

**Testimony of Scott Nathan**  
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**July 22, 2015**  
**Written Testimony for the House Foreign Affairs Committee**

Thank you, Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Committee. I appreciate the opportunity to testify today on promoting U.S. Commerce in the Middle East and North Africa. Despite the challenges facing the region, there are many business opportunities and my testimony will focus on what the State Department is doing to help U.S. firms seize them.

Years of conflict, compounded by high youth unemployment, low global oil prices, and unsustainable public spending have increased economic and societal pressures and have often added to a difficult business and investment climate in this region. The State Department works with our counterparts across the U.S. government and with the private sector to try to reverse this trend by supporting the efforts of partner countries in the region to create jobs and to spur inclusive economic growth. Just by investing and employing more people, U.S. firms can and already do play an important role in helping transform the economic landscape of the Middle East and North Africa. But it is more than just the economic activity they contribute. Because of their high standards and business practices, as well as their participation in local business councils or American Chambers of Commerce, U.S. firms often set an example that helps catalyze change. This engagement can have a beneficial impact on the overall business climate.

The State Department has a key role to play in advancing U.S. economic prosperity overseas. As Secretary Kerry has often stated, "economic policy is foreign policy." In response to his challenge to build a vision of shared prosperity for the 21st century, the State Department has sought to integrate economic policy into everything we do. Support for sustainable development is integral to defending our nation's interests and ensuring the security and well-being of all Americans. Our foreign policy interests should depend on more than just diplomats and troops, as important as they are, and calling on and supporting our private sector is a key pillar of this strategy.

My chief responsibility as the Department's Special Representative for Commercial and Business Affairs is to help level the playing field for our companies to win more contracts and enter new markets. Our office also helps develop local entrepreneurship ecosystems and seeks to protect the intellectual

property of U.S. companies abroad. We work closely with counterparts from a number U.S. government agencies in Washington and in the field to ensure we are providing the best service and support to U.S. companies. Given recent political and societal changes, the Middle East and North Africa is a region of focus for these efforts. In my 16 months as Special Representative, I have visited the Middle East and North Africa three times, and will return shortly to continue our efforts to strengthen commercial linkages.

To assist the economic transitions in the region, we are taking a three-pronged approach. First, we are engaging with government partners through trade agreements and economic policy dialogues to support their market-oriented reform agendas and to facilitate greater business ties with the United States. Second, we are helping to connect our private sector with markets that show the most promise and doing what we can to position our companies to succeed in the region. Third, we are supporting local private sector development from the ground up through programs that bolster SMEs and entrepreneurs. These three lines of effort will ensure that, along with U.S. firms, we remain productive partners at a moment when the region needs us the most.

Creating jobs and opportunity through private sector-led expansion is critical to the future success of the region. This depends on an open business and investment climate. More open trade and investment policies will promote sustainable growth in the region and enable American businesses to have fair access to these growing markets.

We push for reform of trade policies and customs regulations, and we promote acceptance of international business standards and the protection of intellectual property rights. One of the most effective tools we have to expand U.S. commercial ties to the MENA region is our existing bilateral Free Trade Agreements or FTAs. Our two-way trade with the Middle East and North Africa grew from \$92.4 billion in 2010 to \$197.2 billion in 2014. Around a quarter of our exports to the region were sent to our five Free Trade Agreement– Israel, Morocco, Oman, Bahrain, and Jordan.

It is worth highlighting the impact of the U.S.-Israel FTA – the United States’ first bilateral FTA. Thirty years after going into force, two-way trade with Israel reached approximately \$38 billion in 2014, up from \$2.6 billion in the year the FTA began. Additionally, U.S. direct investment in Israel was valued at \$10.2 billion in 2012, while Israeli direct investment into the United States was valued at \$27 billion at the end of 2013 (according to the latest reported figures). This trend

is encouraging and signals the close ties between our nations. Our commercial relationship with Israel goes well beyond investment and trade in goods. Israel remains a global center for high-tech design and R&D, and as such, the technology sector continues to provide opportunities for U.S.-Israel commercial partnerships, specifically in ICT, safety and security equipment and services, renewable energy technologies, defense equipment, medical technologies and biotechnology products. Israel is second only to China in the number of non-U.S. companies listed on NASDAQ.

The U.S.-Jordan FTA marked the first time labor obligations were included in the core supplemental text for an FTA. Progress supported by FTA-related capacity building includes an “Implementation Plan Related to Working and Living Conditions of Workers” drafted to address workers’ rights in Jordan’s garment sector. Higher labor standards are an important element of an improved business climate and a more resilient society.

The U.S.-Moroccan FTA, which entered into force in 2006, is the only U.S. FTA with an African nation. The FTA eliminated tariffs on 95 percent of currently traded consumer and industrial goods. Duties on most remaining qualifying products are being phased out by the end of this year. The FTA provides enhanced protection for U.S. intellectual property, which is a key priority for us. These include measures on trademarks and copyrights, expanded protection for patents and product approval information, and tough penalties for piracy. Under the FTA, Moroccan exports to the United States have doubled and U.S. exports to Morocco have tripled. As reported by the Department of Commerce, our commodity exports to Morocco alone support more than 11,000 jobs in the United States.

Secretary Kerry highlighted an FTA success story, Petra Engineering of Jordan, at a large U.S. Chamber of Commerce event on the Middle East last December. Since then, the company has purchased over \$15 million worth of equipment, supplies, and machinery from U.S. SMEs. Every air conditioning unit produced for each of Petra’s 45 different markets around the globe uses components proudly made in the United States.

We continue to build upon the success of our FTAs to further strengthen trade within the MENA region. Our experts along with their interagency counterparts, participate actively in a variety of trade liberalization initiatives, including implementation of the recent WTO Trade Facilitation Agreement (TFA), which will facilitate greater trade across the region. Given the low level of economic integration in this region, supporting TFA implementation is a key priority to

promote commercial opportunities and economic growth through enhanced intra-regional and global trade.

Another key value we seek to promote in the region and around the world is the free flow of information across the digital economy, a key factor in enabling global business. Preserving the free flow of data is critical to continued American innovation and prosperity and U.S. firms consistently tell us it is critical to their success. Trade policies that keep the internet free and open, enable the digital economy to thrive and are central to maintaining U.S. competitiveness into the future. Increased connectivity holds the potential to lift people out of poverty, formalize the informal economy, increase the efficiency of supply chains, and increase the productivity of workers. The Internet Economy holds special promise for small and medium-sized enterprises (SMEs). Digital technologies enable even the smallest companies and entrepreneurs to become “micro-multinationals” – selling products, services, and ideas across borders. In the MENA region, where small businesses are so often the backbone of the economy, this access to global markets can have dramatic results.

Our economic discussions in the region go beyond trade. Through the bilateral dialogue process, the State Department regularly engages with governments of the region to promote pro-business regulations and strengthen commercial ties. This year alone, the Department hosted the U.S.-Algeria and U.S.-Morocco strategic dialogues, and will soon participate in one with Egypt. Within each dialogue, a dedicated portion is spent focusing on concrete steps to strengthen the economic and commercial relationship and expand two-way trade and investment. In a few months, the Economic Bureau plans to co-chair the U.S.-Israel Joint Economic Development Group and the U.S.-UAE Economic Policy Dialogue. Both are entirely devoted to discussions on economic policy and opportunities for greater private sector collaboration. The U.S.-Israel Joint Economic Development Group has a long track record over three decades of promoting bilateral commercial linkages, such as through the Israel-U.S. Binational Industrial Research and Development Foundation. The U.S.-UAE dialogue is more recent, but has already proven to be a successful forum for highlighting business opportunities in both countries. My colleague Charles Rivkin, Assistant Secretary of State for Economic and Business Affairs, chaired the sixth dialogue in December 2014. The agenda included innovation, cooperation on African growth and development, cybersecurity, and trade development.

In April 2015, Under Secretary for Economic Growth, Energy, and the Environment Cathy Novelli co-chaired the Economic, Commercial, Financial, and

Energy Working Group of the U.S.-Morocco Strategic Dialogue. The working group identified concrete ways to increase trade and investment between the two countries and take full advantage of the U.S.–Morocco Free Trade Agreement. It also led to strengthened business ties between U.S. and Moroccan companies through an ongoing series of United States–Morocco Business Development Conferences.

Another high priority for our Ambassadors and embassy teams in the MENA region and around the world is to support and advocate for U.S. companies bidding on foreign government procurements, helping to win billions in contracts for U.S. companies and supporting thousands of U.S. jobs here at home. As my colleague Deputy Assistant Secretary Elizabeth Richard has expanded on in greater detail, our Ambassadors and overseas missions execute our commercial advocacy strategy and play a crucial role in helping our companies win deals. In the more than 90 markets where there is no Foreign Commercial Service presence, the State Department leads commercial efforts, but in every market we strive to bring a whole-of-government approach to supporting business.

In 2014 alone, advocacy efforts on behalf of U.S. companies in the Middle East and North Africa by our overseas missions and Washington-based principals, including Secretary Kerry, contributed to over \$45 billion worth of sales supporting thousands of jobs in a dozen U.S. states. For example, Bechtel won a \$3.1 billion contract in Saudi Arabia last year to design, construct, and commission new metro lines in Riyadh assisted by advocacy from the U.S. Ambassador to Saudi Arabia James Smith and Secretary Kerry. The lines, along with four others, will form the backbone of Riyadh's new public transportation network. DaVita Healthcare Partners won a \$1.35 billion contract to provide dialysis services after strong Mission Saudi Arabia support led by the Ambassador. In 2014, State Department advocacy helped secure Florida-based Blumberg Grain a contract to provide 93 grain storage and food processing sites across Egypt.

In March, I joined Secretary Kerry and Senior Advisor to the Secretary Ambassador David Thorne at the Egypt Economic Development Conference in Sharm al-Shaikh. During the conference, GE announced a \$1.6 billion deal to provide more than two gigawatts of power generation equipment to Egypt, most of which is now operating and helping Egyptians meet their peak summer demand. This built on last November's highly successful trade delegation to Egypt, which was organized by the U.S. Chamber, led by Ambassador Thorne, and included more than 150 U.S. executives. One focus of advocacy during the trade mission and beyond was significantly reducing the time to register new pharmaceutical

products. The Egyptian Government recently issued a decree decreasing registration time from three years to 18 months.

We regularly bring government leaders together with counterparts from the private sector for conversations designed to promote opportunities, share information, and discuss challenges. The Department organized a successful business roundtable during the Iraqi Prime Minister's visit to the U.S. in April 2015, providing U.S. companies with an opportunity to candidly discuss the barriers they face in Iraq. In March, Assistant Secretary Rivkin co-led a delegation of U.S. companies to Algeria and Tunisia to facilitate new and stronger business ties. Along with the National U.S.-Arab Chamber of Commerce and the U.S.-Algeria Business Council, the trip connected high-level representatives from nearly two dozen American businesses with top private sector leaders and senior government officials. This mission brought American companies with expertise from agriculture to solar energy to markets eager for increased investment. During the trip, Assistant Secretary Rivkin and the delegation also played a key role in the "Partners for a New Beginning – North Africa Partnership for Economic Opportunity" (PNB-NAPEO) Investment & Entrepreneurship Conference in Tunis. These events connected U.S. companies with potential partners from across the region and brought together the highest leadership, including Tunisian president Caid Essebsi, with domestic and foreign private sector representatives. Opportunities like these can be the catalyst for meaningful market-oriented reforms, benefiting local firms as well as U.S. business interests.

Key allies in this work include business associations like the U.S. Chamber of Commerce and local affiliates, including American Chambers of Commerce (AMCHAMs) and other business councils. They are critical partners in economic dialogues, advocacy, and understanding the most pressing issues facing U.S. companies overseas. Our posts abroad also proactively provide key business intelligence to highlight opportunities and challenges for U.S. companies in the region and, given some of the challenges present in the region. The Direct Line Program for business is one example of how we do this. This program allows U.S. businesses to tap into the expertise of U.S. Ambassadors and country teams through webinars and conference calls that we organize. These off-the-record discussions are a valuable opportunity for companies to ask questions and receive frank and candid answers. U.S. companies, particularly SMEs, benefit from getting this tactical, on-the-ground information. U.S. Chiefs of Mission serving in the Middle East and North Africa have hosted 30 Direct Line calls since the program launched in mid-2012, with topics ranging from an overview of doing business in Kuwait, to opportunities in Oman's growing healthcare sector.

Working with partners in business and non-governmental organizations, we hope to help countries in the region create the ecosystems necessary for entrepreneurship to flourish and support job creation. As President Obama said in May to a room full of entrepreneurs, “encouraging the spirit of entrepreneurship can help us to tackle some of the greatest challenges we face around the world”. Supporting innovation and making it easier to start a business is critical to promoting prosperity.

For the last few years, the Coca-Cola Company has partnered with the Department of State and Indiana University's Kelley School of Business to host the Coca-Cola MENA Scholars, a summer entrepreneurship program for 100 college students from across the MENA region, including Egypt, Tunisia, Algeria, Morocco, Jordan, the West Bank and Gaza. More than 5,000 applications are expected. Winners will be selected because their new business projects or community initiatives help to "make tomorrow better" in their country. A year ago, I had the privilege of meeting and speaking to the Coca-Cola MENA Scholars program participants and emphasized that entrepreneurship can be more than just an important driver of growth. Having the freedom to take a risk and start a business is about human potential, opportunity and hope. As Secretary Kerry has stated, “The United States has learned through its own experience that entrepreneurship is an essential driver of prosperity and freedom.”

Through the Global Entrepreneurship Program (GEP) we are promoting and spurring entrepreneurship around the world by catalyzing and coordinating private sector and U.S. government programs. Right now, the U.S. Department of State is collaborating with over 100 organizations to foster entrepreneurship worldwide. GEP helped create and launch the Global Enterprise Registration portal (GER), with the Kaufman Foundation and others, to provide direct access to official business registration websites worldwide increasing transparency and ease of doing business. GEP also has led delegations of entrepreneurs and investors interested in exploring opportunities and meeting local partners to Jordan, Lebanon, Egypt, Morocco, Tunisia and Algeria.

The annual Global Entrepreneurship Summit (GES) is a signature event for GEP and the Administration. The seed of GES was planted in President Obama’s 2009 speech in Cairo that was titled "A New Beginning.” He announced that the United States would host a summit on entrepreneurship to identify ways to deepen ties between business leaders, foundations, universities, and entrepreneurs in the United States and Muslim communities around the world. GES has been held

twice in the MENA region – UAE and Morocco. An estimated 14,600 participants from all corners of the world have attended the five Global Entrepreneurship Summits. I participated in the 2014 GES in Morocco which brought an estimated 6,000 participants together to create the connections that will help entrepreneurs succeed. The President will attend this year's Summit, the sixth GES, in Nairobi, Kenya this coming weekend. It will bring together more than 1,000 entrepreneurs and investors from across Africa and the world to showcase innovative projects, exchange new ideas, and help spur economic opportunity.

The Global Innovation through Science and Technology (GIST), a State Department program, creates a network of entrepreneurs, angel investors, mentors and others to strengthen entrepreneurial ecosystems in 86 emerging economies across Africa, Asia, Europe, Latin America, and the Middle East. GIST empowers young innovators through networking, skills building, mentoring, and access to financing to develop startup solutions that address economic and development challenges. GIST includes an interactive virtual network with online programming, a global annual Technology-Idea (Tech-I) competition, and startup boot camps.

The fourth-annual TechGirls exchange program is another example of our commitment to advancing science, technology, engineering, and math (STEM) education. From July 21-August 12, tech-savvy teens from Algeria, Egypt, Jordan, Lebanon, Morocco, the Palestinian Territories, and Tunisia will work side-by-side with American teens and leaders in the tech industry. The three-week program will begin at iD TechCamp, an interactive technology and computer camp at American University. The exchange will also include community service projects and mentoring sessions with leaders from the United States and MENA region.

Another recent idea in this area, although still in development, is the Resilient, Entrepreneurial, And Dynamic Youth or READY Initiative. It will teach at-risk youth how to code and prepare them for online employment. This low-cost pathway to virtual employment offers vulnerable youth a positive alternative to violent extremism and enables them to become productive members of society. The first country in which we hope to launch the READY Initiative is Egypt. Future prosperity in Egypt depends on the gainful employment of young Egyptians. READY has the potential to provide direct economic benefits to unemployed and under-employed youth.

My testimony has discussed only a small sample of the breadth of our economic engagement with the Middle East and North Africa. Through a web of economic initiatives, we and our regional partners are building toward a more prosperous and



stable region. Our economic and commercial engagement with the region is deep, enduring, and expanding. Economic growth will not solve all problems, of course, but improving the business and investment climate and encouraging entrepreneurship creates opportunity and hope.

By focusing on these opportunities, we can help define standards, open markets, create jobs, and strengthen our alliances and partnerships.

Thank you and I look forward to answering your questions.