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PROMOTING U.S. COMMERCE IN THE MIDDLE EAST AND NORTH AFRICA

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BEFORE THE

SUBCOMMITTEE ON
THE MIDDLE EAST AND NORTH AFRICA

OF THE

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PROMOTING U.S. COMMERCE IN THE MIDDLE EAST AND NORTH AFRICA

WEDNESDAY, JULY 22, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE MIDDLE EAST AND NORTH AFRICA,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the subcommittee) presiding.

Ms. ROS-LEHTINEN. My opening statement, and I usually never start without Mr. Deutch being here, since he's usually beating me, and I'll ask Mr. Issa for as long as he can to take over, and then I'll be back.

So, after recognizing myself and Ranking Member Deutch when he comes for 5 minutes each for our opening statements, I will then recognize any other member seeking recognition for 1 minute.

We will then hear from our witnesses, and without objection the witnesses' prepared statements will be made a part of the record. And members may have 5 days to insert statements and questions for the record subject to the length limitations in the rule.

The chair now recognizes herself for 5 minutes.

The Middle East and North Africa is a region rife with conflict, instability, insecurity, and uncertainty as the events of the Arab Spring have shown us, but it also a region with potential. If some of those nations take the necessary measures to step out from the uncertainty and instability, and institute reforms and develop democratic institutions that can bring them back into the global economy.

My deepest apologies, Mr. Deutch.

The Middle East and North Africa as a region accounts for about 5½ percent of the world's total population, a population that is one of the fastest growing in the world, but its economic output falls short of expectations contributing just over 4 percent of the world's GDP.

In terms of U.S. Direct Investment, the Middle East and North Africa region as a whole accounts for just 1 percent of the nearly $5 trillion of outward U.S. foreign Direct Investment. Those numbers are incredibly lopsided, but that means that there's room to grow, and to expand. But it can only be done if many of the countries in the region implement much needed political reforms, economic reforms, rule of law reforms. Local businesses and foreign businesses alike run into rampant cronyism, protectionist policies,

corruption, regulatory burdens that stifle economic growth and take away the incentive for those seeking to do business in the region.

This makes it difficult not only for the governments themselves to invest in infrastructure and integrate themselves into the global economy, but it also makes these countries undesirable for foreign Direct Investment, which in turn exacerbates their economic struggles and their inability to reduce their already high unemployment numbers, and the cycle continues.

This is a region that continues to significantly underperform in terms of economic output relative to its total population. That means they become overly reliant on outside foreign assistance. And one of the largest providers of foreign assistance is the United States, because these countries are behind in instituting democratic reform.

In fact, the only democracy in the region is our close friend and major strategic partner, the Democratic Jewish State of Israel. It is probably no coincidence then that Israel enjoys the economic benefits that few countries in the region do, and that is why it is a great environment for American businesses to operate and thrive in. But Israel is not the only country in the region with whom we have strong ties. We have free trade agreements with five countries, including our partners, Israel, as I mentioned, Jordan, and Morocco. But there are others which we can continue to seek ways to expand our trade and investment opportunities.

Is our policy too concentrated on security matters and not enough on trade and investment opportunities? We need to find ways for American businesses to help the economies of the region grow. If we can do that, we can gain more leverage, and we can help to promote and support democratic reforms. We need to work to help foster more hospitable positive environments for American and other foreign businesses because it is important that we transition from aid to trade.

Increased trade with the region will help to strengthen their economies. The aim should not only be for American businesses to create opportunities and more American jobs, but to do the same for other countries in the region and help them become economically sound and less dependent on our economic assistance.

This has been one of the missing pieces of the puzzle from the Arab Spring across the region. We need to find ways to spur privatization, investment, economic growth in these countries through democratic reforms. If we can get those countries more involved in the global economy, we may have a chance to see more countries like Tunisia with a path toward democracy and maybe finally see less conflict, and greater stability.

So, today we're here to discuss ways in which we can work to reach a mutually beneficial position for U.S. businesses and the countries of the Middle East and North Africa through increased investment and trade. And with that, I will be glad to yield to my ranking member, my friend, Mr. Deutch from Florida. And if I could ask Mr. Issa to take over. Thank you.

Mr. DEUTCH. Thanks, Madam Chairman, and thanks to our witnesses for being here today.

Over 4 years have past since the protests started in Tunisia setting off a chain reaction across the Middle East and North Africa. With varying results, both positive and negative, the protest led to dramatic changes in the region. The Middle East and North Africa that we see today are different, in some ways it's even indistinguishable from before January 2011.

Over these years, our Government has attempted to position itself and to direct our foreign aid in a way that would best promote the democratic principles that we cherish here in the United States.

We often talk about the soft power that we use, commonly through civil society groups and NGOs to promote good governance, rule of law, equal treatment for women, and respect for religious minorities, among many other values. In this hearing, I look forward to hearing our witnesses discuss the role that the U.S. Government plays in promoting a mutually beneficial economic policy with our allies in the region.

An important element for any country strategy for meeting the needs of the people including here in the United States is economic growth. A country that prioritizes job creation and developing a robust economic infrastructure that encourages innovation, entrepreneurship, foreign investment, and expanded trade relations will find support from its population. Simply put, an expanded and more widely accessible economy can contribute to a country's success, and of great importance in the region especially, its stability.

For these reasons, it's important the U.S. Government do what it can to help countries improve their national economies. That's why our Embassies in the region are staffed with liaisons working to improve bilateral commercial ties. Of course, we wouldn't act unless there was a mutual benefit, a substantial return on our efforts.

In this case, I think those benefits are clear. Each American private sector firm and business that benefits from this support will hopefully return the profits and jobs created to meet the new demands back—to meet those new demands back to the United States. In addition, a more prosperous country that offers more economic possibilities for its people will find greater stability.

For a region experiencing significant population booms reaching working age, enticing the youth, many of whom might come from difficult regions, enticing them with attainable economic opportunities can help rebuff lures to turn to extremism and join ranks in terrorist groups like Ansar al-Sharia or ISIS. And for a region with such severe security threats, the United States should invest in any options available to us that can contribute to the security and the stability of our allies.

Understandably, destabilizing security threats and attacks discourage trade and investments. This is reflected in our fluctuating bilateral trade volume since 2010. In some cases, it has rebounded well. For example, U.S. exports to Egypt slipped in the years when the country was dealing with political uncertainties. In 2014 it returned to pre-2012 levels. Today our exports to Tunisia have risen significantly. Since the revolution, obviously, we pay close attention to the results of the recent attacks. But it's important to remember that growing ones economy isn't simply increasing trade or foreign investment. We should not forget that many of the revolutions in

the region were encouraged by large populations who did not feel the ripple effect of foreign commerce in their lives. That's why public trust in the government is also essential.

If the people of a country don't see the benefits of expanded and more international commerce in their country; for example, if the profits and jobs remain solely among a small elite class, then the same grievances that we heard so loudly 4 years ago will remain unabated.

A country without the institutional framework for handling expansion into new sectors or increased demand volume for exports and imports will not run efficiently, and won't maximize the positive financial impact on the country.

The government also needs to insure that they are fostering future generations of educated citizens able to continue the specialized work of modernizing an economy. Without proper worker protections and equal access for women, a modern economy cannot approach full efficiency and maximization of resources.

These are important considerations for countries amid their political transitions, but we should also be cognizant of best practices so that we can be prepared to take on the rebuilding and the changes that will come in Syria, in Libya, and in Yemen.

I look forward to the witnesses' testimony which I hope to hear what steps are being taken to support U.S. commerce in the region, while at the same time considering the other factors in play to insure that the expanded commercial ties benefit the entire country in all regions from the bottom to the top.

I thank the chairman, and I yield back.

Mr. ISSA. I thank the gentleman. And, briefly, the 1 minute I would be given by the chair were she still here. t his is an important hearing and it will in many ways go unnoticed.

Every day ISIS is in the front lines of discussion while, in fact, the areas that have fomented so much of this opportunity for extremism sometimes doesn't get looked at properly.

Today, our witnesses are, in fact, two individuals who are at the front line of dealing with the pre-event portion of it, the diplomatic portion. Over the years, whether it was Ambassador Welsh, Ambassador Satterfield, or William Burns, all of Ambassador Burns, all of them have had similar jobs, or in some cases the identical job you have. Each of them has been a mentor to me, and acutely understood what it will take in order to fix the problem. So, as I listen to your statements and follow-up with questions, I will be asking, and I will be interested to know now that, as Mr. Deutch mentioned, now that the Arab Spring has proven that eliminating a dictator and replacing them with democracy is not the answer. It may, in fact, be an important step in some cases, but the institution of real rule of law, civil rights, and the opportunity in an entrepreneurial, economic way to go from a lack of prosperity to prosperity; in other words, the have nots having the opportunity to eventually be the haves, and not to the exclusion of others, the rising tide that in America raises so many out of poverty, or out of middle class, or out of the upper middle class and does not exist in Africa or most portions of the Middle East, in fact, will be a critical part of what I'll ask for today.

And with that, it's my pleasure to introduce our panel of witnesses. First, I'm pleased to introduce Ms. Elizabeth Richard, who serves as the Deputy Assistant Secretary of State for the Bureau of Near Eastern Affairs. Previously, she served as the DCM or Deputy Chief of Mission in Sana'a. Boy, that was an esoteric place to be that you can tell us more about, and the border coordination in Islamabad. She also was the Deputy to the Special Ambassador for War Crimes and Special Assistant Undersecretary for Political Affairs. Welcome.

Second, we welcome Mr. Scott Nathan, who is the Special Representative for Commercial and Business Affairs for the Bureau of Economic and Business Affairs. In the past, he has worked as the Chief Risk Officer in the private sector at the Bob Post Group in Boston, and served as the economic advisor to the Governor of Massachusetts, who will remain nameless, but a governor.

And with that, Ms. Richard, you're recognized for more or less 5 minutes.

STATEMENT OF MS. ELIZABETH RICHARD, DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. RICHARD. Thank you very much, sir. Thank you, thank you, Mr. Ranking Member and members of the subcommittee who may join us later. Thanks very much for the opportunity to testify here today.

Those of us who work on the Middle East and North Africa are all too familiar with the distressing news that routinely comes out of the region. But as this subcommittee knows all too well, the region faces deep structural challenges that feed the historic instability that we're seeing today.

However, what's too often overlooked and what seldom gets enough publicity is the good news story of the growing economic opportunities for American business in the region.

Over the past 4 years alone, U.S. trade with the Middle East and North Africa has grown on an average by $1 billion a year, and it's reached $197 billion just last year. And U.S. exports to the region are at an all time high, and our trade deficit with the region is rapidly shrinking.

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 can help make the region stronger, and that ultimately strengthens the American economy, as well.

Let me be clear that jobs alone will not solve the problem of violent extremism, but they can provide opportunity and purpose for a very large population of at-risk people, including youth.

Moreover, facilitating U.S. businesses access to markets around the region is a crucial part of Secretary Kerry's economic diplomacy. A central mission of all our Embassies is to fiercely advocate on behalf of American enterprises. Ambassadors and our Embassy staff frequently sit down with American businesses to advise, strategize, and work with them on local business opportunities. They'll meet personally with economic ministers if there's a public solicitation that U.S. business can bid on.

For example, in April, Ambassador Joan Polaschik after numerous talks with Algeria's Minister of Transportation helped GE finalize a $20-million deal with the state-owned railroad company. In Iraq, Ambassador Stuart Jones and the U.S. Embassy team relentlessly advocated with high-ranking officials there, and 2 weeks ago finally the grain board of Iraq announced that it would spend $37 million to buy 63,000 metric tons of rice grown here in the United States is Louisiana, Missouri, Arkansas, and Texas. In Egypt, our Embassy in Cairo successfully advocated on behalf of the Great Lakes Dredge and Dock Company which has won a $135-million contract for work in the Suez Canal. And countries in the Middle East and North Africa have become some of Boeing's largest markets. Over the past few years, customers there have purchased or placed orders with Boeing worth more than $130 billion; 200 777 Aircraft which include 300 American-made GE engines were ordered just last year alone.

Ranking Member Deutch, Mr. Congressman, 41 American companies with ties to Florida have foreign subsidiaries in the region, and companies from every part of our country do business there.

Interestingly, and I think this is important, many of them are immediately recognizable to people in the region as American. For example, Arby's has opened a franchise in Iraq, and Nestle Tollhouse is poised to begin business there soon. Johnny Rockets, ReMax, Pizza Hut and 26 other franchises will open for business in Tunisia thanks in large part to the work that the U.S. Embassy has done with the Tunisian Government and other stakeholders to liberalize franchising laws.

Obviously, these successes alone will not solve the serious challenges this region faces, but we need to make headway, and we need our business community to play a leading role in addressing the deep economic problem this region faces.

So, I thank you very much for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Ms. Richard follows:]

Testimony for the Record
Elizabeth Richard
Deputy Assistant Secretary of State for Assistance Coordination

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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Mr. ISSA. Mr. Nathan.

STATEMENT OF MR. SCOTT NATHAN, SPECIAL REPRESENTATIVE FOR COMMERCIAL AND BUSINESS AFFAIRS, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. NATHAN. Thank you, Mr. Issa, Mr. Deutch, and other members of the committee. I appreciate the opportunity to testify today.

Despite the challenges facing this region, there are still many opportunities for business, and my testimony will focus on what the State Department is doing to help U.S. firms seize these opportunities.

The business and investment climate in these countries can be difficult, but we are working with the private sector and our partners to try to reverse this trend, create more jobs, and spur inclusive growth. By investing and employing more people, U.S. firms play an important role in helping transform the economic landscape of the Middle East and North Africa. Because of their high standards and business practices, U.S. firms often set an example that helps catalyze broader change. They participate in local American Chambers of Commerce and other business councils helping to give important private sector voice to the reform agenda.

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. In my 16 months as Special Representative, I visited the Middle East and North Africa three times, and I will return to continue our efforts to strengthen commercial linkages next week.

To assist the economic transitions in the region, we're taking a three-pronged approach that presses for policy reform, support our companies in pursuing commercial opportunities, and helps the development of local entrepreneurs and SMEs.

First, we're engaging with our 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. Creating jobs and opportunity through private sector-led expansion is critical to the future success of the region.

We push for open trade and investment policies that will promote sustainable growth and enable American businesses to have fair access to these growing markets. Our two-way trade in the region more than doubled over the last 5 years, and around a quarter of our exports to the region were sent to our five free trade agreement partners; Israel, Morocco, Oman, Bahrain, and Jordan.

Under the FTA with Israel, for example, bilateral trade reached approximately $38 billion in 2014, up from $2.6 billion when the agreement began 30 years earlier. In Jordan, our FTA enabled a local company, PETRA Engineering, to purchase over $15 million worth of equipment from U.S. SMEs just this year alone, and every air conditioning unit they produce and export around the globe uses components made in the United States.

Second, we're hoping to connect our private sector with promising opportunities and we're doing what we can to position our companies to succeed. A high priority for Ambassadors and Em-

bassy teams in the MENA region and around the world is to advocate for U.S. companies bidding on foreign government procurements.

Last year our advocacy efforts contributed to over $45 billion worth of sales in the region supporting thousands of jobs in a dozen states. For example, Bechtel won a $3.1 billion contract in Saudi Arabia last year to design and construct new metro lines in Riyadh assisted by advocacy from then Ambassador James Smith and Secretary Kerry. Divida Health Care Partners won a $1.3-billion contract to provide dialysis services after strong mission Saudi Arabia support. In 2014, State Department advocacy helped secure Florida-based Blumberg Grain, a contract to provide 93 storage and processing sites across Egypt. At the recent Egypt economic development conference, General Electric announced a $1.6-billion deal to provide more than 2 gigawatts of power generation equipment, most of which is now operating and helping Egyptians meet their peak summer demand.

Third, we're helping to support local private sector development from the ground up through programs that bolster SMEs and entrepreneurs. Just one example, for the last few years, Coca-Cola has partnered with the State Department and the Kelly School of Business to host a summer entrepreneurship program for 100 college students from across the MENA region. These future business and civic society leaders returned to their countries with new skills and contacts better enabling them to start businesses and create jobs. On a much larger scale, President Obama's Global Entrepreneurship Summit helps deepen ties between business leaders, NGOs, academics, and aspiring entrepreneurs. And GES has been twice held in the region. Last year in Morocco, we instituted a day devoted to helping youth and women entrepreneurs.

To conclude, I've discussed only a small sample of our economic engagement with the Middle East and North Africa. Sustainable economic development in this region is integral to defending our nation's interests and insuring the security of all Americans. Our private sector plays a key role in this, and we're there to support them.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Nathan follows:]

Testimony of Scott Nathan
Special Representative for Commercial and Business Affairs
Bureau of Economic and Business Affairs
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.

Mr. CHABOT. Thank you very much. We appreciate your testimony here this morning, and we'll now recognize members for 5 minutes, and I'll begin with myself.

The—in May 2011, the President announced the launch of the Middle East and North Africa Trade and Investment Partnership Initiative with the proposed goals of facilitating regional trade, promoting integration with U.S. and European markets, and helping to construct a regional trade agreement. He stated, "This strategic objective was to create an economic force for reform and to assist with democratic transitions in the Middle East," yet, very little has been said about the partnership since its launch, and there's no mention of it at all in the President's latest trade policy agenda, or either of your testimonies. What is the status of the partnership, and why was it not included in the President's trade policy agenda? And I'll open it either one of you. Mr. Nathan.

Mr. NATHAN. Sure. Thank you very much, Mr. Chabot.

In terms of our work with our partners in the region on trade, we have numerous bilateral dialogues in which the possibility of economic reform to lay the groundwork for a trade agreement is underway. Just this year we had economic and strategic dialogues with Morocco. We're doing so with Israel and the UAE, but in order to move forward with trade agreements either on a bilateral or a multilateral basis, we need to see progress on the reform agenda broadly.

Mr. CHABOT. Thank you. Let me move to another question here.

Where are we in meeting in the partnership strategic objective, and if it's not yet been that, does the President plan on extending the partnership's mandate?

Mr. NATHAN. I can't give you a status report on where we are on the objectives. What I would recommend is that we have our experts from our trade area come up and brief you on that, specifically.

Mr. CHABOT. All right. Well, we would appreciate the administration get back to the committee with answers to that.

Mr. NATHAN. Absolutely.

Mr. CHABOT. Many countries in the region are working hard to diversify their economies. Which countries have been more successful at this diversification, which need to do more, and how is the United States helping in their efforts? Ms. Richard?

Ms. RICHARD. Sir, I think Israel is a terrific example of a country that's done exactly that. Over the past 30 years, the diversification, the investment in the private sector, the investment in technology has allowed Israel to play on par with the developed world and with the West. There are a couple of others that are starting to make progress. I think Tunisia is working very hard in this direction, and we have quite a bit of engagement with the Tunisian Government on exactly this point, the need to diversify their economy beyond some of the traditional agricultural products, and some progress has been made there.

Mr. CHABOT. Do you think that the recent terrorist attack in Tunisia will have any impact on their progress in that area?

Ms. RICHARD. I don't think it will have any impact on the government's commitment to diversify, but I think the fact that the tourism industry took such an immediate and significant hit, has only

highlighted the need to further diversify that economy. I think that they are completely devoted to continuing to work on that.

Mr. CHABOT. Thank you.

The United States has a number of trade investment framework agreements with countries in the region. How many of those are likely to develop into something more, and are there any countries that we consider concluding a free trade agreement with that we don't currently have?

Mr. NATHAN. So, in terms of countries that we might enter into free trade agreements, I can't specifically comment on what the prospects are with an individual country, but what I can say is that in all of our dialogue, either formal or informal, with countries in the region we're pressing forward with the reform agenda, providing technical assistance on the change in laws to move toward more market-oriented regulations, cutting through bureaucracy, protection of intellectual property rights, all the things that lay the basis for then taking the next step toward a free trade agreement.

Mr. CHABOT. Okay, thank you. I think I've got time to get one more question in here before my time expires.

While Saudi Arabia is our largest trading partner in the Middle East by overall volume, it's mainly due to U.S. oil imports, of course. What's preventing additional U.S. exports and investment in other economic sectors, and what is State doing to encourage additional opportunities for U.S. commerce?

Mr. NATHAN. So, as I mentioned in my testimony, we've been advocating hard. Our Ambassadors and posts on the grounds, as well as Washington-based principals to win contracts for American countries in Saudi Arabia. I cited a few examples.

There's always progress that could be made on transparency and openness of procurement processes, and opening up of the business and investment climate. But, for example, Saudi Arabia already is the third largest importer of automobiles from the United States, so it's a high indication of opportunities to diversify our trade with Saudi Arabia.

Mr. CHABOT. Thank you very much. My time has expired. The ranking member, Mr. Deutch, is recognized for 5 minutes.

Mr. DEUTCH. Thanks, Mr. Chairman.

Ms. Richard, you spoke about the—you gave us some big picture data points on the growth of our economic relationships. And, Mr. Nathan, you spoke about individual—you gave some examples of individual companies who have benefitted, but if you could—I would love to hear you tell us what you're most excited about. I mean, this is what you do every day. What are you most excited about in the region and opportunities for American business?

Ms. RICHARD. Maybe I can start with that, sir. And thank you for the question, because there's a lot to be excited about. And I think that's—we're very thrilled to be there—to be here today for exactly this reason. There is so much bad news coming out in the press that you can't believe anything good is happening, but there is a lot. And I think one of the things, we always talk about the youth demographics here as a problem, and an obstacle, and a danger, and something that can be exploited by terrorists, and that's all true. But it's also an incredible opportunity, and I think if you look at some of what's being done on the small and medium enter-

prise scale, particularly as regards technology, there is a lot that's happening, and it's very exciting.

It is moving around a little bit some of the moribund economies, some of the things that keep these economies from developing like lack of transparency, poor regulatory environment and the like. And it's also really opened up an avenue for women to join the workforce. Women in the workforce in the Middle East is the lowest level in the world. In Africa, for example, about 63 percent of the labor force is women; in the Middle East it's 21 percent. But technology has given an opportunity for women, and especially young people to work beyond those obstacles. So, for example, we can have women running a business from their home. They can employ other women who are also working from their home. And we have some really interesting programs to help with this, Tech Women, Tech Girls. We bring female entrepreneurs to the United States to sit with their counterparts here and learn how to do this. So, I think the opportunity side of what's going on with this huge youth population and the opportunity for U.S. business to take advantage of that is huge.

Mr. DEUTCH. Great, thanks. Mr. Nathan.

Mr. NATHAN. So, I echo my colleague's comments about the opportunities in entrepreneurship. There's just fantastic opportunities there for us to make progress, and empowering youth, women, disadvantaged communities by giving them the tools, the ability to reach their human potential through starting a business, and helping them navigate through what is often a very challenging environment of bureaucracy.

But I want to return to what we do on commercial advocacy. It's really in many ways the bread and butter of what my office focuses on. There are many parts of the U.S. Government which help support this, the Department of Commerce and elsewhere around the interagency, but I'm a competitive guy. I'm a deal guy. I like to win, and the idea of helping U.S. companies compete on a level playing field and win contracts that not only help on the ground in the region bring examples of good business practice, but also strengthen our own economy at home and create jobs. That's a win-win. I know how much our Ambassadors on the ground are committed to this idea. They like to win, and they're competitive, as well.

Mr. DEUTCH. All right, thanks.

Can we just get back to something you both just mentioned, which was some of the positive aspects on the ground in society. Is it too soon for us—well, can you identify positive social trends? Is it too soon to describe trends we've seen with respect to advancement for women, or more opportunities for young people in countries where we've seen increased economic ties with the United States?

Mr. NATHAN. So, I'd say that I think from a statistical point of view it's probably too soon to prove that out. There are plenty of anecdotes, however. I mean, one that I'll just highlight, under the Global Entrepreneurship Program that we coordinate out of the Office of Commercial and Business Affairs, we've recently signed up an entrepreneur in residence, the first regional entrepreneur for the Gulf Region. She's a woman, a star on reality TV in Kuwait,

has a huge social media following, and really serves as in a large-scale way a mentor to women throughout the region about the possibility of empowering themselves through business. It's anecdotes like that that I think give me hope for the future.

Mr. DEUTCH. Ms. Richard.

Ms. RICHARD. Yes, I would second that. And if I might from my own experience in Yemen for the 3 years from the start of the Arab Spring and 3 years on, one of the things I saw among the younger people is a willingness, and ability, and comfort level to sit with each other, to collaborate with each other among the youth, and among men and women, which is very, very different. And in quite a very conservative country as Yemen is, it was very interesting to see this through the Arab Spring protests and through the national dialogue process, which ended up with young men and young women sitting together to try and create a new constitution for the country.

Mr. DEUTCH. Thanks. And to the extent—this is very helpful to the extent that there are American businesses who hearing all of the wonderful opportunities you discussed would like to learn more. I mean, what's the best place? Where should members direct them to go for the best and central location for this information?

Mr. NATHAN. Well, there's a—I mean, the best source of information about opportunities on the ground are our posts, our missions, our Embassies, the Ambassadors and their teams. But whether it's the State Department, the Commerce Department, or other parts of the Government here in Washington, we have many programs through our Web sites that provide that sort of information.

Mr. DEUTCH. Any in particular, Ms. Richard? Thanks.

Ms. RICHARD. No, I would agree with that. This is an absolute priority for Secretary Kerry. Economic diplomacy is foreign policy, and so the State Department is a great place to start. Our colleagues at the Department of Commerce also spend an awful lot of their time and energy doing this, and as Mr. Nathan said, our Ambassadors live and breathe to do exactly this.

Mr. DEUTCH. Let me try it a different way.

Mr. NATHAN. I can mention one specifically.

Mr. DEUTCH. Please, yes.

Mr. NATHAN. So, we have a program called the Direct Line for Business. It's instituted in 2012. It allows SMEs and other businesses here to connect with our posts on the ground to consider particular opportunities. The Ambassadors and their teams through webinars or conference calls can relate business opportunities. We've had 30 of these webinars just in the MENA region alone. They're focused on opportunities like the health care sector in Oman, or the security sector in Libya.

Mr. DEUTCH. Finally, Ms. Richard, that's helpful if the business is not quite at that point, they just want to learn more and they went to State.gov, what should they look for? I'm just trying to really——

Mr. NATHAN. So, at State.gov, there's the Commercial and Business Affairs tab, and Business USA.

Mr. DEUTCH. That's what I want.

Mr. NATHAN. Thanks.

Mr. DEUTCH. Okay, thanks very much. I yield back.

Mr. TROTT. I want to thank the ranking member for holding this hearing, and also thank the witnesses for testifying. And I now recognize myself for 5 minutes.

Either witness, the United States' decreased reliance on Middle Eastern crude oil has caused the price of oil to fall below $50 a barrel. Is that negatively impacting our relationship with countries in the region, either witness would be great?

Ms. RICHARD. Let me start and simply say no, it has not really affected our relationships. Our relationships across the region are based very, very much more than simply on oil, and I think you see that today. What I would say that is the change in the price has changed the dynamics in the region a little bit, depending on whether you're a net producer or a net importer. But, fundamentally, we have such a broad range of interests in that region that this is only one aspect of it.

Mr. NATHAN. I would say, I mean, it probably goes without saying, but the effect of lower oil prices on the budgets and economies of some of the countries in the region has been detrimental.

Mr. TROTT. With respect to Egypt, the efforts to privatize state-owned industries has slowed in recent years due to legal challenges. What's the—how has that impacted U.S. commerce, and what are we doing to try and move the privatization process along in Egypt?

Ms. RICHARD. That's an absolutely excellent question, because that is a fundamental problem for that economy. Egypt is a country with a moribund economy, with a very small, as in scale private sector. The private sector is actually quite closed, and there are many, many significant problems. If you look at a recent World Bank study, for example, on the constraints to growth, they are macroeconomic instability, regulatory instability, political instability, and corruption. And these four elements are present in Egypt in a significant way, so we are working very hard with the Egyptian Government to help them recognize these key areas that need to be worked on, to open up the economy not just for U.S. business, but for their own companies to grow.

Mr. NATHAN. Can I just briefly add to that?

Mr. TROTT. Please.

Mr. NATHAN. I had the opportunity to travel with Secretary Kerry to Egypt in March for the Egypt Economic Development Conference. It was really an event that highlighted that aspiration to move forward with the reform agenda, and to create more opportunities for business. There were many, many American companies there. The U.S. Chamber of Commerce hosted a huge event, and many deals, whether Coca-Cola, PepsiCo, GE were all announced at this event. So, there still are great opportunities in Egypt, and we're working hard at multiple levels to help them with the reform agenda to make sure that not only is their economy strengthened, but U.S. companies have a chance to compete.

Mr. TROTT. And how would you assess President Sisi's efforts to deal with the economic problems and attract foreign investment in Egypt?

Mr. NATHAN. So, as I just mentioned, the conference that happened in March was an event that I think was very personally important to President Sisi. Many leaders from around the region,

many businesses from around the globe attended it. He was front and center the whole time, and I think really drove the agenda. There's a lot of challenge, as my colleague mentioned, in Egypt, but I think there's no shortage of energy devoted to pushing forward with the reform agenda and the economy.

Mr. TROTT. Okay. In Lebanon, they're working hard to combat corruption and the anti-bribery network, and is it—are they making progress? Is it lending itself to a more commercially reasonable environment for folks to do business in Lebanon?

Ms. RICHARD. They are making some progress. It's slow, and the fact that there hasn't been a President for a long time, and the government is a little bit stuck is definitely a problem. The other thing I'd say is a problem, and the Lebanese economy is incredibly resilient, somehow has posted a very modest gain this year, I think about 2 percent, which is really saying something in the environment that exists there now.

The instability in the region and the overflow from Syria, though, is creating serious problems for them, and they affect tourism, the tourism sector, they affect investment and the willingness of investors to go into the country. So, these are two areas that are extremely vulnerable right now, and I think that we need to keep working on the macroeconomic part of this, the laws, et cetera. But the stability issue is also very much an element here.

Mr. TROTT. With respect to Morocco, I think I have time for one more question. It's the gateway for growing economies in the African Continent, except unemployment is staggeringly high. Is there a reason for this disconnect? And, again, are they making progress in trying to bring the unemployment down in Morocco?

Mr. NATHAN. So, I know that they're very focused on the question. I was there last November. They hosted President Obama's fifth Global Entrepreneurship Summit, and two elements of what you mentioned in your question were highlighted by the Government of Morocco through this event. One is their place is a gateway to Africa, and I should mention they're the only country on the Continent of Africa with whom we have a free trade agreement. And the second point was doing what's necessary to spark entrepreneurship. In a clear way the bureaucracy changed the attitude in the region toward taking a risk and provide the support and mentorship necessary to make that possible. It's through small enterprises, through entrepreneurs that they'll be able to create the jobs to absorb the unemployment problem that you're talking about. And it was clear, 6,000 people attended this event in Marrakesh. It was clear that they had put a lot of effort into that, and were putting force behind it.

Mr. TROTT. All right. Well, my time is expired. I'm not sure if there are any other members of the committee that have questions. Ranking Member Deutch, please.

Mr. DEUTCH. Thanks, I appreciate it. Thanks to both of you for coming. It's a very positive story that you're telling that we don't often get a lot of positive news in this committee, so I appreciate that.

I just wanted to circle back, Mr. Nathan, to the—you both mentioned the Florida companies that are impacted by all this, but there's one in South Florida, in particular, Blumberg Grain. The

suppliers for that project are U.S.-based. They are, as I understand it, mostly small and medium-sized businesses. How—on a project like that where there are some 93 storage sites I think you said, how do you—what role can you play to insure that a company like that, when deals like that come along, how do we insure that it can be built upon when there are successes that wind up having the benefits back home for the suppliers to those companies?

Mr. NATHAN. So, thanks for the question, because Blumberg Grain really is a success story. They attended the conference in March that I mentioned, the Egypt Economic Development Conference, and they've had good news since the advocacy that I mentioned that got them the first contract for the 93 storage facilities. President Sisi has recently announced a tripling of the program with this company. It's not only an example of an innovative solution with U.S. content that is a successful export, it's also solving a problem for Egyptian society and the Government of Egypt, which is food security, how to have better storage and processing at a cheaper price in a more efficient way throughout Egypt. I mean, it's been a millennial problem in the region, and Blumberg Grain is bringing a solution to that. They work closely with our post on the ground. They work closely with the U.S. Chamber of Commerce and the local U.S.-Egypt, and Egypt-U.S. Business Councils. They take full advantage of the opportunities to get in front of the Egyptian Government, and push forward the advantage of their product, and we're there to support them.

Mr. DEUTCH. That's great. I appreciate that. Thanks very much, Mr. Chairman. I yield back.

Mr. TROTT. Well, I don't believe any other committee members—recognize the gentleman from Virginia for 5 minutes.

Mr. CONNOLLY. Forgive me, Mr. Chairman, I had a markup the Oversight and Government Reform Committee, and had a bill to be marked up. And welcome to our panel.

If I could ask maybe some broader geopolitical questions about commerce in this region, has commerce effectively stopped in large chunks of the region given insurgencies, and instability, and violence? I mean, how has it affected our commerce with Lebanon? Either one.

Ms. RICHARD. Well, maybe I can start. Absolutely, the instability in the region has affected commerce, but it certainly has not stopped commerce. And I think the two of us today have mentioned, and also in our written testimony, really a staggering number of success stories that we don't hear about every day in the press. And I know our Ambassador in Egypt, Ambassador Beecroft, is currently working on advocacy for I think about $19 billion worth of deals right now.

Mr. CONNOLLY. Of?

Ms. RICHARD. About $19 billion worth of deals. The Embassy in Egypt is advocating right now. Now, that's a very good news—that's very much a good news story, and there's a lot happening.

In Lebanon, in particular, I mentioned a moment ago, Lebanese companies somehow, and the Lebanese economy is somehow managing to be very resilient in the face of quite a bit of instability on its borders, and recently posted about a 2-percent growth. That's modest growth, but that's growth in a region that's quite chal-

lenged right now. But there's no doubt that this situation is affecting, as I mentioned, investment, foreign Direct Investment in Lebanon. And it's affecting the tourism sector, and it's also affecting those sectors that depend on transportation because so many of the transport networks throughout the region, intra regional trade depend on going through Syria.

Mr. CONNOLLY. Sure. I would also—to what extent is personal security a barrier, as well? I mean, businessmen and businesswomen, and investors are willing to take risks up to a point, but if my own personal security is always at risk where I stay, where I eat, when I travel, who I meet with, there are plenty of places to invest and do business with that don't put me in that kind of risk. And have my family back home really worried sick about my personal security. To what extent is that a serious barrier in encouraging U.S. deals, trade, investment?

Ms. RICHARD. Let me just have one personal story here. I can tell you from having served, a career foreign service officer and my last three postings have been Sana'a, Yemen, Islamabad, Pakistan, and Kabul, Afghanistan. So, I can tell you——

Mr. CONNOLLY. Somebody loves you at the State Department, obviously, Ms. Richard.

Ms. RICHARD. I did something right or wrong.

Mr. CONNOLLY. Yes, you did something——

Ms. RICHARD. But I can tell you, yes, risk is absolutely an issue, but one can work in these areas. And I think American companies are looking at these markets. Look at Egypt, 90 million people, that is a vast market for consumer goods and for all kinds of commerce. So, they're looking at those, they're assessing their security, of course, and we work very closely through our OSEC councils to collaborate with U.S. companies. Our Ambassadors meet with them regularly to talk about risk, but there's a lot of opportunity here. And companies, I think, are making smart decisions.

Mr. CONNOLLY. Mr. Nathan?

Ms. RICHARD. Mr. Nathan.

Mr. NATHAN. I really don't have anything to add to that. I was going to mention the role that our posts on the ground through the OSECs play in helping businesses.

I guess what I would say is that we meet with businesses all the time that are looking for assistance in pursuing opportunities through the region, and the question you raised does not come up. I think in———

Mr. CONNOLLY. Does not?

Mr. NATHAN. Does not come up, and I think the reason is that many of these companies have operated in this region and elsewhere around the world for years where there are security challenges. And that doesn't make it easy, but it means that they've become to some extent accustomed with how to deal with it. It does act as a tax on doing business. This is true in any region where there's instability. But, nonetheless, the opportunities are such that they continue to pursue them.

Mr. CONNOLLY. Well, I'm somewhat—I mean, I worked in the private sector for 20 years until I came up here, and I can tell you, the two companies I worked for were both international, and we did our own assessment of risk. Now, maybe that's what happens,

we decide we're not going to play in certain venues and you don't ever meet with us. And, as I said, I mean, I understand that especially in more dicey parts of the world the risk factor is higher, of course. But I guess I'm asking to what extent does it become a real high barrier for a U.S. presence? I was with some folks who have been multiple times, many multiple times to Afghanistan and, candidly, the security situation has just plummeted in the last few years, and you can't do business. I mean, it's very—I mean, maybe you need to stay in the compound. If you stay there, you have to hire armed guards. If you're outside the green zone you're at risk, you could be targeted. You're very aware of it, and they're having trouble recruiting anybody who wants to frankly work in that kind of environment.

Mr. NATHAN. Yes.

Mr. CONNOLLY. At any rate, I just—I think it's good to hear that we're still doing business in the region, and there are deals to be had and we haven't abandoned. But I'd love to get more of a sense of—but with rising instability in certain parts of the region, the rise of ISIS and, you know, outright warfare, and what's going on in Syria, and dislocations, and refugee populations swelling, and so forth, has that appreciably shown itself in data in terms of U.S. economic presence to a trade investment and the like? And I'd be very interested in following that. Thank you, Mr. Chairman.

Mr. TROTT. The gentlewoman from New York is recognized for 5 minutes.

Ms. MENG. Thank you, Mr. Chairman, Mr. Ranking Member, and to our witnesses for being here today.

I have a question about in general localities in states such as California has had water shortage and drought issues. I know that in the region, Middle East in general, but particularly Israel has had a lot of success in groundbreaking technology and usage of techniques in water shortage situations of their own. So, I know that there's been some conversation and some action, but I was wondering your thoughts on potentially more areas of collaboration between Israel and localities or states, such as California, and what more could be done on a Federal level, how we can be more helpful?

Mr. NATHAN. So, I would just mention that our collaboration mostly at a private sector to private sector level with Israel could not be stronger. If you look at collaboration in research and development and innovation, the relationship between the high-tech community in the United States, much of which is in California, but spread throughout the country and the high-tech sector in Israel is incredibly strong. U.S. firms locate research and development centers in Israel because of the high level of talent.

After China, there's no country that has more NASDAQ listed companies than Israel, a reflection of the innovation and dynamism of their private sector in the high-tech area. So, I think there's some that we can do to provide the backdrop and framework for that. We've had our very first free trade agreement with any country was with Israel. It's celebrating its 30th anniversary. There's exchange from a scientific and academic point of view. We have policy dialogues, economic policy dialogue with Israel in a very robust way. But I think really, ultimately, it's the private sector col-

laboration and deep linkage between the two countries that's going to produce the type of results you asked about.

Mr. TROTT. Thank you. Well, I don't believe there are any other members of the committee that are here with questions. So unless the ranking member has any other questions, or gentleman from Virginia, we thank you for your insight and your testimony this morning, and the committee stands adjourned.

Mr. NATHAN. Thank you very much.

[Whereupon, at 10:56 a.m., the Committee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on the Middle East and North Africa
Ileana Ros-Lehtinen (R-FL), Chairman

July 20, 2015

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Middle East and North Africa in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, July 22, 2015

TIME: 10:00 a.m.

SUBJECT: Promoting U.S. Commerce in the Middle East and North Africa

WITNESSES: Ms. Elizabeth Richard
Deputy Assistant Secretary
Bureau of Near Eastern Affairs
U.S. Department of State

Mr. Scott Nathan
Special Representative for Commercial and Business Affairs
Bureau of Economic and Business Affairs
U.S. Department of State

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Middle East and North Africa* HEARING

Day *Wednesday* **Date** *7/22/2015* **Room** *2172*

Starting Time *10:04 a.m.* **Ending Time** *10:56 a.m.*

Recesses [*0*] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)
Chairman Ros-Lehtinen, Reps. Issa, Chabot, Trott

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [✓]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:
Promoting U.S. Commerce in the Middle Esat and North Africa

SUBCOMMITTEE MEMBERS PRESENT:
Chairman Ros-Lehtinen, Reps. Chabot, Issa. Trott, Deutch, Connolly and Meng.

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*
SFR - Rep. Connolly

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *10:56 a.m.*

Subcommittee Staff Director

Statement for the Record

Submitted by Mr. Connolly of Virginia

Many of the countries of the Middle East and North Africa are either mired in civil war, fighting transnational terrorist elements within their borders, or struggling to manage a crushing flow of refugees. These are substantial obstacles to maintaining a functioning state, much less creating opportunities for commerce.

Despite constituting 5.6 percent of the world's population, the countries of MENA only produce 4.4 percent of the world's gross domestic product (GDP). The barriers to business and foreign direct investment continue to be conflict, corruption, dysfunctional bureaucracy, and a lack of rule of law.

Even though the U.S. has signed free trade agreements with 5 countries in the region (Israel, Bahrain, Morocco, Oman, and Jordan), the U.S. economic footprint in MENA remains limited and one-dimensional. Trade with MENA countries accounts for 5 percent of total U.S. trade, and only 1 percent of total U.S. foreign direct investment flows to the region. Excluding Israel, imports to the U.S. from MENA are 90% hydrocarbons – largely coming from Saudi Arabia, Algeria, Iraq, and Kuwait.

The challenges facing expanded commerce in MENA are not insurmountable. There are countries in the region, such as the United Arab Emirates (U.A.E.), that have used wealth from oil and natural gas to diversify their economies and create business opportunities for domestic and international stakeholders. The sustainability of this growth and the stability it can offer the future of the U.A.E. economy will depend on whether the country reinvests in its people and avoids the "resource curse" that plagues many other countries in the region. Successful efforts to fight corruption and create a positive business climate have earned the U.A.E. international recognition.

However, even strong economies can falter when faced with the volatility created by an oppressed population. The U.A.E. could still find that cracking down on democratic reformers, human rights activists, and academics will unwind its hard-fought economic progress.

I look forward to hearing from our government witnesses on how the U.S. is navigating this complex region using U.S. business investment to create sustainable reforms. A dearth of broad based economic growth for the people of MENA undergirds and exacerbates the region's volatility, but it is difficult to define a prevailing incentive structure that would pull the region out of its tailspin into chaos and violence.

Creating this development plan and facilitating complementary U.S. private investments will require answering difficult questions about the efficacy of our current and planned strategies. Do job opportunities lure young men away from foreign terrorist organizations? Does subduing terrorism on the battlefield without a complementary investment and development plan set in motion perpetual conflict? It is likely that the answer is an all of the above approach that often feels counterproductive and requires perseverance, but this region needs an enduring partner.

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