Testimony for the Record
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House Foreign Affairs Committee
Subcommittee on the Middle East and North Africa
July 22, 2015

Chairman Ros-Lehtinen, Ranking Member Deutch, Members of the Subcommittee, thank you for the opportunity to discuss an important but often over-looked aspect of the United States' engagement in the Middle East and North Africa: the significant and expanding economic ties American businesses have in the region. Over the past four years, U.S. trade with the Middle East and North Africa has grown on average by $1 billion per year reaching $197 billion last year. U.S. exports to the region are at an all-time high.

During this same period – since the "Arab Spring" revolutions began – the U.S. government has, understandably, focused its diplomatic efforts on addressing the region's widespread political and social upheaval and the alarming rise of violent extremism, which together have profoundly disrupted the lives and the livelihoods of tens of millions of people. Despite the instability and uncertainty, our embassies have aggressively advocated on behalf of American businesses which have expanded existing commercial relationships or established new ones across the region.

As this Subcommittee knows all too well, the Middle East and North Africa face tremendous structural challenges that feed the historic instability we're seeing there. Widespread lack of economic opportunity, bad governance, endemic corruption, a mismatch between degrees earned by students and skills required for available jobs – all exacerbate the social and political problems facing divided countries. Moreover, there is an entire generation of young people under the age of 30, who make up as much as 60 percent of the population in some countries, who are Internet savvy and connected to the world through smart phones – but who are unable to find work because of anemic private sectors.

This is where American businesses can and do make an immediate and lasting impact on the region. Simply by investing and creating jobs in the Middle East and North Africa, American businesses help make the region stronger while ultimately strengthening the American economy, too. Let me be clear that jobs alone won't solve the problem of violent extremism. However, there is a strong sense of pride and purpose that comes with holding a job and which in turn can dissuade at-risk youths from embracing the nihilism and violence that extremist groups offer.

Moreover, the United States has a vested interest in seeing our businesses do well in the region, and that includes pursuing a robust economic diplomacy so our businesses can compete on level playing fields.

As Secretary Kerry said: "The fight against violent extremism in the Middle East can and will only truly be won if there are clear and appealing alternatives. Without a credible vision of widely shared prosperity and of social justice, any victories that we achieve … will be short-lived. [W]e have to pursue a future for the Middle East in which the architects of economic freedom and growth hold sway [and] in which they define the future."

One of the Secretary's top priorities has been facilitating U.S. business' market access in the region. He rightly sees economic opportunity as a fundamental way to empower people, offer them the promise of a better future, build stronger and more equitable societies and demonstrate the benefits of stability and peace. A hugely successful American-led initiative that has directly improved people's lives in the region are the Qualifying Industrial Zones (QIZs) involving Egypt, Jordan and Israel. In Egypt, QIZs currently support approximately 300,000 jobs – 60 to 70 percent of which are held by women – and have enabled clothing produced in Egypt and Jordan, with input from Israeli partners, to compete in the global economy. Just under $1 billion of apparel imports entered the United States from the Egypt-Israel QIZs last year. And senior Israeli officials have said they want to double QIZ exports by 2018. There are families in these countries that have food on the table, extra money in their pockets and more opportunities for a better future because of the QIZ program and because of our economic diplomacy.

So we will continue pushing to open doors that American businesses in the region can walk through. As my colleague Scott Nathan will discuss in greater detail, Secretary Kerry and other senior State Department officials have led numerous trade missions to the region in order to personally demonstrate our deep commitment to American companies that want to invest there. These missions are meant to provide confidence so companies like General Electric, which at a recent investment conference in Sharm El-Sheikh, announced a $2 billion deal to provide more than two gigawatts of power generation equipment to Egypt, will not hesitate to seek new business opportunities. We want to facilitate American companies doing business in the region because it is good for our companies' bottom lines as well as for the American economy. Trade is also good for local economies and the United States benefits more broadly when more prosperous middle classes develop in the region that can grow into major markets for U.S. goods and services.

As this Subcommittee is well aware, a central mission of all of our Embassies in the region is to fiercely advocate on behalf of American enterprises. Ambassadors and Embassy staff frequently sit down with American businesses to advise and strategize with them about local business opportunities; they'll meet personally with local Economic Ministers if there is a public solicitation a U.S. business can bid on. Ambassadors attend business chamber events and speak at U.S.-owned companies where the local press will cover the event and raise the profile of these American businesses. In Egypt, Ambassador Beecroft recently visited a Coca-Cola bottling plant where he participated in two standup television interviews and then sat down for a group interview with the Egyptian print press. In April, Ambassador Joan Polaschik, after numerous talks with Algeria's Transportation Minister, helped GE finalize a $20 million deal with the state-owned railroad company. And in Iraq, Ambassador Stuart Jones and the U.S. Embassy relentlessly advocated with high-ranking officials there and two weeks ago the Grain Board of Iraq announced it would spend $37 million to buy about 63,000 metric tons of rice grown in Louisiana, Missouri, Arkansas and Texas. These are just three out of countless examples of the kind of advocacy that goes on each and every day in every country in the region where we have a diplomatic presence.

American diplomats work tirelessly at their jobs, but what helps their commercial advocacy is the reputation American companies have in the region. Our businesses are known for top quality goods and long-term relationships that far outlast individual contracts.

The Gulf, for example, is clamoring for the "Made in America" brand and the integrity and service that entails. The Kingdom of Saudi Arabia is the largest buyer of American cars outside of North America. Our bilateral trade reached $66 billion last year with the Kingdom, and our exports there have grown nearly 80 percent since 2009. Countries in the Middle East and North Africa have become some of Boeing's largest customers in the world. Over the past few years, customers there have purchased or placed orders with Boeing worth more than $130 billion. Two hundred 777 aircrafts – which include 300 American-made GE engines – were ordered last year alone.

Let me put this in some perspective because these numbers are so large. Every deal that sends more 777s to the region means more jobs and more job security for American workers who build those airplanes and every other American involved in Boeing's supply chain. Seven out of ten companies in Boeing's supply chain are U.S.-based, so when new 777s land in an export market, thousands of small American businesses land with them. The aircraft sales to the region are estimated to support around 400,000 American jobs, according to the U.S. Department of Commerce. So the virtuous cycle of increased trade in the Middle East reaches back here to help hundreds of thousands of American families, at the same time that it creates new customers in the region whose American-made products will need servicing and upgrades that our companies can then provide.

And we're increasingly seeing countries in the Gulf and across the Middle East who are familiar with how we do business, looking to invest their wealth here in the United States – including right here in Washington, DC. The Qatari sovereign wealth fund invested more than $700 million to build City Center which is about a mile away from where we are today. Qatar also announced it will begin to invest $35 billion more dollars in the U.S. economy starting this year. In Port Canaveral, Florida, Gulftainer, which is based in the UAE, now operates a major port facility. Israel-based Teva Pharmaceuticals employs 8,000 Americans in 13 states around the country. This is just the tip of the iceberg of the two-way trade that is going on.

All stripes of American businesses increasingly play vital roles in some of the region's most critical industries. In Jordan for instance, a Virginia-based company overhauled the logistical operations at Jordan's only sea port, in Aqaba, on the Red Sea. NTELX, Inc., and a local partner cut inefficiency and corruption and saved the Jordanian economy about $100 million a year by introducing an integrated computer system to run port operations. NTELX did such a good job that it is under contract to help the port in Basrah, Iraq modernize its operation. In April, Houston-based Headworks International, signed a contract to provide Saudi Arabia with equipment and services for a wastewater treatment facility. Qatar is set to spend approximately $200 billion in infrastructure projects in preparation for the 2022 World Cup. U.S. firms have won many of the tender competitions for 2022 World Cup contracts, with U.S. companies such as Bechtel, CH2M Hill, Parsons, Parsons Brinkerhoff, KBR, Fluor, AECOM, among others managing Qatari infrastructure projects for development of the airport, roads, rail system, ports, and stadiums. These major contracts should result in the use of U.S. standards and specifications that will favor other U.S. companies as the projects begin implementation.

The Coca-Cola Company has invested heavily in the region and is looking to expand its presence even further in the coming years. It already contributes to the livelihoods of a half-million families in the region, directly employs 40,000 people in the Arab world, and will open a new $100 million bottling plant in Egypt and has plans to open a new plant in the Gaza strip – for which it has already received all the required Israeli permits. This is an example of an American business capitalizing on opportunities in the region while providing sorely needed jobs.

However, it is not just large businesses that are finding opportunities in the region; small and medium-sized enterprises have also found tremendous success in the Middle East. For example, 41 American companies with ties to Florida have foreign subsidiaries in the region and companies from every part of our country do business there. This spring, the Cleveland Clinic began operating a breathtaking, world-class hospital in Abu Dhabi that is attracting people from all over the world who are seeking care from the hospital's top-notch doctors – many of whom have traveled from the United States to practice in Abu Dhabi. Since 2006, the Cleveland Clinic has also administered the Sheikh Khalifa Medical City, also in Abu Dhabi, which is a renowned medical center in its own right. And Houston Methodist Hospital now provides education and training at the Mohammed Bin Rashid Academic Medical Center in Dubai.

There is an ever-growing list of Americans doing business in the region. However, we know that if governments did more to strengthen their business laws and reform their judiciaries, U.S. investor confidence would rise and more investment dollars would be directed into the region.

To that end, another aspect of our economic diplomacy involves working with countries across the region to essentially upgrade their business laws and regulations. Along with the Department of Commerce, we have worked with the majority of Gulf countries to bring their corporate governance codes, E-Commerce, arbitration laws and franchising laws up to international standards. In Iraq, the Department of State works with the Department of Commerce's Commercial Law Development Program (CLDP) and Embassy Baghdad to help Iraqis understand the legal and practical steps to identify and sign franchise agreements with U.S. franchisors; Arby's has already opened a franchise there and Nestle Toll House is poised to begin business there soon. CLDP also worked with the Tunisian government and other stakeholders to liberalize the franchising sector and soon we will see Johnny Rocket's, Re/Max, Pizza Hut and 26 other franchises open for business there. And in Egypt, the Department of the Treasury is partnering with the Egyptian Finance Ministry to improve their cash management operations.

These programs aimed at improving business climates, plus many others we are simultaneously pursuing, are part of the solution. But even taken together they won't solve the entrenched challenges the region faces. The Middle East and North Africa has the lowest share of intra-regional, non-oil commerce in the world. Youth unemployment is between 25 and 40 percent in a region where the average age is 21. Only about one woman in four participates in the formal economy in the region. They participate in the workplace at about half the rate found in other parts of the world. And there are countries in the region where women are unemployed at a rate three to eight times higher than the rate for men.

Private sectors in too many countries in the region are also neglected. Nearly two-thirds of employed Saudis work for the government. Eighty percent of the UAE's $13 billion federal budget goes to pay salaries and fifty percent of Saudi Arabia's budgeted expenditures go to salaries, wages and allowances.

These are deep social and economic challenges that are exacerbated by slow growing economies that produce too few jobs for growing populations.

Obviously, these problems won't get solved overnight and will take years to fix. But we need to make headway and we need our business community to play a leading role in addressing the deep economic problems the region faces. Creating jobs and fostering greater shared prosperity in the region will not, alone, solve the problem of people joining ISIL or Al-Nusra and Al-Qaeda. But part of what has plagued this region for so long is a chronic lack of opportunity and the inability of people to live free from government oversight and intrusion. If American companies can increase their presence in the region, they will strengthen the private sectors in local economies, they will empower their employees and they will help create opportunities that are sorely lacking in the region today. And supporting our companies in these efforts will continue to be a top priority of the State Department.

Thank you for the opportunity to testify before you and I look forward to answering your questions.

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