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House Committee on Foreign Affairs
“Helping American Businesses Win Abroad:
Strengthening U.S. Commercial Diplomacy”
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Chairman Mast, Ranking Member Meeks, Members of the Committee, thank you for the opportunity to appear before you today to discuss how to strengthen U.S. commercial diplomacy. Never has the success of American business overseas been so central to the long-term economic security of the United States and to the shared prosperity of the United States and its partners around the world. Your decision to hold this hearing and tackle this issue is a testament to your leadership and underscores the unique role Congress can play in ensuring that U.S. commercial diplomacy institutions and efforts going forward are up to this task.

Today, I will touch briefly on the history of the U.S. and Foreign Commercial Service as context for the reassessment we are undertaking today. I will then turn to where things have been working well in commercial diplomacy before concluding with how we can best position U.S. commercial diplomacy to meet the needs of the American people in a world of increasing strategic economic competition.

Until 1980 the responsibility for U.S. commercial diplomacy, including advocacy for American commercial interests and maintaining frontline contact with American business operations overseas, lay with the State Department. In passing the Trade Agreements Act of 1979, Congress expressed concern about the ability of State officers to prioritize and advance U.S. commercial interests, including monitoring the new trade agreements that had been reached in the Tokyo Round, and therefore directed the Carter Administration to reorganize the federal trade bureaucracy accordingly. The Carter Administration implemented this direction by transferring the function of commercial diplomacy to the Commerce Department, including the foreign service component of U.S. commercial officers and locally employed staff previously part of the State Department’s foreign service corps.

Given some natural growing pains with this transition, the Commerce Department undertook a strategic review of the operations of the U.S. and Foreign Commercial Service in the early 1990s and developed a more customer-oriented approach to meeting the needs of American exporters. This strategic review was the foundation of the tremendous success the U.S. and Foreign Commercial Service has achieved over the last three decades in expanding export opportunities for American business, especially for small and medium-sized enterprises, and supporting entrepreneurship and jobs in communities across America, including many of your Districts.

I see a few factors that have been critical to this success. First and most important, consistent with Congress' original instruction, a key part of the value of the Foreign Commercial Service has been its distinctness from the State Department. This has allowed FCS officers to develop an unparalleled understanding of the business of doing business overseas, with a laser-like focus on commercially meaningful outcomes based on connecting small American businesses with customers and other commercial opportunities overseas. This has also allowed FCS officers to develop independent relationships with officials in foreign governments, many of whom recognize the value to their economy of partnering with American business and are naturally open to engagement that furthers such partnership. Finally, FCS officers have been able to more readily bring the complementary strengths of the Commerce Department to bear in supporting American commercial interests abroad. These strengths include the deep sectoral and supply chain expertise of industry experts in the International Trade Administration, the practical innovation knowledge of the U.S. Patent and Trademark Office, and the ability to shape business legal frameworks through the Commercial Law Development Program.

While being distinct from the State Department has been invaluable, this does not mean that the Foreign Commercial Service has operated in isolation from the work of the State Department or the U.S. Government more broadly. To the contrary, the Commerce Department and State Department have a solid partnership that well serves U.S. foreign economic and commercial interests. The work of the U.S. and Foreign Commercial Service is closely aligned with Administration efforts across the board through the leadership of the Senate-confirmed Assistant Secretary, and this coordination is strengthened by the recent establishment, at the direction of Congress, of the Economic Diplomacy Action Group. Particularly in the case of Embassies, the Senior Commercial Officer from FCS sits on the leadership team of most Ambassadors together with State Department Economic Minister-Counselors, and Commerce and State officers coordinate regularly on engagement with the U.S. business community and advocacy on commercial policies.

While we should credit the U.S. and Foreign Commercial Service with its record of achievement on behalf of U.S. exporters over the last 30 years, it is also self-evident that today's world is fundamentally different from the world the Commercial Service was re-designed to serve 30 years ago. U.S. commercial partnerships are top of mind not only for foreign companies but increasingly for foreign government partners as well, whose leaders regularly raise questions about how to deepen those partnerships in meetings with the U.S. President and Cabinet officials. These leaders recognize that U.S. goods and services are vital enablers for economic growth and development in those markets. We also recognize on the U.S. side that, by supporting U.S. commercial interests overseas, we not only support jobs here but strengthen supply chains and help build the necessary connective tissue with partners and allies that ultimately positions the United States better to face strategic competitors. Finally, commercial diplomacy is not only about supporting U.S. businesses overseas—it is more important than ever for firms from partners and allied countries to continue to see the United States as a primary investment destination. Foreign-invested firms bring vital know-how and support high paying jobs across the United States, contributing to supply chain resiliency and economic prosperity.

Strengthening U.S. commercial diplomacy requires undertaking another strategic review of the U.S. and Foreign Commercial Service to ensure that it is fit for purpose in today's world of growing challenges to our economic security. To my mind, this strategic review would adopt improvements in the areas of (1) the Commerce Department's commercial diplomacy mission; (2) personnel; and (3) Congressional engagement.

Mission

Commerce needs to re-orient the mission of the Commercial Service around economic security rather than purely export promotion. Meeting the economic security needs of the moment requires the following:

- Explicitly identify commercial diplomacy in furtherance of economic security as the mission of the U.S. and Foreign Commercial Service.
- Reiterate the expectations Congress laid out when the Commercial Service was established in terms of the Service playing a role not only expanding exports, but monitoring compliance with trade agreements and resolving trade barriers. Doing so would be consistent with the role of the Global Markets and Enforcement & Compliance units of the Commerce Department's International Trade Administration.
- Allow for prioritization of export promotion activities in areas central to economic security, as guided by each Administration.
- Explicitly incorporate the work of the Advocacy Center and SelectUSA into the FCS mandate. Congress can help FCS officers build on existing work in this space by codifying their responsibility to help companies compete for foreign government procurements and support commercial deals in strategic sectors, as well as promote inbound foreign direct investment. Codifying the Advocacy Center and SelectUSA programs in statute will better ensure the long-term footing of these vital programs and the support given by FCS officers.
- Recognize the centrality of U.S.-based commercial service officers to the economic security objective. It is the end-to-end connectivity from local businesses to U.S. officers to FCS officers overseas to business partners overseas that enables the unique deal-making value that the Commercial Service can provide.

Personnel

Advancing the economic security objective in a rapidly changing commercial and technology landscape requires adaptable, well-trained personnel in the right locations around the world.

- *Staffing:* To this end, the U.S. and Foreign Commercial Service have long been grossly understaffed. While the number of FCS officers has increased from 167 to less than 220 since the time commercial diplomacy transferred from State to Commerce in 1980, the needs for commercial diplomacy have increased exponentially, leaving U.S. commercial diplomacy efforts inadequately resourced at precisely the time that commercial diplomacy is needed more than ever. Other competitors recognized this need long ago and have significantly expanded the presence of foreign commercial officers, including China, which has 10 times as many commercial officers in certain key markets as the United States. These extra officers are able to build more of the commercial and governmental relationships that translate directly into deals for their companies that advance the vital interests of the Chinese economy.
- *Placement:* It is not only the number of personnel that matter, but their location. As this Committee has long recognized, the footprint of the Foreign Commercial Service does not reflect the areas that demand the most commercial attention from the United States. While re-allocating existing officers can address part of that concern, moving officer positions out of countries, including close allies, where U.S. goods and services continue to face stiff competition from China and others, risks ceding ground in markets with well-established U.S. commercial strength. Ensuring adequate resources to place officers in critical regions of strategic economic competition will be essential to meet U.S. economic security needs.
- *Training:* Part of the strength of the U.S. and Foreign Commercial Service is in the officers' visceral understanding of how business operates and what businesses needs to succeed in foreign markets. Allowing for commercial officers to adapt their work to changing priorities while retaining this understanding will require significantly upgraded training vehicles, particularly given the complexity associated with sectors like artificial intelligence and critical minerals.

Congressional Engagement

Congress needs greater visibility into the functioning of U.S. commercial diplomacy efforts and should be able to better assess how increased resources are managed towards this purpose.

Congress can ensure greater oversight through the following:

- Require the Global Markets business unit within the Commerce Department's International Trade Administration, which has responsibility for the U.S. and Foreign Commercial Service, to submit an annual report on the efficacy of its commercial diplomacy efforts, including what priorities it is pursuing, how it is effectuating those priorities, what successes it has achieved, and how it is incorporating the Advocacy Center and SelectUSA into its priorities.
- Hold an annual hearing for the Assistant Secretary of Global Markets to deliver the report and answer questions from Members about the performance of the U.S. commercial diplomacy function.

I know from my own experience that the U.S. and Foreign Commercial Service is composed of some of the finest professionals in the federal government, driven by a clear mission to support U.S. business and delivering results with measurable metrics. That talent now needs to be harnessed towards a mission that better meets the urgent needs of today. This is not a function of the agency in which the Foreign Commercial Service sits; this is a function of the mission that has been assigned to it, the resources that will be allocated to deliver on this challenging mission, and the long-term commitment and stability of those resources to ensure that U.S. economic security can be meaningfully advanced through commercial diplomacy.

This work certainly requires continued and stronger partnership with the entire interagency, including with the State Department, and undoubtedly there are ways in which agencies can better leverage existing mechanisms to strengthen that partnership. But, that partnership does not mean displacement of the existing U.S. and Foreign Commercial Service. The reasons for grounding U.S. commercial diplomacy in the Commerce Department rather than the State Department are even stronger today than they were when the FCS was created over 40 years ago. What is needed is a redefined mission and resources for the U.S. and Foreign Commercial Service to do its job on behalf of the American people.