

Written Statement- James Golsen

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“Helping American Businesses Win Abroad: Strengthening U.S. Commercial Diplomacy”

Chairwoman Kim, Ranking Member Bera, distinguished members of the subcommittee and staff, thank you for having me here today.

I'd like to begin with acknowledging the hard working and innovative Commercial Diplomats and Locally Employed Staff of the Foreign Commercial Service who serve the American people and business community every day often at great risk to themselves. I'd equally like to acknowledge the U.S. based International Trade Specialists based at Export Assistance Centers around the United States as well as the policy, advocacy, operations and investment promotion professionals. It was an honor to serve as their Deputy Director General.

The central question in my view for today's hearing is, does the United States currently have the governmental architecture in place to exert the tools of national power to compete in today's economy? I believe the answer is clear, no we do not.

The reason is no fault of my former colleagues, but an outdated and overly fragmented approach to commercial diplomacy that is neither nimble, coordinated or responsive as it needs to be to meet the moment.

### **Evolution of Commercial Diplomacy:**

When the current governmental architecture was designed, we lived in a different global reality. Trade Promotion involved attending a few key trade shows and helping companies find vetted partners overseas.

Today's environment demands a focus on strategic emerging technologies, rapid and focused advocacy, setting the groundwork for commercial policies abroad that supercharge American competitiveness in key markets and being one step ahead of strategic competitors.

What has changed since the current architecture was designed. The traditional trade promotion space now has multiple private sector actors who can organize trade events flawlessly. There are robust bilateral and regional business councils effectively

championing commercial diplomacy and American Chambers of Commerce have evolved to become a stronger voice in global markets. These private sector led resources can be better utilized to accomplish some of the work currently done by government and thereby freeing up bandwidth for limited government resources in my view.

### **Where Government is Needed:**

There is no substitute for having American Diplomats stationed in country that fully focus on commercial diplomacy. Today, these diplomats engage in valuable government to government relationships that are built on trust and credibility. As representatives of the American government, they maintain unique convening power to bring in key private sector actors in the host country and by living in the market, they can innovate and tailor specific strategies that fit the local context.

When done properly, our Commercial Diplomats are integrated into Embassy Senior Staffs and bring uniquely commercial perspectives to those deliberations. Equally, they are a resource for the interagency in Washington, providing ground truth realities to trade negotiations, and commercial advocacy.

These diplomats cannot operate without Locally Employed Staff, who are permanent residents in markets with deep invaluable networks that allow American companies to succeed.

In most markets, our Commercial Officers sit on the board of the American Chamber of Commerce as ex officio members providing seamless government-private sector engagement. Equally important is their close ties with U.S. based bilateral business councils and other relevant associations.

In my experience when this works as it should, officers are able to provide invaluable assistance to companies large and small and provide value added input to the interagency policy making process.

This is equally important for investment promotion, as commercial staff on the ground have trusted relationships with potential investors.

### **Support of the Small and Medium Sized Business:**

The importance of supporting the small and medium sized exporter cannot be overstated. To truly compete internationally, we must have our most innovative companies engage in key markets. The Foreign Commercial Service provides invaluable support for these companies, explaining nuisances, vetting partners, and opening doors. Equally important are the U.S. Export Assistance Centers located in communities throughout the United

States. These centers are staffed by international trade specialist who live in the same communities as the exporters and who can develop trusted relationships that provide real value to companies that lack a large international sales department or DC government relations office.

I applaud efforts currently underway by the Commercial Service to modernize this network and ensure these professionals have the training and resources needed to be most effective in providing this support to SMEs.

The current structure works in having overseas and local connectivity. Whatever the outcome of this hearing, I urge the committee to keep these two pieces connected.

**What is not working:**

The cost of doing business:

When the Foreign Commercial Service was removed from the State Department, the primary motivation was to ensure a pure focus on business. In many ways, that has proven successful.

What was not foreseen was the development of the highly complex State Department centralized cost structures to operate overseas and the impact that would have on small stand-alone Foreign Affairs agencies like FCS. The major issue over the past twenty years has been the rising internal costs of operating offices in U.S. Embassies, through ICASS, MCS and associated costs of operating under the Foreign Service personnel system.

The Foreign Commercial Service has limited to no ability to influence these costs other than by shutting down offices.

Compounding this significant problem is the reality that the Foreign Commercial Service is a tiny part of a massive domestic agency, the Department of Commerce. The Department, while focused on business, does not have the administrative expertise to fully understand or anticipate the complexity of the overseas funding structure. This is not a new problem, but one that has persisted for at least 20 years. The International Trade Administration has grappled with this issue unsuccessfully for decades. The Global Markets unit within ITA, which includes the Foreign Commercial Service is the biggest piece of the ITA budget, however ITA also hosts the Enforcement and Compliance business unit, which sits at the opposite side of the commercial policy landscape and often and understandably is the urgent need to resource in the Washington D.C. landscape.

Time and time again over the past twenty years, the Foreign Commercial Service budget has been cut as the “biggest piece of the pie” without full consideration of long-term

impact on operating ability. This has resulted in difficult decisions like eliminating travel or delaying reassignments. This has resulted in understaffed offices in key markets and most importantly a lack of ability to be responsive to American companies and to focus on strategic adversaries

### **Fragmentation:**

What American companies need to be successful in today's global economy is a nimble, cohesive and strategic commercial diplomat corps. Today too often companies must navigate a complex set of agencies (19 in the Trade Promotion Coordinating Committee).

Companies need answers and assistance in real time. Dealing with five different parts of the government who are often not speaking with one another is inefficient and a drag on quick and decisive commercial outcomes.

I applaud the Foreign Commercial Service's continued focus on strategic industries. However, to be successful they will need to fundamentally change internal processes around training, performance management, and staffing levels internationally. The current funding reality and the drag from increased internal costs make that effort daunting.

### **Opportunity and Recommendations:**

Our country can create a new structure suited to today's geoeconomic realities and future demands. I believe this committee in concert with the Administration and the private sector can seize the opportunity to modernize our commercial diplomacy efforts and ensure U.S. companies of all sizes can compete globally. This will require challenging past assumptions, learning lessons from previous reform efforts, and most importantly understanding what the private sector needs to be successful overseas.

#### **Recommendation:**

In an ideal world, the Foreign Commercial Service would be fully funded with specific recognition of the complex internal costs to operate overseas and specific authority to budget those costs to ensure they don't impact its mission. Additionally, their authority should be updated to reflect the critical nature of Commercial Advocacy, Inward Invest Promotion, and a deep focus on strategic competition and critical emerging technologies. Their traditional trade promotion role should be reassessed in the current global landscape.

Absent full funding of FCS in the Department of Commerce, including centralized costs, I do believe it makes sense to create a specialized cone in the State Department on Commercial Diplomacy.

Benefits:

- Immediately eliminates the internal government cost burdens of small Foreign Affairs Agency. As part of the State Department, the Commercial Diplomacy Corps would be part of the broader State Department Funding and Planning Process rather than an outsider impacted by those decisions.
- Benefit to American Business, consolidation with State will streamline the user interface for American companies operating overseas.
- Formalizing Commercial Diplomacy within the State Department Structure ensuring that Commercial Officers are on an equal footing with all aspects of Embassy engagement.

Risks:

- Simply putting the Commercial Diplomacy in existing structures at the State Department risks losing the effectiveness and entrepreneurial nature of the current private focused Commercial Officer corps.
- Ensuring that the connectivity with U.S. Field offices, Advocacy and SelectUSA are not lost and ideally that all components come over with the Foreign Commercial Service.
- Ensuring that Foreign Commercial Service officers are truly integrated into the State Department and not disadvantaged or turned into second-class officers. This includes being given the opportunity to serve as Principal Officers, Deputy Chief of Missions, and Ambassadors as opportunities arise. It is also important that this unique skill set is recruited separately from the State Department generalist track.

Thank you for the opportunity to provide input to these timely and important deliberations.

