan will not only provide greater safety for the host nation’s internet users, but will make the market more attractive to foreign investors looking to use the network as a platform for increased economic activity.⁷¹

Recommendations

- Ensure proper coordination and effective utilization of the various agencies tasked with the implementation of economic diplomacy. While each organization has a specific focus and provides a unique contribution to this mission, there is some overlap and potential for confusion and waste. An excellent example of successful coordination has been the increase in U.S. exports, specifically small business exports, due to the combined efforts of:
 - **The Small Business Administration:** administering Small Business Development Centers (SBDCs) to provide American entrepreneurs with guidance in everything from creation of a sound business plan, obtaining financing, and connecting with export opportunities.
 - **The Export Import Bank of the United States:** works through SBDCs to provide small businesses with services that are unavailable to them through commercial banks.
 - **The U.S. Department of Commerce:** implemented a nationwide system of U.S. Export Assistance Centers to target the needs of small businesses who seek to pursue a global market.
 - **The U.S. Trade and Development Agency:** conducts reverse trade missions to bring foreign buyers to American producers which is especially helpful to small businesses that would not have accessed these markets otherwise.
 - **The Overseas Private Investment Corporation:** providing opportunities for financial investment abroad as well as services that may be unavailable through commercial banks.
 - **The U.S. Department of State and the Office of the United States Trade Representative:** continues defending American business interests when negotiating trade deals.

Here, we have an example of an initiative which combines the talents and capabilities of several agencies and focuses their efforts towards accelerating and expediting the growth of American exports. While it is important to ensure de-confliction of priorities and responsibilities among these agencies, the growth of U.S. exports has proven that they can complement and enhance each other's efforts while working towards a shared goal.

- All agencies must work towards a common goal of advancing economic development throughout the world while continuing to pursue policies which further American industry, manufacturing, employment and prosperity. We have seen from the case studies in this report that this balance is possible. Micro-financing in the developing world can strengthen local economies while generating profits for the investors. Exports of green technologies, innovated and manufactured in the United States, create American jobs as well as provide clean sources of energy for populations around the world. Infrastructure projects created by American firms reflect the quality inherent in U.S. production and will benefit global communities for years to come. The U.S. can lead the world in providing these life changing goods and services, creating benefits both at home and abroad.
- Increase the utilization of innovative foreign assistance tools such as enterprise funds which combine public and private capital, thus ensuring a more durable investment in local economies.

- Ensure proper oversight and enforcement of all human rights, labor, safety and environmental standards in trade and finance. We cannot win the hearts and minds of foreign populations if we do not conduct ourselves in a manner befitting the United States. Accountability of funds, anti-corruption provisions, anti-monopoly policy and transparency protocol are essential to this pursuit.
- Treat nations as partners, not just markets. Work towards stability, peace and progress. The focus in every region must be lasting development.
- Promote American clean energy exports and American manufacturing. America must lead this new and promising area of opportunity. The United States must represent the gold standard in quality of these products. Continue the creation and implementation of innovative programs like Green Bonds and reverse trade missions to further American clean energy exports.

Conclusion

The twenty-first century is met with challenges and opportunities which far surpass the wildest conceptions of previous generations. The acceptance and enforcement of universal human rights standards can be a reality in our time. The prohibition of child labor and the abolition of exploitation among oppressed work forces is no longer an impractical goal. Raising all nations to a respectable level of prosperity will not only represent the greatest accomplishment of mankind, but the realization of an ideal societal system never before attained throughout generations of political experiments ranging all manner of governance.

By alleviating the misfortune of poor and underdeveloped nations, we ensure our own security and continued prosperity. There may have been a time when developed nations could turn a blind eye to the hardships of the third world, but under our globalized system this is not possible. Lack of education throughout a swelling population of youth in the Middle East and elsewhere will create a ready audience for extremist propaganda. Poor health care capabilities may contribute to a global pandemic if weak nations are unable to contain an outbreak of contagious disease. Desperation leads to behaviors never considered under more favorable conditions and may result in burgeoning international criminal organizations, profiting from drug trafficking, human trafficking, kidnapping, weapons sales, terrorism and violence.



OPIC works towards women's empowerment.
Opic image

These problems will not desist at our borders. We have the option of addressing these issues in a manner both humane and economically practical. The inalienable rights stated in our constitution, are not just the rights of American citizens but the inalienable rights of all people regardless of any dissimilarities. Advocating these values from the barrel of a gun defeats the purpose. Our leaders must understand that. We cannot force the development of the world's populations, but we can incentivize it.

Further Reading

[American Competitiveness: A matter of national security](#)

[Rivkin: the link between prosperity and national security](#)

[Taking Action on Infrastructure](#)

[Debt and Decisions: Puerto Rico](#)

[Ambassador Froman on the Geopolitical Stakes of America's Trade Policy](#)

[The Geopolitics of Trade](#)

[ASP's Hugo Grondel On Why It Is Time To Answer TTIP's Call For Action](#)

[Energy in Egypt: Background and Issues](#)

[Energy Security in the Caribbean](#)

[Global Natural Gas Pivot to Asia](#)

[Critical Issues Facing Africa: Terrorism, War, and Political Violence](#)

About the Author



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About the Sponsor

MasterCard is a technology company and payments industry leader. For more than four decades, MasterCard has been a driving force at the heart of commerce, making the global economy safer, more efficient, more inclusive and more transparent for all. Consumers, merchants, business partners and governments in markets around the world have reaped the benefits of MasterCard's innovative products and solutions which, simply put, are designed to make life easier.⁷²

Outside Resources

[Prosperity at Risk](#)

[The United States Department of State](#)

[The Office of the United States Trade Representative](#)

[The Office of Economic Policy](#)

[The U.S. Department of Commerce](#)

[The Overseas Private Investment Corporation](#)

[The Office of Foreign Asset Control](#)

[The Export Import Bank of the United States](#)

[The U.S. Trade and Development Agency](#)

[The U.S. Agency for International Development](#)

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The American Security Project (ASP) is a nonpartisan organization created to educate the American public and the world about the changing nature of national security in the 21st Century.

Gone are the days when a nation's security could be measured by bombers and battleships. Security in this new era requires harnessing all of America's strengths: the force of our diplomacy; the might of our military; the vigor and competitiveness of our economy; and the power of our ideals.

We believe that America must lead in the pursuit of our common goals and shared security. We must confront international challenges with our partners and with all the tools at our disposal and address emerging problems before they become security crises. And to do this we must forge a bipartisan consensus here at home.

ASP brings together prominent American business leaders, former members of Congress, retired military flag officers, and prominent former government officials. ASP conducts research on a broad range of issues and engages and empowers the American public by taking its findings directly to them via events, traditional & new media, meetings, and publications.

We live in a time when the threats to our security are as complex and diverse as terrorism, nuclear proliferation, climate change, energy challenges, and our economic wellbeing. Partisan bickering and age old solutions simply won't solve our problems. America – and the world - needs an honest dialogue about security that is as robust as it is realistic.

ASP exists to promote that dialogue, to forge that consensus, and to spur constructive action so that America meets the challenges to its security while seizing the opportunities that abound.



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