
The United States and The Global Economy

By

Joan E. Spero
**Undersecretary of State for Economic,
Business, and Agricultural Affairs**

[The following is a reprint of an address by Undersecretary Spero at a town meeting on U.S. foreign policy in Charlotte, North Carolina, on September 29, 1994.]

It is a great pleasure to have this opportunity to talk to you at a "Town Meeting" on the United States and the world economy. I am very impressed by this large turnout. But I should not be surprised, because Charlotte is the economic and financial center of the Carolinas. I don't need to convince you how important greater economic engagement in the world is to the American economy and to the well-being of the American people.

I am also very pleased to have this opportunity to visit North Carolina in an official capacity. I expect I will be seeing a lot of your state over the next four years, now that my son has begun his freshman year at Duke.

Today, I would like to talk about the international economic policy of the Clinton Administration and what we at the State Department are doing to bring U.S. economic interests to the forefront of our foreign policy. I would like to talk specifically about the importance of the Uruguay Round to America's future. And then I would like to listen to you—because that's what a town meeting is all about.

ECONOMICS MATTERS

During the Cold War, we took our nation's economic interests for granted. Our economic strength was there to be used—to pay for our military; to provide assistance for other countries, often for political and not economic reasons; or to be used as leverage to attain non-economic goals when the Soviet Union or others misbehaved. But for the United States to pursue its economic interests abroad, to care about jobs and exports for its people and companies, to demand that other countries grant us the same access to their markets in trade and investment that we give to ours—all this was seen as secondary or even unworthy for a great nation like ours.

Under the Clinton Administration, this has changed because the world has changed. Although the Cold War is over, security issues remain important—just think of North Korea's nuclear program. But increasingly, economics is coming to the forefront. It is almost a cliché now to say that our future will be described in economic terms. Today we face a world filled with economic opportunity but also one filled with economic challenges. We live in a world where markets increasingly are global and our market is increasingly interdependent. We may be the world's only political and military superpower, but when it comes to economic and business matters, we have a lot of competition.

THE CLINTON ECONOMIC AGENDA

Economics matters have acquired a new centrality in U.S. foreign policy. Those of us in the Clinton Administration remember clearly the primary reason why the American people turned to us for new leadership—"it's the economy."

As you remember, the President said he would “focus like a laser beam” on the economy. From the beginning of his Administration, President Clinton has given a clear indication that economics play a central role in his foreign as well as domestic policy. He said that this nation is going to play a leadership role in the global economy and that America would “compete, not retreat” in world markets. A year and half later, it is clear that he is keeping his word.

The Clinton Administration has five broad goals for our international economic policy. Let me go through them, one by one, and give a report card on how I think we are doing.

AMERICA IS BACK

Our first goal is to get our own economic house in order. More than anything else, this is the most important contribution we can make to a healthy international economy and to the American people. Our goal is to make the United States, without question, the most competitive nation in global markets and the world’s economic leader as we enter the 21st century. Under President Clinton’s leadership, we are doing just that:

- The President worked with Congress to achieve a five-year budget deficit reduction package of \$500 billion. Today, thanks to that package and a revived economy, our budget deficit is down, and that is contributing to the positive performance of our economy.
- At the same time, we are working to shift our investment and government programs from defense spending to infrastructure investment in education, training, and civilian technologies.
- We are putting a new emphasis on trade promotion and opening foreign markets.

What is happening in America today is not just thanks to the government; having worked in business for the past 12 years, I know that our companies and workers also deserve great credit for what is happening in our economy today. The short-term pain of restructuring is starting to produce longer-term benefits as our firms regain their competitive position:

- The United States has reemerged as the world’s largest producer of automobiles, we have regained our position as the leading global seller of semiconductors, and we have widened our technological lead in the critical high-technology fields of computers and telecommunications.
- We are once again the world’s greatest export machine: we export more of the world’s goods and services than any other country. Today we export over 13 percent of our GNP, compared to just over 9 percent for Japan. U.S. exporters are enjoying their best year since 1988; the Commerce Department predicts that our exports will increase by 8 percent this year.

In my present position, I travel overseas a lot—my husband says too much—and I can tell you that, from my conversations with government officials and business executives from Europe to Japan, the word is out. The United States is back as a responsible manager of its own economy and as a responsible leader of the world economy.

The greatest compliment, perhaps, has just come from the international business community. The World Economic Forum in Geneva recently announced the results of its annual survey of nearly 3,000 international business executives—a survey of global competitiveness. The result? The United States has climbed to the top of the list and displaced Japan for the first time since 1985. Today we are the most competitive economy in the world.

THE IMPORTANCE OF THE URUGUAY ROUND

The second major goal of our foreign economic policy is to open markets around the world, working at all three levels: global, regional, and bilateral. We intend to open up new worlds of opportunity for our businesses overseas. The successful completion of the Uruguay Round last December is the centerpiece of a more open global trading system.

The Uruguay Round has in essence “modernized” the international trading system. It significantly reduces tariffs and non-tariff barriers; expands the trade regime to services, intellectual property, and investment; covers agriculture in a meaningful way for the first time; and establishes a World Trade Organization.

The Uruguay Round is going to produce a \$5 trillion “kick” to the world economy over the next 10 years. And as the world’s greatest exporter, we are going to reap substantial benefits from it—on average, \$200 billion per year. A lot of that is going to come here to North Carolina. Your exports to the world more than doubled between 1987 and 1993, and with the Uruguay Round they are going to go up even more.

Our most important and immediate challenge today is to secure congressional ratification of the Uruguay Round. By ratifying the Uruguay Round, Congress will help generate growth and create jobs in the Carolinas and around our nation. It will demonstrate once again that the United States has the confidence and the willingness to lead and to compete in the world.

You all remember the debate in this country last year over NAFTA and whether it was good or bad for us. Have you looked at the results? In the first six months of this year, our exports to Mexico went up by 17 percent. That’s more than twice as fast as our exports to the rest of the world. If that pace keeps up, we will ship \$50 billion in U.S. products to Mexico this year. The giant sucking sound is U.S. exports heading south.

The Uruguay Round will be equally beneficial to our economy, our businesses, and our people. For example, your high technology industries here in North Carolina—electronics, computers, and telecommunications—will benefit from greater protection for intellectual property, your chemical industry will benefit from lower tariffs and better patent protection.

While we work to remove trade barriers globally, we also will continue to pursue market-opening on both the regional and bilateral level. Last November, in Seattle, we launched a Trade and Investment Framework among the 15 member economies of APEC—the Asia-Pacific Economic Cooperation forum. This framework lays the groundwork for cooperation on opening markets in the Asia-Pacific region, the fastest-growing and most economically dynamic region in the world. We expect further movement at the APEC meetings in Indonesia in November. At the Summit of the Americas in December, we will work for an expansion of markets in this hemisphere, to create the conditions for dynamic growth throughout the Americas and for greater economic integration among the 34 democracies of the Western Hemisphere.

Bilaterally, the U.S.-Japan Economic Framework, our Dialogue for Economic Cooperation with Korea, our discussions with China on market access and the protection of intellectual property, our upcoming economic dialogues with Taiwan and India—all of these are aimed at providing greater access for American goods and services to these important Asian markets.

BUILDING THE ECONOMIC BASE FOR PEACE AND STABILITY

Our third major goal is to help build a solid economic foundation to support the world’s new democracies. Think of the dramatic changes we have seen in the past few years: Russia; the Israeli-Palestinian agreement; South Africa; and now Haiti—people working to build free societies and

market economies. Our goal is to help them succeed and, beyond that, to help integrate them into the world economy and the community of free nations. We do this not simply because it is good economics or good business. We do it because successful economic policies provide the underpinning for our other foreign policy goals.

Assistant Secretary Pelletreau talked to you earlier about the Middle East. There we clearly see the linkage between our political goal of a stable and durable peace on the one hand and economic success on the other. The Israelis and Palestinians took a major step toward peace when they signed the Declaration of Principles a year ago, and the international community responded less than two weeks later with over \$2 billion in pledged support. Now we are working for economic success on the ground. The Palestinian people increasingly will judge their leaders on their ability to bring economic as well as political benefits.

The United States, Europe, and Japan have been active in providing official financial resources to help Russia and its neighbors stabilize their economies and adjust to new economic realities. President Yeltsin and his government have made remarkable progress since last December's elections in developing a domestic consensus for economic reform. Inflation is down, and Russia is moving toward the second stage of privatization of state-owned enterprises. When President Yeltsin meets with President Clinton on September 28, we plan to begin a new phase in our economic relationship with Russia—one that emphasizes even more strongly the role of the private sector, the importance of trade and investment, and the need to create the kind of economic and legal environment that attracts private capital. The United States is now the largest foreign investor in Russia, with over \$1 billion in investments. But in a country of Russia's size, there clearly is much greater potential.

In South Africa, per capita income fell by 15 percent over the past decade, and the economy's growth rate was only 1 percent last year. South Africa needs a sustained economic recovery to create jobs and provide resources for its reconstruction and development. The United States is supporting the new Mandela government with an assistance package of nearly \$600 million over the next five years. Our private sector also can help. We have regained our position as South Africa's leading trading partner, but the return of U.S. investment to South Africa has been slower than expected. With the right mix of natural and human resources, sophisticated infrastructure, capital, and economic policies, South Africa has the potential not only to provide a better life for all of its people but also to serve as an engine of growth for the southern Africa region.

The ability to manage economic transformation in Russia, the Middle East, South Africa, Haiti, and elsewhere is one of the major challenges of the 1990s. But America cannot do it alone. The assistance of other nations and international financial institutions is required. In the long run, private sector development—not official development flows—will be the key to whether or not reform succeeds. But above all, success will depend, in the end, on the governments and people of the transition economies themselves.

THE DEVELOPING NATIONS

Our fourth goal is to promote sustainable and broad-based growth in the developing world. We want to add to the impressive list of economic success stories in the developing world. U.S. exports to developing nations are increasing faster than those to the developed world. And developing countries need markets to serve as much as they need financial assistance. Trade, not aid, is the way to future growth, and developing countries also must work to encourage private capital flows to promote development. The Clinton Administration is pursuing a range of policy initiatives to encourage market-oriented growth in the developing world. NAFTA, APEC, and the Uruguay Round are key elements of this approach; so is the Summit of the Americas this December. We also are restructuring U.S. foreign assistance programs and institutions, we are

seeking more effective cooperation with the multilateral development banks, and we have transmitted to the Congress the draft of a new foreign assistance act.

A NEW ECONOMIC ARCHITECTURE

Our fifth goal is to improve coordination among the world's economies and modernize the "architecture" that ties the world economy together. This year marks the 50th anniversary of the Bretton Woods conference—the key meeting that established a new world economic order after World War II—the World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade (GATT). The institutions that grew out of that period have served us well. But the world is changing. There are new issues and new players on the world economic scene. For example:

- How do we deal with the growing integration of the world economy? Do we need new ways of addressing trade in services and international financial flows?
- How do we handle the "new" global issues that affect the world economy, such as the environment, population growth, and workers' rights?
- What should we do about those countries, especially in Africa, which are not keeping pace with world economic growth and development?

Over the past two years, we have been working with the other major economies of the world through the Group of Seven, or G-7—Japan, Germany, France, Italy, the United Kingdom, and Canada. Our goal is to strengthen the G-7 as a coordinating mechanism for the world economy. At the recent G-7 meeting in Naples, the leaders of the G-7 accepted President Clinton's proposal to look at the world's economic architecture—to consider how to reshape our international economic institutions, adapt them to deal with new issues and new players, and, where necessary, create new institutions to help achieve our policy goals.

We already have made significant progress in reorienting global and regional economic institutions. The successful conclusion of the Uruguay Round, which I discussed earlier, was an important step to "modernize" the international trading system.

We also are moving the World Bank and other multilateral development banks into a new era, to strengthen their management and place greater emphasis on the "new development agenda"—support for market-oriented economics, social welfare, good governance, and sustainable development.

In Asia, we are building the foundation of a new Pacific Community through APEC. Here in this hemisphere, we are promoting the renaissance of the Organization of American States—the OAS—the strengthening of the Inter-American Development Bank—the IDB—and the development of a new system of hemispheric relations through the Summit of the Americas.

These are but a few examples. Modernizing the world's economic architecture is one of our key future tasks. Because economics will be at the center of our policy interests in the world of the future, these institutions also increasingly will be seen as the key, central players in world affairs.

CONCLUSION

These, then, are the international economic goals of the Clinton Administration. The President and all of us who work for him are determined to help bring the benefits of a growing world economy home to the American people.

I am pleased to be at the Department of State today, for we—and our 275 Foreign Service posts around the world—are supporting the President fully in his efforts to restore the strength of the American economy and build a better future for the American people.

Our ambassadors overseas and the other officers at our embassies increasingly understand that supporting American economic and business interests is a key part of their job. As the President recently told a group of American business leaders, “our embassies are now on your side.” Secretary Christopher has made it clear that he expects our embassies to be fully supportive of American business.

And the Secretary practices what he preaches; each time he travels overseas, he makes it a point to meet with the American business community and to raise key commercial issues with the host government. On his first trip to Japan as Secretary of State, in April 1995, the first thing the Secretary said to his counterpart at the Foreign Ministry was, “I want to talk to you about the problem we’re having selling computers to the Japanese Government.” I don’t know who was more shocked—the Japanese Government officials present or our embassy staff

At his confirmation hearings, Secretary of State Christopher made it clear that wants an “America desk” at the State Department. And he has made it clear that he expects me and every one of our officers to be sitting behind it with him. The Secretary and I are pleased to receive an increasing number of letters from the American business community praising our ambassadors and embassy officers overseas. We know that we have a long way to go, and we want to do a better job. So we hope that you will let us know when we fall short. But I think that, at last, we are headed in the right direction.

In today’s world, foreign policy is not “foreign” to the American people anymore. It is about promoting America’s interests. And increasingly, those interests are economic. The first priority of our foreign policy, Secretary of State Christopher has said many times, is the economic security of the American people.