

**“National Economic Security, Advancing US Interests Abroad”**

**House Foreign Affairs Committee  
Subcommittee on East Asia and the Pacific**

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**Statement for the Record**

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Chairwoman Kim, Ranking Member Bera, and distinguished Members of the Committee, thank you for inviting me to appear before you today. I am honored to share with you my views on recent trade developments and suggestions on how to improve and streamline the international economic functions of the U.S. Government. Having worked on trade policy for over 30 years at the Office of the United States Trade Representative and before that at the Department of Commerce, I have seen firsthand what has worked and where things could benefit from improvements. I wholeheartedly agree with the Committee’s premise for this hearing — namely that in today’s environment, economic policy is indeed foreign policy.

As we discuss these pressing matters, it is important to keep in mind what is happening on the ground in the Indo-Pacific today, particularly as our partners and allies are being hit with steep reciprocal and sectoral tariff increases.

Over the past few months, I have travelled to Asia multiple times and have conversed with the many delegations visiting Washington to negotiate trade deals. My Asian colleagues have shared with me their deep concerns about the direction of U.S. trade and tariff policy and the umbrella of uncertainty it is bringing to the region and the global economy. They do not understand our end game, particularly if we are also seeking their cooperation to counter China, one of the major challenges of the century. Some have gone so far as to say they no longer know the United States, which has shifted from a leader and stabilizing force on the international scene to an unreliable and inward-looking partner.

As a result, efforts to diversify away from the United States have taken on a new urgency — new trade and economic integration initiatives are being launched, existing trade pacts are being updated, and new members are looking to join these arrangements. In recent weeks, the United Kingdom and India concluded a trade pact, the European Union expressed an interest in aligning itself more closely with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and China and Southeast Asian countries are putting the finishing touches on an upgraded FTA.

And let's not overlook the elephant in the room — as we continue to alienate our allies and trusted partners, we are opening the door for Beijing to step in and curry favor. And that's exactly what Chinese officials are doing. China has been on a so-called "charm offensive", leading Xi Jinping, his Foreign Minister, and others to trot around the globe and hold high-profile meetings in Beijing offering to build new railways and bridges, lifting sanctions, and portraying Beijing as the defender of the multilateral rules-based system — the very system that the U.S. designed. While Beijing is extending carrots to many of these countries, the U.S. is favoring the stick approach in the form of high tariffs, even as it dismantles many U.S. foreign aid and assistance programs.

Successful economic statecraft cannot be achieved solely through rethinking how we are organized at home to do so. It must be anchored in a coherent, fair, and sustainable economic and trade policy framework, something which, according to our trading partners, is now seriously lacking.

### **The global economic landscape has changed**

Much of my career in the U.S. Government was at a time when trade liberalization was a driving force of our international economic policy. Free and fair trade was seen as both beneficial economically to the U.S. — creating jobs, promoting innovation, and increasing U.S. competitiveness — but also as a policy that contributed to global peace and prosperity. While geo-political considerations were taken into account as we charted our economic and trade policy, they were not paramount. One area where geo-political considerations were particularly visible was in the selection of our free trade agreement (FTA) partners. For example, in the initial work evaluating South Korea as a potential FTA partner, we looked to further solidify and update our alliance with a strong economic foundation. Our five FTA partners in the Middle East and North Africa were prioritized largely due to foreign policy, rather than market access and economic integration reasons. Although the bilateral relationship elements were important in setting up many FTA negotiations, the substance of the trade negotiations mostly stayed in the trade lane, ably led by USTR, with input from a range of U.S. Government agencies.

The world has changed dramatically since that time, particularly with the rise of China. But our economic and trade policy institutional frameworks have not kept pace. As we face increasing challenges from geopolitical tensions in critical shipping routes, unfair trading practices, supply chains, rapid technological change, and climate-related disruptions, greater resilience is needed to be able to weather the headwinds. The U.S. is increasingly turning away from multilateral fora, such as the WTO, to address these challenges, putting a greater focus on working with like-minded partners.

The economic security agenda has also moved to the forefront. This includes a push to build greater supply chain resilience, especially for strategic and essential sectors. It also features implementing effective export controls to ensure sensitive products do not get into the wrong hands, screening incoming investment, and combating economic coercion.

While economic security matters have grown in importance, they have not yet been fully integrated into U.S. trade agreements. We have seen some moves in this direction, such as in the recently announced U.S.–UK trade deal, and reportedly in other agreements being pursued during the 90-day tariff pause period. Looking ahead, it will be essential that our trade agreements include more robust economic security provisions. This will require more substantial roles for other agencies, including the State Department, at the negotiating table.

### **What can we learn from other governments?**

We are not alone in grappling with the best ways to update our institutional frameworks to meet today's economic challenges. Our partners and allies are also trying to address this question, and no one seems to have found a magic formula thus far.

A number of our close allies — including Australia and New Zealand — have incorporated the trade policy function into their foreign ministries. As a result, their diplomats abroad are able to engage more effectively on these matters, right up to and including at the Ambassador-level, as they have had routine exposure to trade issues throughout their careers. This makes sense for these two countries which are heavily export dependent.

In the United Kingdom and South Korea, on the other hand, they house their trade functions in their trade ministries, separate from their foreign affairs ministries. Japan has split the trade functions between its foreign ministry and its trade/industry ministry. Tokyo has also shown agility in its approach by setting up a new structure in its Prime Minister's office to deal with priority trade negotiations like the Trans-Pacific Partnership (TPP), and a new high-level task force to lead its current tariff negotiations with the United States.

Of particular note, is that the UK, Japan, and the European Commission have all been quick to adapt to the evolving environment by creating a new ministerial-level position with specific responsibility for economic security. This has not only highlighted the strategic importance of these matters but ensures a whole-of government approach.

### **Key considerations when sketching out possible institutional changes**

Based on my decades of experience working with State Department officials on a series of trade negotiations and initiatives, I would like to offer a few personal observations for your consideration. First, I believe the personnel rotational system works against State officials playing a more central role on economic matters. This is because trade negotiations require technical expertise that takes years to build up. Moreover, given that trade agreements often take multiple years to negotiate, the officer at State often does not see the negotiations through to the end, and his or her replacement can be at a disadvantage joining talks mid-stream.

Second, economic jobs are generally viewed more as “backwater” assignments at State with ambitious foreign service officers preferring to stay in the foreign policy and security lanes. This complicates State’s ability to attract people looking for a career in economic and trade policy — they are more inclined to seek a career at USTR, Treasury, or Commerce.

That said, the economic cone at State has made some important strides in recent years, particularly in the economic security space. For example, State has led the work on economic coercion, critical minerals supply chains, and elevating relationships with key partners like Indonesia and Vietnam to provide a pathway for deeper economic integration.

The Office of the U.S. Trade Representative, where I spent close to thirty years, is a small and hard-charging agency which has traditionally punched above its weight. It was set up to be an ‘honest broker’ in trade policy in 1963, with the mandate to better balance competing domestic and international interests in the development of trade policy, as well as to lead trade negotiations. As we look to focus more and more on economic security issues, USTR brings valuable expertise on supply chain issues. However, it would probably be the first to admit that many aspects of our economic security agenda are beyond its institutional strength.

The Department of Commerce, for its part, has played an increasingly important role in recent years, in particular on technology policy, industrial policy, and supply chain connectivity. Its work has expanded way beyond its traditional role leading trade promotion, administering trade remedy laws, and implementing export controls.

The Treasury Department rounds out the core agencies in this space, with responsibilities in such areas as currency, investment screening, financial services, and global economic developments. Other agencies and departments, including Agriculture, Customs and Border Protection, and Health and Human Services, also play important roles.

## **Reorganizing USG Functions**

Allow me to turn to the question of how the U.S. government should organize itself to address trade, economic security, and economic statecraft matters most effectively. It’s safe to say that if we could start from scratch, the current model whereby key functions are scattered among a host of different agencies would not be the first choice.

If one were looking to centralize all of these functions under one roof, in my view none of the existing agencies are fit for purpose. At a time when the United States is trying to rebuild a bipartisan consensus in favor of trade, for example, moving the trade policy functions to State would send the absolutely wrong signal – namely that broader geopolitical objectives would be given more weight than the views of U.S. workers and businesses.

On the other hand, the idea of setting up a new agency that brings together all of the trade policy and international economic responsibilities under one roof is also fraught with

difficulties. There are lessons to be learned from the creation of the Department of Homeland Security in the aftermath of 9/11. Many existing agencies and bureaus were folded under this new Department which presented many bureaucratic challenges that have played out over years. The merging of functions into one agency is also costly, at a time when we are cutting government expenditures. It could also be an unhelpful distraction at a time when all available resources need to be expended on the critical and substantive economic challenges we face, rather than on administrative set up.

In light of these considerations, I believe the better way to proceed is to pursue reforms that will be impactful and relatively easier to implement, without losing precious time incurred during a massive reorganization of government functions.

## **Recommendations**

Allow me to conclude with a number of concrete ways to reshape the U.S. Government structure for the Committee's consideration.

### ***1. Elevate the importance of economic matters at the State Department***

A clear message should come from the Secretary of State about the central importance of the economic function to U.S. foreign policy. Incentives to work on economic issues at State should be introduced, such as leadership positions across State requiring staff to have completed a rotation in the economic area. In addition, specialized training on economic matters should be given higher priority. We spend considerable resources training our diplomats in languages, for example, and we should similarly invest in their economic skills too. Officers with significant economic experience should more often be promoted to the roles of Ambassador and DCM overseas, a move that would be noted by up-and-coming officers.

### ***2. Clearly articulate economic areas where the State Department has the lead***

Having State clearly in the lead on specified international economic matters would also help to bolster its role in this space and attract ambitious foreign service officers to this portfolio. This should build on the areas where State has been developing expertise recently, such as countering economic coercion and supply chain security for critical minerals, and focus initially on those areas where there is a significant international component. While these areas would be a logical starting point, as experience and expertise develop and the resources for this work increase, they could expand to further lift the role of State in international economic policy. Taking a leadership role in key aspects of the economic security portfolio would allow State to spearhead inter-agency coordination, develop a cohesive economic security strategy, and work with international partners and the private sector. It would also signal the importance of this issue to both a domestic and international audience, and help ensure that the direction of our effort is aligned and not fragmented.

**3. *Develop a core group of ‘international economic professionals’ for the civil service***

Consideration should be given to the establishment of a new “fast track” program to recruit, promote, and retain international economic and trade professionals. Such a cadre of officials would have the opportunity to complete rotational assignments in different Departments working on these matters. This would assist with sharing expertise among the departments and ensuring there was international economic expertise government-wide, developing critical economic skills from a wide range of angles, as well as building valuable contacts between Departments.

**4. *Move the U.S. Foreign Commercial Service to the State Department***

The work of the U.S. Foreign Commercial Service (FCS) has played an important role in helping U.S. firms actively engage in international markets. Yet, in U.S. Embassies, there is often overlap between the functions of the FCS and the economic officers. By folding the FCS into State, our government could avoid duplication and build synergies to do even more for U.S. businesses active on the global scene.

In conclusion, even with the best organizational structure, little of this will matter if we don’t get our policies right. In order to meet the critical challenges of today — including the all-important China challenge — while advancing U.S. economic prosperity, security and innovation, we need to pursue clear policies that promote our interests in the Indo-Pacific and all around the world. These policies should focus on keeping us engaged, expanding and deepening cooperation with our friends and allies, providing carrots to our partners, and cementing the United States as the partner of choice.

Thank you for the opportunity to share my views. I welcome your comments and questions.