

Building prosperity  
and economic security  
at home and abroad

**Economic, Energy and Business Affairs**  
U. S. Department of State

# The Bush Administration's Economic Foreign Policy: Prosperity, Integration and Security

# Economic Foreign Policy Strategy Set Early

- **President Bush set the economic foreign policy agenda in the 2002 National Security Strategy (NSS). Chapters VI and VII established the intellectual basis for the Administration's international economic development policy of the past five years.**
  - Chapter VI sets out a plan to “ignite a new era of global economic growth through free markets and free trade.”
  - Chapter VII defines the goal to “expand the circle of development by opening societies and building the infrastructure of democracy.”
- **Since then, the Administration, with strong backing of the Congress, has steadily implemented this strategy by:**
  1. Revolutionizing the U.S approach to development assistance: an effort that has sparked real change in the developing world and energized other international donors;
  2. Opening international markets and leveling the playing field for American workers, farmers and business while promoting standards that have increased global prosperity; and
  3. Setting the conditions for strong domestic economic growth and historic global economic growth.
- **This presentation reviews these accomplishments, explains their importance, and outlines the remaining, bipartisan work needed to carry out this strategy.**

# I. Revolutionizing Development Assistance

- **At the UN Conference on Financing for Development in Monterrey, Mexico in 2002, the Administration committed to a “new compact” to provide significant new levels of assistance for governments that have implemented responsible policy changes.**
- **A strong bipartisan effort has driven a consistent record of accomplishment in changing the way the U.S., and increasingly the rest of the world, thinks about and delivers development assistance.**
- **Since Monterrey we have delivered the largest annual level of Official Development Assistance (ODA) since the Marshall Plan.**
  - Marshall Plan spending from 1949 - 1952 averaged \$31 billion. From 2001 - 2005 the Bush Administration has averaged \$21.8 billion.
  - We quadrupled our ODA to sub-Saharan Africa, and more than doubled this assistance to Latin America.
  - Our ODA is 230% of 2000 levels: in 2006 the U.S. delivered \$23.5 billion, compared to approximately \$10 billion in 2000.
  - We have met the Monterrey commitment of increasing ODA by 50% three years early.
  - From 2001-2006 approximately 50% of total world food aid came from the U.S.
  - These policies reflect the generosity of the American people.

# Revolutionizing Assistance: Combating Disease

- **Historic Leadership to Combat Infectious Diseases Globally**

- U.S. funding for HIV/AIDS through PEPFAR – likely to exceed \$18 billion over the initiative's first five years – is as much as the rest of the world's governments combined. The President recently called for Congress to reauthorize PEPFAR with \$30 billion over the next five years.
- At the 2007 Helligendamm G8 Summit we challenged the G8 to match our \$30 billion in AIDS and malaria funding, achieving an historic \$60 billion G8 commitment.
- President Bush announced the President's Malaria Initiative (PMI) in June 2005. A five-year, \$1.2 billion program, PMI challenges other governments and the private sector to join the U.S. government in combating malaria, with the goal of cutting the malaria mortality rate by 50 percent in 15 countries in Africa.
- PMI has already reached about six million people in Africa. In 2007, 30 million more people are expected to receive life-saving medicines, sprays, and insecticide-treated bed nets as the program expands.
- Between 2000 and 2006, the U.S. committed approximately \$500 million to building strong TB programs in countries with a high incidence.
- The U.S. is the largest donor of official humanitarian aid for victims of famine, war and natural disasters; U.S. humanitarian assistance in 2006 totaled more than \$3.0 billion.

# Revolutionizing Assistance: The MCC Effect

- **The Millennium Challenge Account (MCA) implemented this new approach, bringing new accountability to our delivery of development assistance. We also integrate this concept into other aid programs.**
  - The Millennium Challenge Corporation (MCC) -- a government corporation -- implements the MCA. Its board, chaired by the Secretary of State, also includes the MCC CEO, the Secretary of Treasury, the US Trade Representative, the USAID Administrator, and four private sector non-governmental representatives who are nominated by both parties of Congress. The National Security Advisor is a non-voting member.
  - The MCA supports countries that rule justly, invest in people, and promote economic freedom.
  - These policies are essential to reducing global poverty through private sector economic growth.
- **Even before financing begins the MCA has a cascading impact -- the “MCC Effect” - - that spurs countries to reform in the hopes of securing and maintaining MCC funding. Other donor countries and institutions are adopting the MCC model:**
  - MCC is a world leader in supporting good performers, country ownership and measurable results.
  - The G8 leaders in Heiligendamm endorsed development principles largely based on MCC criteria.

# Total Economic Engagement

- ODA is only one tool to engage with developing countries and increase prosperity. A percentage of GDP is often cited as the measure for effective and sufficient development assistance to increase prosperity and reduce poverty.
- A better measure is a country's "total economic engagement" with the developing world, which captures factors like open trade policies, economic freedom, and the generosity of citizens.
- Under the Bush Administration, the U.S. is the single largest provider of ODA in the world; when our total flows are taken into account the picture becomes even more impressive.

**Total Economic Engagement with Developing Economies**  
(\$ billions in 2006)

	<b>U.S.</b>	<b>UK</b>	<b>France</b>	<b>Germany</b>	<b>Japan</b>	<b>Canada</b>	<b>Italy</b>	<b>Non-U.S. G7</b>	<b>EU DAC Members</b>
<b>ODA</b>	23.5	12.5	10.6	10.4	11.2	3.7	3.6	52.0	59.0
<b>Net Imports</b>	557.5	49.3	5.2	-18.6	70.7	62.5	49.5	218.6	216.0
<b>Net Investment Financial Flows</b>	73.6	37.8	7.5	11.9	11.9	10.3	0.0	79.4	87.9
<b>Personal Remittances</b>	43.7	3.3	5.1	13.0	1.2	0.0	6.1	28.8	59.6
<b>Private Grants</b>	9.2	0.8	0.0	1.6	0.2	1.1	0.1	3.8	3.8
<b>Total Engagement</b>	707.4	103.7	28.5	18.2	95.3	77.6	59.4	382.7	396.8
<b>GDP</b>	13,194.7	2,373.7	2,252.2	2,915.9	4,366.5	1,275.3	1,852.6	15,036.2	13,597.4
<b>% of Total to GDP</b>	<b>5.4</b>	<b>4.4</b>	<b>1.3</b>	<b>0.6</b>	<b>2.2</b>	<b>6.1</b>	<b>3.2</b>	<b>2.5</b>	<b>3.1</b>

Source: USAID, OECD Development Assistance Committee (DAC) December 2007,  
IMF Direction of Trade and World Economic Outlook via Economic and Social Database

## II. Opening Markets and Leveling the Playing Field

- **The Administration, with strong support from Congress, is achieving an historic record opening markets around the world, increasing prosperity for the U.S. and our partners as greater integration builds a stake all participants in the global economy.**
  - **Achieved Trade Promotion Authority** in 2002 and **launched the Doha Development Round** in 2001 under U.S. leadership; promoted accession of China, Taiwan, Saudi Arabia and Vietnam into the World Trade Organization.
  - Promoted and achieved Congressional approval and extension of the **Generalized System of Preferences**, the **Andean Trade Preferences Act** and the **Africa Growth and Opportunity Act**.
  - Negotiated more than 20 **Trade and Investment Framework Agreements (TIFAs)** that cover sixty countries and worked to expand our network of **Bilateral Investment Treaties (BITs)** that protect U.S. investors and expand access to foreign markets. These world class agreements promote international economic rules that reinforce our development policies and promote global competition.
  - Negotiated new **Open Skies agreements** with almost forty countries since 2001, including the EU and all its member states; further liberalized passenger and cargo markets to U.S. and foreign carriers; and promoted increased travel trade, employment opportunities and people-to-people contact that spur economic growth.
- **Promoted world class Intellectual Property Rights standards internationally through new agreements and enforcement actions.**

# FTAs: A Force for Growth and Security

- **Dramatically increased our FTAs from 2 in 2001 to 9 today covering 14 countries – with more on the way.**
  - Current FTA countries make up only 7.2% of the world's GDP, but exports to these countries comprise **43% of U.S. exports**. Together these countries constitute the world's second largest economy.
  - This Administration's FTA partners in the Western Hemisphere – including the four pending FTAs – constitute **63% of GDP in the hemisphere** – not including the U.S.
  - Since the U.S.-Chile FTA entered into force on January 1, 2004, bilateral trade has more than doubled, from \$6.4 billion to \$16.4 billion in 2006, including \$6.8 billion in U.S. exports to Chile.
  - Total U.S. exports have increased 13.6% over the last 12 months ended in December to over \$1.6 trillion (\$1.15 trillion in goods and \$472 billion in services).
- **U.S. FTAs Promote World Class Global Standards.**
  - In addition to world class IPR standards, these agreements contain strong provisions designed to **fight corruption, increase transparency and foster accountability and rule of law**.
  - The FTAs contain strong and enforceable **labor and environment provisions**, incorporating fundamental labor rights of the ILO Declaration on Fundamental Principles and Rights at Work.
- **FTAs strengthen and anchor America's ties with allies in key regions of the world and have benefits well beyond trade.**



# III. Historic Global Growth

- **As set out in the 2002 NSS, U.S. domestic and international policies have unleashed an unprecedented new era of global economic growth.**
  - Global economic growth has been broad, deep, and sustained.
    - ✓ “The world economy in aggregate grew more during the last five years than in any five-year period since the second world war.” -- *Lawrence Summers, Financial Times, 2006.*
    - ✓ “The world economy is in a golden period of broadly shared growth, high profits, modest real and nominal interest rates and low prices for risk” -- *Martin Wolf, Financial Times, 2007*
  - Global GDP expanded at 4.9% from 2003-2006, and is forecast to average 5.0% through 2012 according to the International Monetary Fund World Economic Outlook.
  - In this same time period, GDP in Latin America grew at 4.6%, the Middle East 5.8%, Asia 8.9%, sub-Saharan Africa 5.5%.
  - Constituting over one quarter of global GDP, the U.S. has been the engine of this global growth.

# Strong Domestic Growth

- **Despite bursting of the stock market bubble, a terrorist attack of unprecedented scale and dramatic increases in energy prices, the Bush Administration's economic policies have unleashed strong domestic growth:**
  - The U.S. economy has now experienced nearly **6 years of uninterrupted growth**, during which real GDP grew at an average annual rate of nearly 3%. Third quarter 2007 growth was 4.9% despite the downturn in the housing market.
  - Over the course of the Administration, **productivity growth has averaged 2.5%**, above the average in the 1990s, 1980s, and 1970s -- U.S. workers are the most productive in the world.
  - The U.S. economy has added **8.28 million jobs since August 2003** -- more than all other industrialized nations combined: the January 2008 unemployment rate was 4.9%, well below the average in each of the past three decades.
  - **Nominal wages grew 3.7% over the past 12 months**, faster than the average rate of the past 5 years, as well as the average rate of the 1990s.
  - At 1.2% of the economy the **budget deficit is now well below the 40 year average** of 2.3% and on course to meet the goal of a balanced budget by 2012 or earlier.
- **There are signs of turbulence in U.S. and world financial markets, but economic fundamentals remain strong: a hallmark of the U.S. economy over the past decade has been its resiliency.**

# U.S. Economic Leadership Producing Dramatic Positive Change

- **Given this historic economic growth, the last six years may be a period in history with one of the most dramatic reductions in global poverty ever. The evidence is mounting:**
  - For the first time since record keeping began in 1960, the number of deaths of young children around the world has fallen below 10 million a year according to UNICEF -- improvements in economies outside Africa -- especially China and India -- have played a major part.
  - The percentage of the world's population living on less than \$1 a day has been steadily falling since 2000, though much more work remains.
  - The strong global growth performance of last year reflects the very rapid expansion in developing countries that grew by 7 percent -- more than twice the 3.1 percent rate of high income countries -- which has contributed to falling poverty in all developing regions.
  - Colombia's exports to the United States grew 65 percent between 2002 and 2006, while economic growth over the period averaged 5.2 percent. One result: Colombia's poverty rates declined from 56 percent to 45 percent.
  - The number of people in Sub-Saharan Africa with access to drinking water increased by 10 million per year for the last three years.

# Why This Historic Record Matters

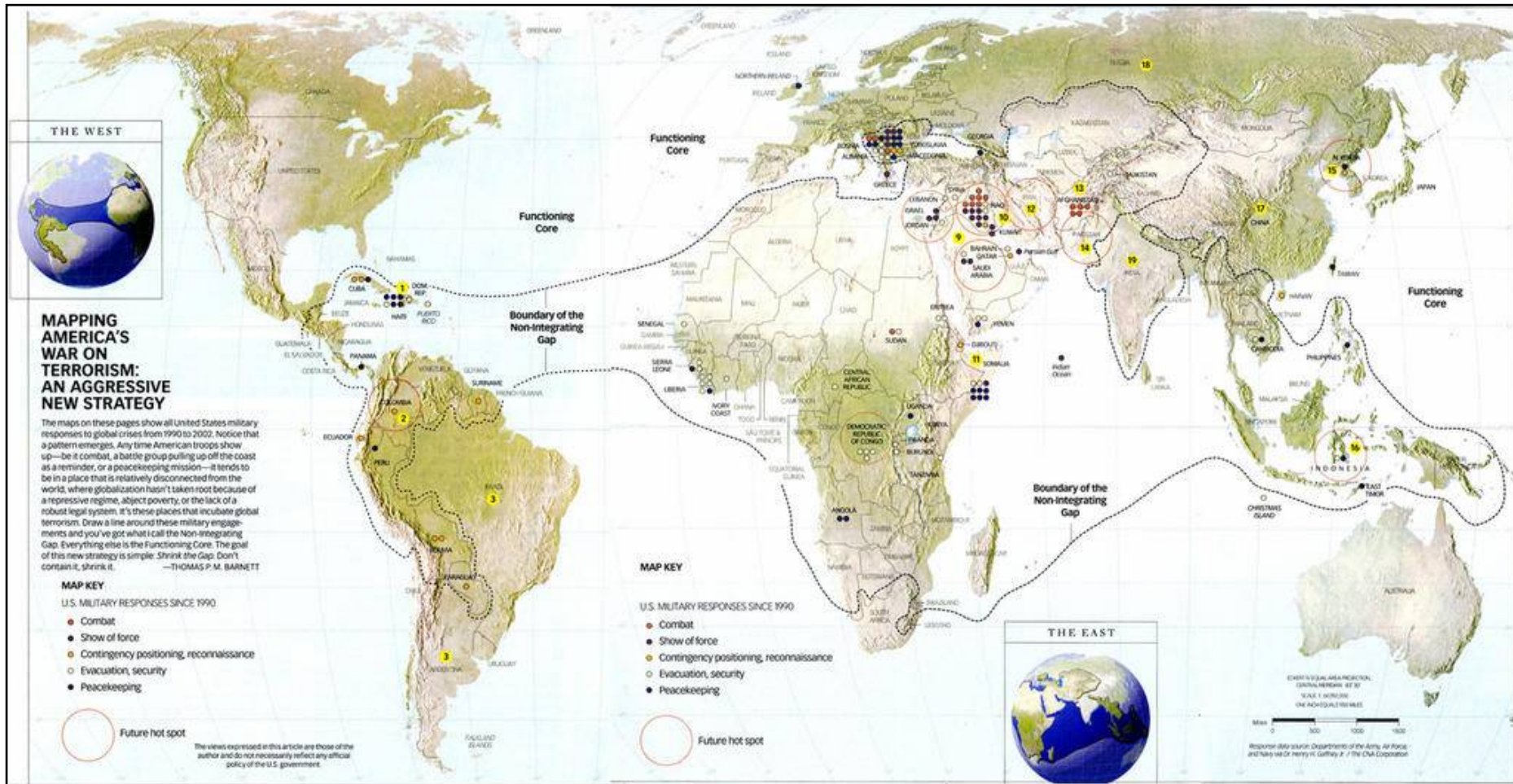
- **Reducing poverty at home and abroad by increasing economic growth -- core American values.**
- **Building security at home and abroad by increasing global economic prosperity and working to integrate regions of the world that are disconnected from the global economy → The Post 9/11 paradigm shift.**
- **As Secretary Rice has said:**

*“Half the human race remains on the margins of global economy, living on less than two dollars a day. For a long time, we did not see in this tragic situation an urgent national security challenge but we do now. If we look at where the greatest threats have emerged over the past two decades...at the many countries that we and our allies are working to stabilize...they all share one thing in common...they are poorly governed states...that have yet to integrate into the global economy and realize its promise.”* Washington, DC 2007

- **Broad scholarship and commentary supports the Secretary’s views.**
  - Richard Haass -- U.S Leadership to promote international integration and cooperation.
  - Carla Hills and Dennis Blair -- Integration with China: the world’s most important relationship.
  - Thomas Barnett -- Integration to spread the stability of the global system and benefits of globalization.

# Security Instability and Economic Isolation

Regions of security instability generally mirror regions of economic isolation



Source: The Pentagon's New Map by Thomas Barnett ©2003

# Conclusion: Important Work Remaining

- **The bipartisan effort must continue to meet the continuing challenge of deepening global economic integration, building prosperity, reducing poverty and increasing security. Specifically, Congress and the Administration must work together to:**
  - **Pass Three Remaining FTAs and other market opening initiatives:** Trade is a major engine of economic growth, and the U.S. market is the world's largest. FTAs with Colombia, Panama and Korea will open large and growing markets for American businesses, farmers, ranchers and workers.
    - The Pakistan/Afghanistan Reconstruction Opportunity Zones
    - Trade Promotion Authority
  - **Fully fund the Millennium Challenge Corporation and PEPFAR:** MCC's approved portfolio of nearly \$6 billion in Compact and Threshold programs is central to U.S. efforts to promote strong economic policies and economic growth. To maintain its powerful incentive, our developing country partners need to know the U.S. remains fully committed to the program. The President has also requested that Congress reauthorize PEPFAR for five more years and \$30 billion additional dollars, which would bring the American people's 10-year commitment on global HIV/AIDS to more than \$48 billion
  - **Finish the Doha Round:** The World Bank estimates that if Doha were fully implemented by 2015, developing countries could reduce the number of the poorest in their countries by tens of millions. *"We need to complete the Doha Round, which would help lift tens of millions of people out of poverty worldwide. Failing to realize the promise of Doha would go down in history as one of the world's greatest missed opportunities."* Secretary Rice, Washington, DC 2007
  - **Continue to Address Global Imbalances**

# Conclusion: Tradition of American Leadership

- **Since the end of World War II, the U.S. has been the architect and leader of the global economic system.**
  - No other actor on the global stage can substitute for American leadership.
- **We must continue to lead in a bipartisan, confident and united way.**
- **Secretary Rice's "American Realism:"**

"America has now entered a new century. A new global race has begun. And as always, we will run it with optimism, and vigor, and purpose. And as in the past, not only will our people succeed - so will our principles."

*Secretary Rice, Remarks at the Centennial Dinner for the Economic Club of New York, June 7, 2007*